

# One Bank, One Team, One UniCredit.

Capital and balance  
sheet management

Transform

Enhanced  
service model

**Ethics and Respect**

**Team 23**

Compliance

Grow and strengthen  
client franchise

Process  
optimisation

**Sustainable  
results**

Sustainability

Paperless  
bank

**2019**

Growth  
engines

**Customer  
experience**

Disciplined risk  
management

“Go-to” bank for SMEs

**“Do the right thing!”**

Annual Report and Accounts





# One Bank, One UniCredit.



Our strategy is clear and long-term: UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise.

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## Notes

The following conventional symbols have been used in the tables:

- a dash (-) indicates that the item/figure is non-existent;
- two stops (..) or "n.m." when the figures do not reach the minimum considered significant or are not meaningful;
- "n.a." indicates that the figure is not available.

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

**UniCredit S.p.A.**

A joint stock company

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

Share capital €20,994,799,961.81 fully paid in

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1

Cod. ABI 02008.1

Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi: 00348170101

Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

Stamp duty paid virtually, if due - Auth. Agenzia delle Entrate, Ufficio di Roma 1, No.143106/07 of 12.21.2007

# Board of Directors, Board of Statutory Auditors and External Auditors as at 31 December 2019

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

## Notes:

(\*) Prof. Cesare Bisoni has been appointed as Chairman starting from 20 September 2019 after the sudden death of Dott. Fabrizio Saccomanni.

(\*\*) Dott. Lamberto Andreotti has been appointed as Deputy Chairman starting from 8 October 2019 replacing Prof. Cesare Bisoni.

(\*\*\*) Dr. Martha Boeckenfeld has resigned from his office with effect from 18 September 2019.

# Chairman's message

“Sustainability characterises our new strategic plan: today, more than ever, the ways in which results are achieved are as important as the results themselves.”

**Cesare Bioni**  
Chairman



Dear Shareholders,

Please allow me to start by expressing my personal grief, and deep sorrow of all UniCredit colleagues at the premature passing of our esteemed chairman, Fabrizio Saccomanni. Fabrizio was a great friend to me and an excellent chairman of the Group. He was instrumental in the success of Transform 2019 and unfailingly supported the management throughout the execution of the plan. Thus we dedicate the success of Transform 2019 to Fabrizio.



Our solid governance system ensured an orderly transition, guaranteeing stability for the Group. I am grateful to the Board of Directors for placing their trust in me in such a delicate moment.

On behalf of the board of directors, I would like to express my heartfelt gratitude and appreciation to everyone at UniCredit, starting with the chief executive officer Jean Pierre Mustier. Jean Pierre's hard work and commitment ensured the overall plan was a success and that many Transform 2019 targets were well exceeded. The new strategic plan, Team 23, was presented in December 2019 and its implementation is already underway. The new plan focuses on strengthening the client franchise, continued disciplined risk and control management and proactive capital allocation within the framework of ongoing transformation.

In February 2020, we completed the board of directors through the co-optation of two new non-executive directors. Their strong skills will contribute to the further enrichment of our dialogue, within the board.

This is essential, as the banking sector faces ever greater challenges, in a complex macroeconomic environment. Increasing competitive pressure, also from sectors other than financial services, alongside progress in digitisation, is leading banks to rethink traditional service models.

At UniCredit, over the past years, we have laid the foundations for the future of our Group. The definition of the new strategic plan Team 23 was done in full cooperation with the board of directors. At several points the board contributed to shaping the new plan through continuous, constructive dialogue with the Group's management team.

Fully supporting the real economy of the countries where we operate is and will remain key. We are very proud to be a Pan European commercial bank, listed and headquartered in Italy. The countries where we operate show very good opportunities for the development of our activity with our 16 million clients, individual clients, small and medium-sized enterprises, which are the backbone of the European economy, and large corporates. For all of them, we are focusing on initiatives aimed at fostering their growth and development, domestically and internationally.

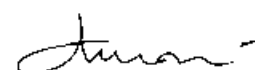
Our actions aim to create value for all our stakeholders, from our customers – who will benefit from simpler processes and more innovative products – to you, our shareholders – through our commitment to significantly increase our return on capital.

Today, more than ever, the way we achieve results is as important as the results themselves. Sustainability characterises our new strategic plan and is fully integrated in our business and decision-making processes, from the board of directors all the way throughout the Group. We have adopted a responsible approach to every business which is based on the core values Ethics and Respect, coupled with our guiding principle “Do the right thing!”. This means interacting with all our stakeholders with integrity, doing the right thing at all times. Our commitment to long-term sustainability is also shown by the adoption of new Environmental, Social and Governance (ESG) targets. Among these, I would like to highlight our one billion euro commitment to supporting projects with a positive social impact, as part of our Social Impact Banking initiative, together with clear actions to promote the transition towards a low carbon economy.

We want to be more than lenders – we want to be a partner in the positive evolution of our society. To do well, you have to do good!

Sincerely,

**Cesare Bioni**  
Chairman  
UniCredit S.p.A.



# Chief Executive Officer's message

“We always favour long-term sustainable outcomes over short-term solutions. This is a key pillar of our new plan, Team 23, which will deliver €16bn of value creation.”

**Jean Pierre Mustier**  
Chief Executive Officer



Dear Shareholders,

2019 was a very important milestone for UniCredit, although tinged with sadness for all of us in the Group. Our chairman Fabrizio Saccomanni, who was integral to the success of the Group, suddenly passed away this summer. Fabrizio was a friend of great intelligence and humanity, highly competent with a fine sense of culture and wit. His premature death was a great loss for us all and he is much missed. In September Cesare Bioni was elected chairman and I am extremely grateful to him for leading the continuing constructive work of the board.

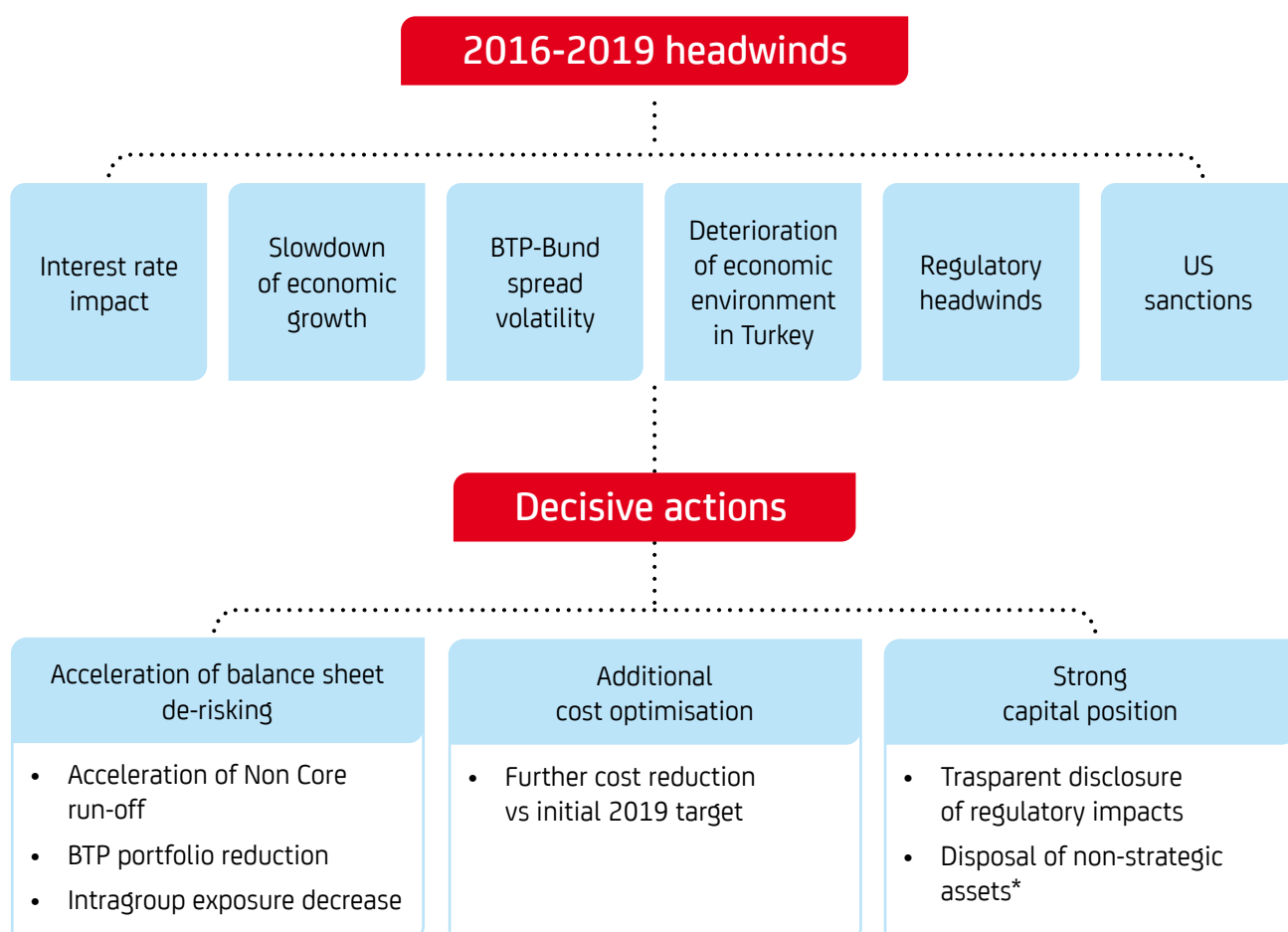
We successfully concluded our three year strategic plan, Transform 2019, launched in 2016, exceeding many of our initial targets. This success is thanks to the drive and unwavering commitment from all our team members and the support you, our shareholders, have shown us throughout the plan. This is a great achievement and I am proud of the results and the truly transformative work that has been done. To share our success and show appreciation to our shareholders, we are pleased to propose an increased capital distribution for 2019, returning 40 per cent – 30 per cent as a cash dividend and 10 per cent through a proposed share buyback.

This is double the target we set ourselves in 2016. We have shown that, no matter what, at UniCredit we say what we do and do what we say. We will apply the same mindset and dedication to our new plan, Team 23.

Although Transform 2019 was based on conservative assumptions, there were some challenges faced by the financial services sector over the past few years that could not have been foreseen.

Headwinds from unexpected geopolitical tensions, macroeconomic volatility and higher regulatory pressure added to an already testing environment.

At UniCredit, we took a series of decisive actions to counter these unforeseen events, enabling us to successfully execute our business strategy, delivering on our key targets.



\* Fineco, Mediobanca, Ocean Breeze, selected real estate.

# Transform 2019: a strategic plan delivered as promised

Transform 2019 was about restructuring and reshaping the Group, with an emphasis on strengthening capital and improving asset quality. We also strengthened our corporate governance in line with best-in-class European companies. We are the only large listed Italian company where the board of directors presents its own list of candidates. We also lifted voting restrictions and converted savings shares into common shares.

Our hard work was acknowledged by the ECB that, at the end of 2019, lowered our SREP **pillar 2 requirement by a further 25 basis points, to 175**. This is 75 basis points lower than in 2016, an achievement we are very proud of and another recognition of the outstanding work done by the team over these last three years.



## SIGNIFICANT DE-RISKING

**Gross NPEs** down by more than **€50bn** since 2015, to **€25bn** with an end 2019  
**Gross NPE ratio of 5.0 per cent** and a **Net NPE ratio 1.8 per cent**



## MATERIAL COST REDUCTION

**€2.3bn**  
**net cost reduction** since 2015 with C/I ratio reduced by more than **7 percentage points** to **52.7 per cent** in 2019



## IMPROVED ROTE

More than doubled our profitability with **underlying RoTE in 2019 of 9.2 per cent** up from 4 per cent in 2015



## STRONG CAPITAL POSITION

**Pro forma<sup>1</sup> CET1 ratio of 13.1 per cent** as at the end of 2019, equivalent to a pro forma<sup>1</sup> **MDA buffer of 300 basis points, above our 200 to 250 basis points** target range

<sup>1</sup> Pro forma 2019 CET1 ratio and MDA buffer including deduction of share buyback of €467m, subject to supervisory and AGM approval.

# Team 23: a new strategic plan, further building on our pan European strengths

While Transform 2019 represented a strong cost efficiency and de-risking effort, Team 23 focuses on strengthening and growing our customer base. All our key strategic initiatives focus on customer experience, which we will monitor precisely while making sure we increase our process optimisation. We will also continue to manage the business with tight cost discipline, focusing on high asset quality and ensuring we maintain a very strong capital level at all times. We work on this from a position of strength, thanks to Transform 2019. We will deliver a recurring dividend with a mix of cash and share buybacks.

Grow and  
strengthen client  
franchise



Transform  
and maximise  
productivity



Disciplined risk  
management  
& controls



Capital and  
balance sheet  
management



## Our strategy remains unchanged

UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in Corporate & Investment Banking (CIB), delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise



## As “One Bank, One UniCredit” we will continue to build on our existing competitive advantages



Truly local with **13 leading commercial banks\*** and a unique reach through our fully plugged in CIB and international branch network



**Provide “banking that matters”** for all our 16 million clients across Europe. UniCredit is:

- Supporting our individual clients and the European mid-market corporate clients, that are the backbone of the European economy, as the second largest corporate lender in Continental Europe
- Ranked in the top three by assets in Italy, Germany and Austria and first by assets in CEE, on a consolidated basis
- We have a well-diversified business with a third of our lending coming from Italy, a third from Germany and Austria, and a third from CEE and CIB



A fully plugged-in CIB business, **focused on supporting the Group’s clients**, with top of the league tables rankings, demonstrates our strong product offer and our ability to create significant cross-selling and synergies across the Bank

\* Assuming full regulatory deconsolidation of Yapi.



## Unique network: pan European footprint

-  Commercial banks
-  International branches and representative offices\*

\* Including UC Luxembourg and UC Ireland. Other International branches and representative offices in Asia and Oceania, North and South America, Middle East and Africa.



## "Banking that matters" for our clients

16 m clients

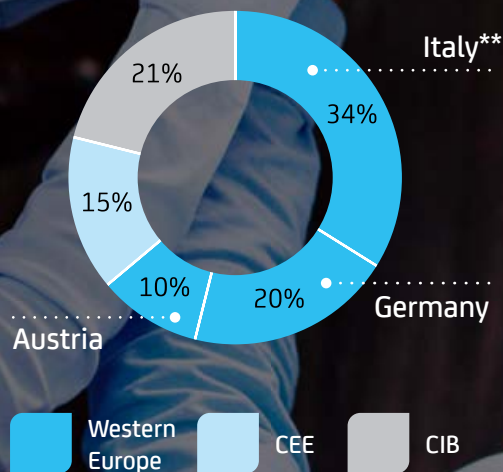
#2 for loans to corporates in Europe

#3 ranking for assets in IGA

#1 by total assets in CEE


### Well-diversified business

>430 Commercial loans, bn



\*\* Italy including Non Core and Group Corporate Centre.

### Market-leading CIB

- Most active player in EUR Bonds since 2013 (cumulative)
- #1 in EUR Bonds in Italy, Germany, Austria
-  #1 All Covered Bonds in EUR
- #1 EMEA Corporate Loans EUR denominated
- #1 Syndicated Loans in Italy, Austria and CEE; #2 in Germany

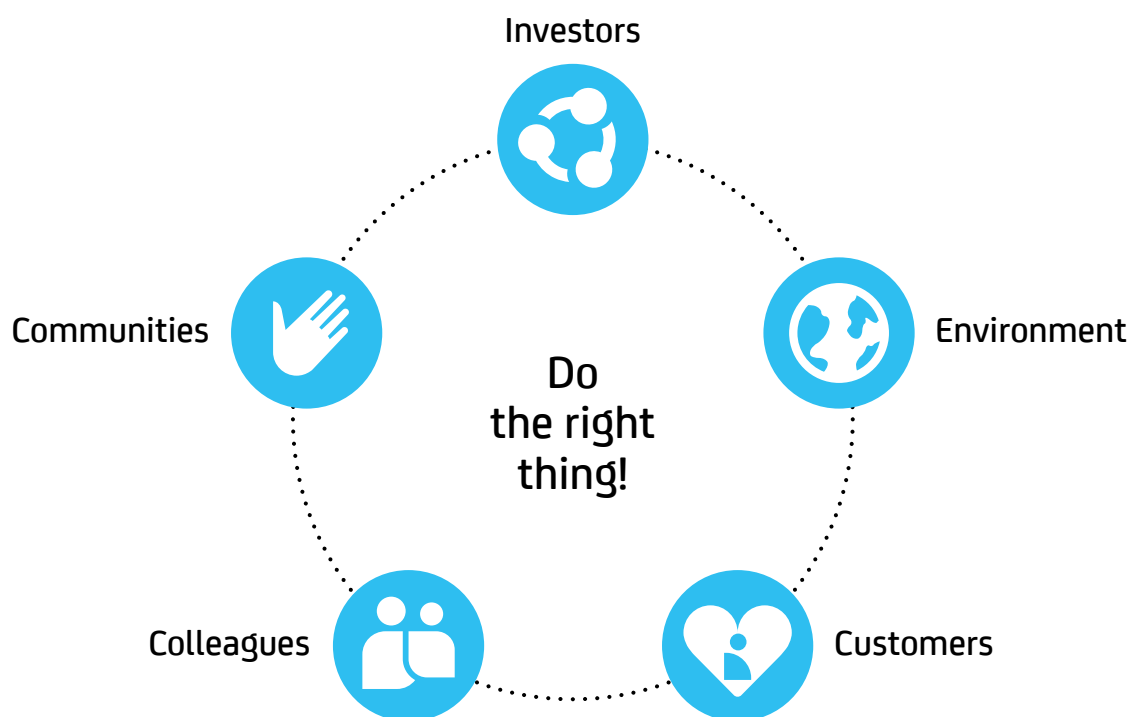
Source: Dealogic, period: 1 Jan-31 Dec 2019.

# How we achieve results in UniCredit: Do the right thing!

At UniCredit, our **corporate** culture is based on two core values: Ethics and Respect. Our commitment to always “Do the right thing!” is our guiding principle for interactions with all our stakeholders: investors, customers, colleagues and communities.

In the fourth quarter of 2019, we announced new ESG targets as part of our long-term commitment to sustainability – part of our Group’s DNA and a key component of our business model. Building a sustainable future is an important challenge for both people and businesses. Every company has to do more than ‘business as usual’ – it is time to act and make an impact.

..... “Do the right thing!” to generate sustainable results .....



We adhere to the highest standards and principles with external monitoring and recognition. This include the Task Force on Climate-Related Financial Disclosures, Principles for Responsible Banking and OECD Business for Inclusive Growth Coalition. Our commitment to ESG places us in the 99th percentile of the FTSE Russell ESG ratings, a constituent of the FTSE4Good Index Series. Standard Ethics identified us as the only bank in Italy with an EE+ rating, strong compliance and the ability to manage key reputational risks.





UniCredit Leadership Team Meeting, Millennial Board presentation, Dec 2019

## Environment



Every team member of UniCredit is committed to protect the environment: the entire UniCredit team was involved in “Climate day” on Friday September 20th, submitting more than 1,200 new ideas on what UniCredit can do concretely. All these suggestions will be implemented, under the leadership of the Group “millennial board”, made of 10 millennial team members, who bring a tremendous energy and vision to our Group to “Do the right thing!”. We are committed to reducing our direct environmental impact by further cutting greenhouse gas emissions. By 2023 all electricity consumption in Western Europe will come from renewable energy sources, by when we will also remove all single-use plastic from all our headquarters. We are working to make an ever bigger difference through our indirect emissions, partnering with our customers in the shift to a low carbon economy. As already announced, we will fully exit thermal coal mining projects by 2023 and not finance any new projects in thermal coal mining or coal fired power generation. We will increase our renewable energy sector exposure, granting more energy efficiency loans to our customers.

## Social



We have committed € 1 billion to Social Impact Banking (SIB) initiatives throughout the Group between now and end 2023. This builds on our success in Italy, where we have already disbursed over 100 million euros. The programme is now being rolled out in 10 more markets. Art4Future is supporting SIB with the sale of a limited number of expensive pieces to provide the capital to extend more social loans and buy art pieces of young artists from our different countries.

In addition, we will continue to promote culture through important associations and our UniCredit Foundation will carry on addressing important social needs, while supporting study and research.

## Governance



All companies looking to grow and thrive must also focus on diversity and inclusion. Different perspectives help improve processes and behaviours, bringing more sustainable organisations. Creating a positive and inclusive workplace is key to innovation and growth. This is why UniCredit is working on different initiatives to ensure diversity and inclusion is at the forefront throughout the Group, to increase the active participation by women and minorities at all levels of the bank.



# The future: what lies ahead

UniCredit clearly shows that pan European banking is the future for our industry to support the growth of our clients, and of Europe. We are passionate Europeans, "One Bank, One UniCredit" across all our countries, combining central support and local excellence.

With Transform 2019, we have shown we always favour long-term sustainable outcomes over short-term solutions, and this is also one of the key pillars of Team 23. This is how we will deliver €16bn of value creation during our new plan, €8bn via capital distribution and €8bn from increased tangible equity. Beyond purely economic goals serving our shareholders, we will continue to "Do the right thing!" for all our other stakeholders, from our clients, our team members, to our communities and the environment.

Let me conclude by reiterating how immensely proud I am of all my UniCredit colleagues who work so hard to achieve the success of our Group, making sure we can continue to support the real economy, serve our clients, encourage growth across all our markets, transform our Group, and deliver recurring value to all our stakeholders.

Thank you!

**Jean Pierre Mustier**  
Chief Executive Officer  
UniCredit S.p.A.







“I am immensely proud of all my UniCredit colleagues, who work so hard to achieve the success of our Group.”

**Jean Pierre Mustier**  
Chief Executive Officer

# Team 23



Our new plan is called Team 23, in recognition of the outstanding work done together for Transform 2019. Team 23 is based on four strategic pillars:

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

# Preliminary notes

UniCredit prepares a single document called “Annual report and accounts” replacing the two documents relating to the UniCredit group consolidated financial statements and the UniCredit S.p.A. company financial statements.

The integration of the contents of the two financial statements documents into a single one led to the elimination of duplications of the qualitative information presented in both files and, in order to facilitate the reading, the adoption of a system of cross-references between the chapters dedicated to the consolidated financial statements and the company ones; pursuant to these references the contents of the each referenced paragraph is entirely reported in the paragraph containing the reference.

The chapter “Incorporations of qualitative information by reference” reports the list of the references.

## General aspects

The UniCredit group's Consolidated financial statements and UniCredit S.p.A. financial statements as at 31 December 2019 were drafted in accordance with the IAS/IFRS international accounting standards, in compliance with the instructions of Banca d'Italia in Circular 262 of 22 December 2005 (and subsequent amendments). These instructions define binding requirements for the related fulfilling methods as well as regarding the minimal contents of the Notes to the accounts.

The Consolidated financial statements is made up of the Balance sheet, the Income statement, the Statement of Other comprehensive income, the Statement of changes in Shareholders' Equity, the Cash flow statement, the Notes to the accounts, as well as the Report on operations, the economic results achieved, the Group's financial situation and Annexes.

A section dedicated to Corporate Governance is also included within the document.

The Consolidated financial statements include:

- the Consolidated financial statements certification pursuant to Art.81-ter of Consob Regulation No.11971/99 as amended;
- the Independent Auditor's Report pursuant to Art.14 of Legislative Decree No.39 of 27 January 2010 and Art.10 of the EU Regulation No.537/2014.

UniCredit S.p.A. financial statements is made up of the Balance sheet, the Income statement, the Statement of other comprehensive income, the Statement of changes in Shareholder's Equity, the Cash flow statement, the Notes to the accounts as well as the Report on operation, the economic results achieved, the Bank's financial situation and Annexes.

UniCredit S.p.A. financial statements includes:

- the Annual financial statements certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended;
- the Report of the Board of Statutory Auditors pursuant to Art.153 of Legislative Decree No.58/1998;
- the Independent Auditor's Report pursuant to Art.14 of Legislative Decree No.39 of 27 January 2010 and Art.10 of the EU Regulation No.537/2014.

UniCredit's group website also contains the press releases concerning the main events of the period, the market presentation of Group results and the UniCredit group Disclosure (Pillar III), this latter is subject of joint publication with this document.

For the declaration of a non-financial nature, refer to the Integrated Report published on the company website.



# One Bank, One Team, One UniCredit.

## 2019

Consolidated Report and Accounts  
of UniCredit Group





# Consolidated report and accounts 2019 of UniCredit Group

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# Grow and strengthen client franchise.



Team 23 focuses on strengthening and growing our client franchise across all segments: SMEs, individuals and corporates.

Our strategic initiatives focus on the customer experience, to improve customer satisfaction and service quality. This is how we will increase our Net Promoter Score at Group-level.

# Introduction and Group highlights

## Introduction to the Consolidated report on operations of UniCredit group

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

In order to provide further evidences about the performance achieved by the Group, the Consolidated report on operations is also supported by some alternative performance indicators ("API") such 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.

Although some of this information, including certain APIs, is neither extracted nor directly reconciled with the Consolidated financial statements, it is worth mentioning that the Consolidated report on operations, the Annexes and the Glossary provide explanatory descriptions of the contents and, in case, the calculation methods used, in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015.

In particular the Annex 1 includes the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

The amounts related to year 2018 differ from the ones published at that time. For further details about the reasons of these restatement, refer to following paragraphs relating to the "Reconciliation principles followed for the reclassified consolidated balance sheet and income statement".

For information on relations and transactions with related-party, it shall be referred to the Notes to the consolidated accounts - Part H of Consolidated financial statements of UniCredit group.

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

## Group highlights, alternative performance indicators and other measures

### Income statement

	YEAR		%
	2019	2018	
Operating income	18,839	18,965	- 0.7%
of which:			
- net interest	10,203	10,570	- 3.5%
- dividends and other income from equity investments	637	672	- 5.2%
- net fees and commissions	6,304	6,328	- 0.4%
Operating costs	(9,929)	(10,307)	- 3.7%
Operating profit (loss)	8,910	8,658	+ 2.9%
Net write-downs on loans and provisions for guarantees and commitments	(3,382)	(2,614)	+ 29.4%
Net operating profit (loss)	5,527	6,044	- 8.6%
Profit (Loss) before tax	3,065	3,566	- 14.0%
Group net profit (loss)	3,373	4,107	- 17.9%

The figures in this table refer to the reclassified income statement. The amounts related to year 2018 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified consolidated income statement". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule.

# Introduction and Group highlights

## Balance sheet

(€ million)

	AMOUNTS AS AT		% CHANGE
	12.31.2019	12.31.2018	
Total assets	855,647	832,172	+ 2.8%
Financial assets held for trading	63,280	65,231	- 3.0%
Loans and receivables with customers	482,574	471,839	+ 2.3%
Financial liabilities held for trading	41,483	43,111	- 3.8%
Deposits from customers and debt securities issue	566,871	560,141	+ 1.2%
of which:			
- deposits from customers	470,570	478,988	- 1.8%
- debt securities issue	96,301	81,153	+ 18.7%
Group shareholders' equity	61,416	56,389	+ 8.9%

The figures in the table above refer to the reclassified balance sheet. The amounts related to year 2018 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified consolidated balance sheet". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule.

For further details on "non-performing loans", refer to the paragraph "Net write-downs on loans and provisions for guarantees and commitments" in this Consolidated report on operations.

## Profitability ratios

	YEAR		CHANGE
	2019	2018	
EPS <sup>(1)</sup> (€)	1.462	1.809	-0.347
Cost/Income ratio <sup>(2)</sup>	52.7%	54.3%	- 1.6%
EVA <sup>(3)</sup> (€ million)	(21)	(637)	+ 616
ROTE <sup>(4)</sup>	6.7%	8.5%	- 1.8%
ROA <sup>(5)</sup>	0.4%	0.5%	- 0.1%

### Notes:

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

(2) Ratio between operating expenses and operating income.

(3) Economic value added equal to the difference between Net operating profit after tax (NOPAT) and the Cost of the absorbed capital.

(4) Annualised ratio between the net profit and the average tangible equity.

(5) Return on assets calculated as the ratio between Net profit (loss) attributable to the Group and Total assets pursuant to art. 90 of CRD IV.

The amounts relating to 2018 differ from the ones published at that time. For further details refer to the "Reconciliation principles followed for the reclassified consolidated income statement".

## Risk ratios

	AS AT		% CHANGE
	12.31.2019	12.31.2018	
Net bad loans to customers/Loans to customers	0.6%	1.2%	- 0.6%
Net non-performing loans to customers/Loans to customers	1.8%	3.2%	- 1.4%

For the amounts, refer to the table "Loans to customers - Asset quality" in the paragraph "Net write-downs on loans and provisions for guarantees and commitments" of this Consolidated report on operations.



# Introduction and Group highlights

## Staff and Branches

	AS AT		CHANGE
	12.31.2019	12.31.2018	
Number of employees <sup>(1)</sup>	84,245	85,662	-1,416
Number of branches <sup>(2)</sup>	3,717	3,815	-98
of which:			
- Italy	2,387	2,466	-79
- Other countries	1,330	1,349	-19

### Notes:

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

(2) Retail branches only. The branches of sub-group Koc Finansal Hizmetler AS are not included.

The figures as at 31 December 2018 are restated to increase comparability; in particular the FTEs related to FinecoBank S.p.A. no more belonging to UniCredit group since May 2019, were not included.

## Transitional capital ratios

	AS AT		CHANGE
	12.31.2019 <sup>(*)</sup>	12.31.2018 <sup>(*)</sup>	
Total own funds (€ million)	66,982	58,476	+ 8,506
Total risk-weighted assets (€ million)	378,718	370,180	+ 8,539
<b>Common Equity Tier 1 Capital Ratio</b>	<b>13.22%</b>	<b>12.13%</b>	<b>+ 1.1%</b>
<b>Total Capital Ratio</b>	<b>17.69%</b>	<b>15.80%</b>	<b>+ 1.9%</b>

### Notes:

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

UniCredit group decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values here reported fully reflect the impact arising from the application of the IFRS9 principle.

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

## Ratings

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

Ratings updated as at 4 February 2020.

# Reclassified consolidated accounts

## Changes occurred in the scope of consolidation

During 2019, with reference to the consolidation perimeter, the following changes were recorded:

- the number of fully consolidated companies, including those ones classified as non-current assets and asset disposal groups based on the accounting principle IFRS5, decreases for 23 (18 in and 41 out) changing from 505 at the end of 2018, to 482 as at 31 December 2019;
- the number of companies consolidated by using the equity method, including those ones classified as non-current assets and asset disposal groups, present a decrease of 7 (7 out) changing from 54 at the end of 2018, to 47 as at 31 December 2019.

For further details, refer to the Notes to the consolidated accounts - Part A - Accounting Policies; A.1 - General, Section 3 - Consolidation scope and methods and Part B - Consolidated balance sheet - Assets - Section 7 - Equity investments (Item 70).

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

As at 31 December 2019, the main assets which, based on the application of IFRS5 accounting principle, were reclassified as non-current assets and asset disposal groups, are the following:

- regarding the single asset and liability held for sale:
  - the subsidiaries General logistic Solutions LLC and Cards & Systems EDV- Dienstleistungs GmbH, the companies of Card Complete Service Bank AG and SIA UniCredit Leasing groups, the 9.02% of Yapi ve Kredi Bankasi A.S. and the joint venture KOC Finansal Hizmetler AS;
  - the non-performing loans related to the disposal of certain portfolios;
  - the real estate properties held by certain Group entities, mainly in Germany;
- regarding the data relating to the discontinued operations, the companies of the Immobilien Holding group (Austria).

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

## Reconciliation principles followed for the reclassified consolidated balance sheet

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

- the inclusion, under the item "Loans to banks": i) of item "40. Financial assets at amortised cost: a) Loans and receivables with banks", net of debt securities reclassified in "Other financial assets" and ii) of loans relating to item "Other financial assets mandatorily at fair value";
- the inclusion, under the item "Loans to customers": i) of the item "40. Financial assets at amortised cost: b) Loans and receivables with customers", net of debt securities reclassified in "Other financial assets" and ii) of loans relating to item "Other financial assets mandatorily at fair value";
- the aggregation, under the item "Other financial assets", of the i) "20. 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" this last net of loans reclassified in "Loans to banks and to customers", ii) "30. Financial assets at fair value through other comprehensive income", iii) "Equity investments"; finally debt securities relating to item "40. Financial assets at amortised cost: a) Loans to banks and b) Loans to customers" were included;
- grouping, under the item "Hedging instruments" (both for assets and liabilities), of the items "50. Hedging derivatives" and "60. Changes in fair value of portfolio hedged items";
- the inclusion of the items "Provision for employee severance pay" and "Provisions for risks and charges" under the "Other liabilities".

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

Data related to 2018 and quarterly data related to 2019 were restated to reflect the adoption of the fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 January 2018 for held for investment properties (IAS40).

For further details, refer to the Notes to the consolidated accounts - Part A - Accounting policies; A.1 - General, Section 5 - Other matters.

# Reclassified consolidated accounts

## Reclassified consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Cash and cash balances	17,305	30,991	- 13,686	- 44.2%
Financial assets held for trading	63,280	65,231	- 1,952	- 3.0%
Loans to banks	97,888	69,850	+ 28,038	+ 40.1%
Loans to customers	482,574	471,839	+ 10,735	+ 2.3%
Other financial assets	149,091	152,310	- 3,219	- 2.1%
Hedging instruments	9,230	7,120	+ 2,110	+ 29.6%
Property, plant and equipment	11,097	8,804	+ 2,292	+ 26.0%
Goodwill	886	1,484	- 597	- 40.3%
Other intangible assets	1,914	2,024	- 110	- 5.4%
Tax assets	12,922	12,944	- 23	- 0.2%
Non-current assets and disposal groups classified as held for sale	2,512	2,241	+ 271	+ 12.1%
Other assets	6,949	7,334	- 384	- 5.2%
<b>Total assets</b>	<b>855,647</b>	<b>832,172</b>	<b>+ 23,475</b>	<b>+ 2.8%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Deposits from banks	135,563	125,895	+ 9,668	+ 7.7%
Deposits from customers	470,570	478,988	- 8,417	- 1.8%
Debt securities issued	96,301	81,153	+ 15,148	+ 18.7%
Financial liabilities held for trading	41,483	43,111	- 1,628	- 3.8%
Other financial liabilities	12,083	9,318	+ 2,766	+ 29.7%
Hedging instruments	12,150	9,262	+ 2,888	+ 31.2%
Tax liabilities	1,378	945	+ 433	+ 45.8%
Liabilities included in disposal groups classified as held for sale	725	540	+ 185	+ 34.2%
Other liabilities	23,608	25,609	- 2,001	- 7.8%
Minorities	369	961	- 592	- 61.6%
Group shareholders' equity	61,416	56,389	+ 5,026	+ 8.9%
of which:				
- capital and reserves	58,042	52,282	+ 5,761	+ 11.0%
- net profit (loss)	3,373	4,107	- 734	- 17.9%
<b>Total liabilities and shareholders' equity</b>	<b>855,647</b>	<b>832,172</b>	<b>+ 23,475</b>	<b>+ 2.8%</b>

# Reclassified consolidated accounts

## Reclassified consolidated balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2019	09.30.2019	06.30.2019	03.31.2019	12.31.2018	09.30.2018	06.30.2018	03.31.2018
Cash and cash balances	17,305	30,997	32,578	31,991	30,991	26,356	21,238	49,944
Financial assets held for trading	63,280	74,871	67,344	67,135	65,231	81,258	83,262	80,324
Loans to banks	97,888	81,483	77,911	83,655	69,850	76,289	73,004	70,324
Loans to customers	482,574	480,997	469,298	471,653	471,839	462,235	458,787	441,783
Other financial assets	149,091	146,292	138,438	148,061	152,310	150,232	148,841	142,917
Hedging instruments	9,230	11,573	9,801	8,516	7,120	5,225	5,700	5,688
Property, plant and equipment	11,097	9,276	9,549	11,162	8,804	9,495	9,461	9,560
Goodwill	886	886	886	1,484	1,484	1,484	1,484	1,484
Other intangible assets	1,914	1,952	1,915	1,996	2,024	1,873	1,864	1,872
Tax assets	12,922	12,673	12,780	13,019	12,944	12,189	11,925	12,022
Non-current assets and disposal groups classified as held for sale	2,512	4,535	3,286	1,764	2,241	539	985	1,051
Other assets	6,949	8,008	8,824	7,692	7,334	7,253	7,740	7,461
<b>Total assets</b>	<b>855,647</b>	<b>863,544</b>	<b>832,611</b>	<b>848,128</b>	<b>832,172</b>	<b>834,428</b>	<b>824,290</b>	<b>824,430</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2019	09.30.2019	06.30.2019	03.31.2019	12.31.2018	09.30.2018	06.30.2018	03.31.2018
Deposits from banks	135,563	143,213	132,695	136,882	125,895	136,664	129,747	125,177
Deposits from customers	470,570	455,473	453,019	473,514	478,988	469,044	456,094	456,959
Debt securities issued	96,301	97,575	92,434	84,283	81,153	79,493	87,567	93,369
Financial liabilities held for trading	41,483	46,102	40,410	41,879	43,111	51,920	52,454	48,685
Other financial liabilities	12,083	13,401	13,689	13,815	9,318	8,736	8,524	8,575
Hedging instruments	12,150	16,023	13,848	11,440	9,262	5,508	6,254	5,881
Tax liabilities	1,378	1,079	1,020	1,295	945	1,108	1,134	1,219
Liabilities included in disposal groups classified as held for sale	725	626	632	547	540	49	79	196
Other liabilities	23,608	29,137	24,948	25,267	25,609	26,426	25,825	26,104
Minorities	369	462	445	1,018	961	887	855	959
Group shareholders' equity	61,416	60,454	59,471	58,188	56,389	54,593	55,758	57,305
of which:								
- capital and reserves	58,042	56,245	56,443	57,012	52,282	52,478	53,659	56,172
- net profit (loss)	3,373	4,208	3,028	1,175	4,107	2,115	2,099	1,133
<b>Total liabilities and shareholders' equity</b>	<b>855,647</b>	<b>863,544</b>	<b>832,611</b>	<b>848,128</b>	<b>832,172</b>	<b>834,428</b>	<b>824,290</b>	<b>824,430</b>

# Reclassified consolidated accounts

## Reconciliation principles followed for the reclassified consolidated income statement

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

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

2018 figures were restated to reflect:

- following the first time adoption of IFRS16 - Leasing from 1 January 2019, the lessee's lease payment previously computed in the item "Other administrative expenses" is split between:
  - the item "Net interest" for the interest expense with reference to the lease liability;
  - the item "Amortisation, depreciation and impairment losses on intangible and tangible assets" for right of use asset depreciation.
 In addition, in the item "Recovery of expenses", is no longer included in the income arising from the sublease to third parties of real estate assets leased by the Group;
- for the reclassification of some commitment fees on undrawn credit lines from the item "Net interest" to the item "Net fees and commissions" starting from December 2018.

2018 and 2019 quarters figures were restated:

- to reflect "loss of control" on FincoBank S.p.A. following the completion on 8 May 2019 of the accelerated bookbuilding (ABB) of No.103.5 million ordinary shares of the company, settled on 10 May 2019;
- to reflect adoption of fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 January 2018 for held for investment assets (IAS40);
- following the reclassification starting from June 2019:
  - of revenues for "Dividends from other financial assets mandatorily at fair value" to the item "Net trading income";
  - of some expenses incurred in handling the recovery process of non-performing exposures to the item "Other administrative expenses" (previously included in the item "Net fees and commissions");
  - of some expenses for payment services and cards that, were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions";
  - of net results from sales & purchases and re-measurement of physical gold, precious stones and metals that were reclassified from the item "Net other expenses/income" to the item "Net trading income" when entered into in contemplation with other trading book exposures or "Net income from investments" otherwise;
  - of some non-recoverable expenses incurred for customer financial transaction taxes that were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions" or when otherwise recovered/debited, the related income has been included in the item "Recovery of expenses" (from the item "Net fees and commissions");
  - of some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) that were reclassified from the item "Other administrative expenses" to the item "Income tax for the period".

# Reclassified consolidated accounts

## Reclassified consolidated income statement

(€ million)

	YEAR		CHANGE		
	2019	2018	P&L	%	% AT CONSTANT FX <sup>(*)</sup> RATES
Net interest	10,203	10,570	- 368	- 3.5%	- 3.5%
Dividends and other income from equity investments	637	672	- 35	- 5.2%	- 3.4%
Net fees and commissions	6,304	6,328	- 23	- 0.4%	- 0.4%
Net trading income	1,538	1,279	+ 259	+ 20.2%	+ 20.6%
Net other expenses/income	156	116	+ 41	+ 35.3%	+ 35.2%
<b>OPERATING INCOME</b>	<b>18,839</b>	<b>18,965</b>	<b>- 126</b>	<b>- 0.7%</b>	<b>- 0.6%</b>
Payroll costs	(6,146)	(6,336)	+ 191	- 3.0%	- 3.0%
Other administrative expenses	(3,279)	(3,545)	+ 265	- 7.5%	- 7.5%
Recovery of expenses	592	631	- 39	- 6.2%	- 6.0%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(1,096)	(1,057)	- 40	+ 3.8%	+ 3.7%
<b>Operating costs</b>	<b>(9,929)</b>	<b>(10,307)</b>	<b>+ 378</b>	<b>- 3.7%</b>	<b>- 3.7%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>8,910</b>	<b>8,658</b>	<b>+ 251</b>	<b>+ 2.9%</b>	<b>+ 3.0%</b>
Net write-downs on loans and provisions for guarantees and commitments	(3,382)	(2,614)	- 769	+ 29.4%	+ 29.3%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>5,527</b>	<b>6,044</b>	<b>- 517</b>	<b>- 8.6%</b>	<b>- 8.2%</b>
Other charges and provisions	(954)	(2,271)	+ 1,318	- 58.0%	- 57.9%
<i>of which: systemic charges</i>	<i>(886)</i>	<i>(832)</i>	<i>- 54</i>	<i>+ 6.5%</i>	<i>+ 6.5%</i>
Integration costs	(664)	(9)	- 655	n.m.	n.m.
Net income from investments	(844)	(198)	- 646	n.m.	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,065</b>	<b>3,566</b>	<b>- 501</b>	<b>- 14.0%</b>	<b>- 13.4%</b>
Income tax for the period	(890)	489	- 1,378	n.m.	n.m.
<b>NET PROFIT (LOSS)</b>	<b>2,176</b>	<b>4,055</b>	<b>- 1,879</b>	<b>- 46.3%</b>	<b>- 45.0%</b>
Profit (Loss) from non-current assets held for sale after tax	1,383	288	+ 1,095	n.m.	n.m.
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>3,559</b>	<b>4,343</b>	<b>- 785</b>	<b>- 18.1%</b>	<b>- 17.4%</b>
Minorities	(118)	(233)	+ 115	- 49.4%	- 49.4%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>3,441</b>	<b>4,111</b>	<b>- 670</b>	<b>- 16.3%</b>	<b>- 15.7%</b>
Purchase Price Allocation effect	(68)	(3)	- 65	n.m.	n.m.
Goodwill impairment	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>3,373</b>	<b>4,107</b>	<b>- 734</b>	<b>- 17.9%</b>	<b>- 17.2%</b>

Note:

(\*) Foreign Exchange.

## Reclassified consolidated accounts

## Reclassified consolidated income statement - Quarterly figures

(€ million)

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,515	2,555	2,554	2,578	2,712	2,689	2,608	2,561
Dividends and other income from equity investments	133	183	154	167	208	111	169	184
Net fees and commissions	1,629	1,569	1,565	1,541	1,551	1,523	1,613	1,642
Net trading income	464	378	253	442	204	293	312	469
Net other expenses/income	108	17	(8)	39	18	7	34	57
<b>OPERATING INCOME</b>	<b>4,850</b>	<b>4,703</b>	<b>4,518</b>	<b>4,768</b>	<b>4,692</b>	<b>4,623</b>	<b>4,737</b>	<b>4,913</b>
Payroll costs	(1,549)	(1,522)	(1,519)	(1,555)	(1,579)	(1,552)	(1,591)	(1,614)
Other administrative expenses	(858)	(786)	(803)	(832)	(947)	(826)	(872)	(899)
Recovery of expenses	150	142	151	150	153	158	171	148
Amortisation, depreciation and impairment losses on intangible and tangible assets	(267)	(281)	(276)	(272)	(267)	(267)	(262)	(261)
<b>Operating costs</b>	<b>(2,525)</b>	<b>(2,447)</b>	<b>(2,448)</b>	<b>(2,510)</b>	<b>(2,640)</b>	<b>(2,487)</b>	<b>(2,554)</b>	<b>(2,625)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,325</b>	<b>2,256</b>	<b>2,070</b>	<b>2,258</b>	<b>2,053</b>	<b>2,136</b>	<b>2,183</b>	<b>2,287</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,645)	(563)	(707)	(467)	(921)	(696)	(502)	(496)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>681</b>	<b>1,694</b>	<b>1,362</b>	<b>1,791</b>	<b>1,132</b>	<b>1,440</b>	<b>1,681</b>	<b>1,792</b>
Other charges and provisions	(316)	(187)	(236)	(214)	(369)	(725)	(660)	(517)
<i>of which: systemic charges</i>	<i>(82)</i>	<i>(148)</i>	<i>(118)</i>	<i>(538)</i>	<i>(60)</i>	<i>(134)</i>	<i>(173)</i>	<i>(465)</i>
Integration costs	(657)	(2)	(2)	(3)	(15)	(3)	(2)	11
Net income from investments	(665)	41	(311)	90	338	(681)	108	37
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(958)</b>	<b>1,545</b>	<b>814</b>	<b>1,664</b>	<b>1,086</b>	<b>31</b>	<b>1,127</b>	<b>1,322</b>
Income tax for the period	119	(338)	(176)	(494)	906	(16)	(199)	(202)
<b>NET PROFIT (LOSS)</b>	<b>(839)</b>	<b>1,207</b>	<b>637</b>	<b>1,171</b>	<b>1,992</b>	<b>14</b>	<b>928</b>	<b>1,121</b>
Profit (Loss) from non-current assets held for sale after tax	11	-	1,307	65	65	59	96	68
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(828)</b>	<b>1,207</b>	<b>1,944</b>	<b>1,235</b>	<b>2,057</b>	<b>74</b>	<b>1,023</b>	<b>1,189</b>
Minorities	(4)	(26)	(29)	(59)	(65)	(56)	(57)	(55)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>(832)</b>	<b>1,181</b>	<b>1,916</b>	<b>1,176</b>	<b>1,993</b>	<b>17</b>	<b>967</b>	<b>1,134</b>
Purchase Price Allocation effect	(3)	(1)	(63)	(1)	-	(1)	(1)	(1)
Goodwill impairment	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>(835)</b>	<b>1,180</b>	<b>1,853</b>	<b>1,175</b>	<b>1,992</b>	<b>16</b>	<b>966</b>	<b>1,133</b>

# Reclassified consolidated accounts

## Reclassified consolidated income statement - Comparison of Q4 2019/Q4 2018

(€ million)

	Q4		CHANGE		
	2019	2018	P&L	%	% AT CONSTANT FX <sup>(*)</sup> RATES
Net interest	2,515	2,712	- 197	- 7.3%	- 7.6%
Dividends and other income from equity investments	133	208	- 75	- 36.1%	- 43.1%
Net fees and commissions	1,629	1,551	+ 79	+ 5.1%	+ 5.0%
Net trading income	464	204	+ 260	n.m.	n.m.
Net other expenses/income	108	18	+ 91	n.m.	n.m.
<b>OPERATING INCOME</b>	<b>4,850</b>	<b>4,692</b>	<b>+ 158</b>	<b>+ 3.4%</b>	<b>+ 2.6%</b>
Payroll costs	(1,549)	(1,579)	+ 30	- 1.9%	- 2.0%
Other administrative expenses	(858)	(947)	+ 89	- 9.4%	- 9.4%
Recovery of expenses	150	153	- 4	- 2.4%	- 2.1%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(267)	(267)	-	+ 0.1%	- 0.1%
<b>Operating costs</b>	<b>(2,525)</b>	<b>(2,640)</b>	<b>+ 115</b>	<b>- 4.4%</b>	<b>- 4.5%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,325</b>	<b>2,053</b>	<b>+ 273</b>	<b>+ 13.3%</b>	<b>+ 11.4%</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,645)	(921)	- 724	+ 78.6%	+ 78.1%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>681</b>	<b>1,132</b>	<b>- 451</b>	<b>- 39.8%</b>	<b>- 41.2%</b>
Other charges and provisions	(316)	(369)	+ 53	- 14.3%	- 14.2%
<i>of which: systemic charges</i>	<i>(82)</i>	<i>(60)</i>	<i>- 22</i>	<i>+ 37.4%</i>	<i>+ 36.7%</i>
Integration costs	(657)	(15)	- 643	n.m.	n.m.
Net income from investments	(665)	338	- 1,003	n.m.	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(958)</b>	<b>1,086</b>	<b>- 2,044</b>	<b>n.m.</b>	<b>n.m.</b>
Income tax for the period	119	906	- 787	- 86.9%	- 87.0%
<b>NET PROFIT (LOSS)</b>	<b>(839)</b>	<b>1,992</b>	<b>- 2,831</b>	<b>n.m.</b>	<b>n.m.</b>
Profit (Loss) from non-current assets held for sale after tax	11	65	- 54	- 83.1%	- 83.1%
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(828)</b>	<b>2,057</b>	<b>- 2,885</b>	<b>n.m.</b>	<b>n.m.</b>
Minorities	(4)	(65)	+ 60	- 93.7%	- 93.6%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>(832)</b>	<b>1,993</b>	<b>- 2,825</b>	<b>n.m.</b>	<b>n.m.</b>
Purchase Price Allocation effect	(3)	-	- 3	n.m.	n.m.
Goodwill impairment	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>(835)</b>	<b>1,992</b>	<b>- 2,827</b>	<b>n.m.</b>	<b>n.m.</b>

Note:

(\*) Foreign Exchange.



# Summary results by business segments

## Key figures by business segment

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CEE DIVISION	CIB	GROUP CORPORATE CENTRE <sup>(1)</sup>	NON CORE	(€ million) CONSOLIDATED GROUP TOTAL
<b>Income statement</b>								
<b>OPERATING INCOME</b>								
2019	7,148	2,392	1,558	4,251	3,901	(371)	(41)	18,839
2018	7,163	2,445	1,561	4,199	3,799	(245)	42	18,965
<b>OPERATING COSTS</b>								
2019	(3,786)	(1,627)	(975)	(1,535)	(1,526)	(300)	(180)	(9,929)
2018	(4,033)	(1,641)	(1,021)	(1,501)	(1,556)	(349)	(206)	(10,307)
<b>OPERATING PROFIT</b>								
2019	3,362	765	583	2,716	2,375	(671)	(221)	8,910
2018	3,130	804	541	2,699	2,243	(595)	(163)	8,658
<b>PROFIT BEFORE TAX</b>								
2019	1,811	849	332	1,962	2,041	(1,660)	(2,270)	3,065
2018	1,879	727	437	2,030	1,369	(1,681)	(1,194)	3,566
<b>Balance sheet</b>								
<b>CUSTOMERS LOANS<sup>(2)</sup></b>								
as at 31 December, 2019	141,308	87,172	45,269	67,534	78,888	2,295	1,886	424,352
as at 31 December, 2018	145,641	83,741	44,808	65,344	81,354	3,274	6,612	430,774
<b>CUSTOMERS DEPOSITS<sup>(2)</sup></b>								
as at 31 December, 2019	152,889	92,742	48,459	70,745	52,794	2,331	488	420,448
as at 31 December, 2018	146,236	91,694	47,380	65,744	45,301	2,985	528	399,867
<b>TOTAL RISK WEIGHTED ASSETS</b>								
as at 31 December, 2019	99,784	36,388	23,857	90,028	80,648	37,047	10,966	378,718
as at 31 December, 2018	95,753	36,642	23,496	86,572	81,598	33,898	12,221	370,180
<b>EVA</b>								
2019	303	35	423	485	673	(1,021)	(919)	(21)
2018	4	193	166	478	(22)	(439)	(1,017)	(637)
<b>Cost/income ratio</b>								
2019	53.0%	68.0%	62.6%	36.1%	39.1%	n.m.	n.m.	52.7%
2018	56.3%	67.1%	65.4%	35.7%	41.0%	n.m.	n.m.	54.3%
<b>Employees</b>								
as at 31 December, 2019	28,640	9,120	4,833	24,229	3,161	13,968	295	84,245
as at 31 December, 2018	29,582	9,167	4,873	24,214	3,234	14,247	345	85,662

**Notes:**

- (1) COO Services, Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments.  
 (2) Net of repos, intercompany transactions and FincoBank S.p.A. contribution after its disposal.

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

# Group and UniCredit share historical data series

## Group figures 2009 - 2019<sup>(\*)</sup>

	IAS/IFRS										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Reclassified income statement (€ million)</b>											
Operating income	18,839	19,723	19,619	18,801	22,405	22,513	23,973	25,049	25,200	26,347	27,572
Operating costs	(9,929)	(10,698)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)	(15,483)	(15,324)
Operating profit (loss)	8,910	9,025	8,268	6,348	8,787	8,675	9,172	10,070	9,740	10,864	12,248
Profit (loss) before income tax	3,065	3,619	4,148	(10,978)	2,671	4,091	(4,888)	317	2,060	2,517	3,300
Net profit (loss) for the period	3,559	4,112	5,790	(11,061)	2,239	2,669	(3,920)	1,687	644	1,876	2,291
Net profit (loss) attributable to the Group	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702
<b>Reclassified balance sheet (€ million)</b>											
Total assets	855,647	831,469	836,790	859,533	860,433	844,217	845,838	926,827	926,769	929,488	928,760
Loans and receivables with customers	482,574	471,839	447,727	444,607	473,999	470,569	503,142	547,144	559,553	555,653	564,986
of which: bad exposures	2,956	5,787	9,499	10,945	19,924	19,701	18,058	19,360	18,118	16,344	12,692
Deposits from customers and debt securities issued	566,871	560,141	561,498	567,855	584,268	560,688	571,024	579,965	561,370	583,239	596,396
Group shareholders' equity	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689
<b>Profitability ratios (%)</b>											
Operating profit (loss)/Total assets	1.04	1.09	0.99	0.74	1.02	1.03	1.08	1.09	1.05	1.17	1.32
Cost/Income ratio	52.7	54.2	57.9	66.2	60.8	61.5	61.7	59.8	61.4	58.8	55.6

### Note:

(\*) The figures here reported refer to the information published in the reference year.

## Share information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Share price (€)<sup>(1)</sup></b>											
- maximum	13.494	18.212	18.350	25.733	32.824	34.427	28.213	22.440	65.912	76.243	87.212
- minimum	9.190	9.596	12.160	8.785	24.605	25.583	16.227	11.456	21.157	49.212	19.283
- average	11.193	14.635	15.801	13.820	29.509	30.015	22.067	16.520	42.923	63.702	59.078
- end of period	13.020	9.894	15.580	13.701	25.733	26.735	26.961	18.572	21.190	51.093	73.819
<b>Number of outstanding shares (million)</b>											
- at period end <sup>(1)</sup>	2,233	2,230	2,226	6,180	5,970	5,866	5,792	5,789	1,930	19,297.6	16,779.3
- shares cum dividend	2,224	2,220	2,216	6,084	5,873	5,769	5,695	5,693	1,833	18,330.5	18,329.5
of which: savings shares	-	-	0.25	2.52	2.48	2.45	2.42	2.42	2.42	24.2	24.2
- average <sup>(1)</sup>	2,233	2,229	1,957	6,110	5,927	5,837	5,791	5,473	1,930	19,101.8	16,637.8
<b>Dividend</b>											
- total dividends (€ million)	-	601	726	-	706	697	570	512	-	550	550
- dividend per ordinary share	-	0.270	0.320	-	0.120	0.120	0.100	0.090	-	0.030	0.030
- dividend per savings share	-	-	-	-	0.120	1.065	0.100	0.090	-	0.045	0.045

### Notes:

(1) The number of shares, existing at the end of the reference period, is net of treasury shares and includes 9.676 million of shares held under a contract of usufruct signed with Mediobanca S.p.A.

(\*) Due to extraordinary corporate operations (such as shares' grouping, demergers, distribution of extraordinary dividends, etc.) share prices might change being no longer comparable from one financial year to another. The historical series of share prices have been therefore adjusted to allow a better comparison.

The following paragraph outlines additional information concerning shares capital changes and dividends pay-out of the last two financial years.

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

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

# Group and UniCredit share historical data series

## Earnings ratios

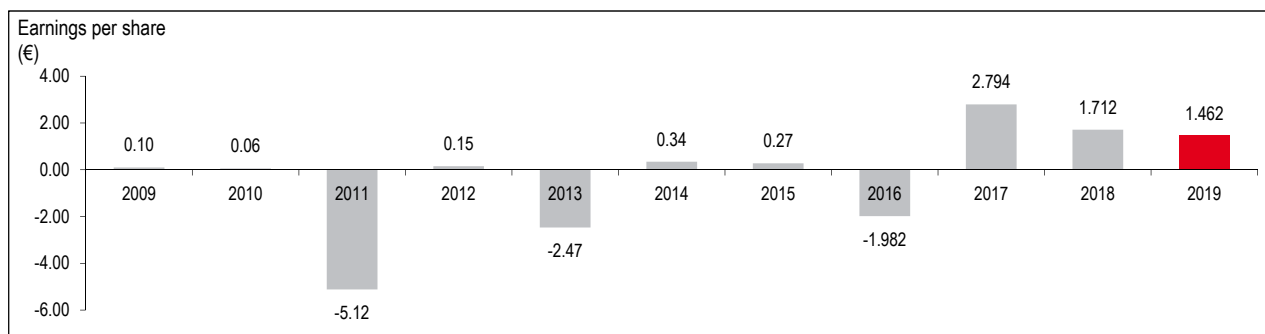
	IAS/IFRS										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Shareholders' equity (€ million)	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689
Net profit (loss) attributable to the Group (€ million)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702
Shareholders' equity per share (€)	27.50	25.04	26.65	6.36	8.39	8.42	8.09	10.85	26.67	3.33	3.56
Price/Book value	0.47	0.40	0.58	4.30	0.61	0.63	0.67	0.34	0.16	3.06	4.14
Earnings per share <sup>(1)</sup> (€)	1.462	1.712	2.794	(1.982)	0.27	0.34	(2.47)	0.15	(5.12)	0.06	0.10
Payout ratio (%)	-	15.4	13.3	-	41.7	34.7	-4.1	59.2	-	41.6	32.3
Dividend yield on average price per ordinary share (%)	-	1.84	2.03	-	2.04	2.00	2.27	2.73	-	1.55	1.58

### Note:

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

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

Starting from 2009, the net profit for the period used to calculate EPS is reduced for the following amounts related to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes": €131 million for 2009, €156 million for 2010, €172 million for 2011, €46 million for 2012, €105 million for 2013, €35 million for 2014, €100 million for 2015, €128 million for 2016, €93 million for 2017, €124 million for 2018 and €124 million for 2019.



# Group results

## Macroeconomic situation, banking and financial markets

### International situation

In the final stretch of 2019, signs of stabilisation for the global economy started to emerge on the back of the phase-one trade agreement between China and the US as well as on the prospects of an orderly Brexit following Boris Johnson's electoral victory. Global Gross Domestic Product ("GDP") growth came in at 2.9% in 2019. The US economy kept expanding at a fast, but declining, pace, driven particularly by private consumption as the business cycle is now mature. The Japanese economy expanded at around 1% supported by healthy consumption and government countermeasures that accompanied the October increase in the consumption tax rate, whereas the UK economy remained unscathed by the increasing Brexit uncertainty. In China, economic activity slowed to its slowest pace in three decades as a result of protectionist threats and fading stimulus.

In 2019 the US economy decelerated; GDP growth has passed from around 3% in 2018 to approximately 2%, getting close to its potential growth. Buoyant private consumption, which benefited from the increases in household income and wealth, offset part of the global uncertainty due to rising protectionist tendencies. Business investment and the external sector showed signs of weakness. The former was particularly affected not only by the global slowdown and trade tensions but also by low oil prices that contributed to sluggish investment in oil extraction. Given the rising global uncertainty, the Fed changed course and adopted a more accommodative monetary policy stance, cutting the policy rate three times throughout the year (to 1.75%).

Economic activity in the eurozone has been held back primarily by the weakness of the manufacturing sector that was affected by global trade tensions and a struggling auto industry. The manufacturing Purchasing Managers' Index ("PMI") has remained in contractionary territory, below the critical threshold of 50, for most of the year. Among the largest eurozone economies, Germany was especially vulnerable to these global headwinds and managed to avoid a technical recession in third quarter 2019. For the area as a whole, economic activity was primarily supported by domestic demand and by consumption in particular, which strengthened thanks to the positive developments in employment. The contribution of net exports, instead, was slightly negative. The average growth for the whole 2019 was 1.2%, the slowest pace of expansion since the recession caused by the sovereign-debt crisis.

Eurozone headline inflation remained subdued, at slightly above 1%, but a long way off from the 2% target. The lack of inflationary pressures has induced the ECB to adopt a highly accommodative package after summer, splitting the Governing Council on the best policy mix to undertake. The package adopted in September included: an open-ended QE program which will run at a monthly pace of €20 billion per month; a 10bp cut in the deposit rate along with a strengthened forward guidance; a two-tier system for reserve remuneration; easier terms for TLTRO-III.

### Banking and financial markets

Loans to the private sector in the eurozone continued to expand at a good pace at the end of 2019, benefiting from persistently low financing costs. On an annual basis, loan growth was 3.7%, a slight increase compared to 3.5% at the end of 2018. The evolution of loans to the private sector benefited from the good performance of loans to households, and especially loans for house purchases. On the other hand, the growth of loans to non-financial corporations has decelerated since August, amid declining investment spending by firms. The Bank Lending Survey, published by the European Central Bank, showed net demand for loans from non-financial corporations turned negative in the fourth quarter of 2019 for the first time since the end of 2013.

Loans to the private sector showed varied performance among the three reference countries (Germany, Austria and Italy). The growth of loans to non-financial corporations and households was particularly positive in Germany, especially for corporate loans, which stood at around 6%, on an annual basis, in December 2019, not far from the 7% peak hit at the end of the first half of 2019. Credit aggregates in Austria experienced a very similar trend. Italy showed a good expansion of loans to households for the whole of 2019, with 2.5% growth on an annual basis in December (compared to 2.6% at the end of 2018). However, loans to non-financial corporations weakened sharply in 2019, with growth moving into negative territory in March. A slowdown in fixed investment weighed on corporate-loan growth in Italy, as Italian firms reacted to heightened uncertainty by postponing spending decisions. The availability of own funds probably contributed further to the deceleration of loans to non-financial corporations. However, the latest evidence available from the Bank Lending Survey of Italian banks, released by the Banca d'Italia, does not seem to indicate a visible deterioration in either supply conditions or demand for loans from non-financial corporations in the final quarter of 2019.

# Group results

In terms of bank funding at the system level, deposits from households and non-financial corporations showed solid increases in 2019 in all of three reference countries. Bank deposits were additionally supported by the ECB's decision to further expand monetary policy in September 2019. This decision has further postponed the prospect of interest rate normalisation. In this context, sight deposits have accelerated to the detriment of medium and long-term deposits.

As a consequence of this monetary policy's decision, bank interest rates continued to stabilise, declining more moderately towards the end of 2019 in all three reference countries, with interest rates on sight deposits remaining close to zero. The banking spread (i.e. the difference between the average interest rate on loans and the average interest rate on deposits) stabilised substantially throughout year.

While the beginning of 2019 featured high macroeconomic uncertainty, which moderated the improving performance of financial markets, the second half of the year saw a return of investors' risk appetite. This followed more reassuring news concerning trade tensions between the United States and China and the increasing likelihood of an orderly Brexit, which supported the financial markets more generally. Stock markets, in particular, showed a marked improvement in performance, with the Italian stock exchange recording a sharp improvement and closing the year up around 30%. The German stock exchange moved in a similar direction, with close to 26% growth on the year, and the Austrian stock exchange rose about 16% in 2019.

## CEE countries

After hitting a cyclical peak in 2018, economic growth slowed in most CEE countries in 2019, affected by weak global trade and slow growth in the main Eurozone trading partners. However, GDP growth outperformed expectations in the whole region. It remained in line with or above potential in all EU-CEE countries, close to potential in Russia, while the downturn in Turkey was less pronounced than envisaged.

In EU-CEE<sup>1</sup>, the stronger resilience stemmed from solid domestic demand, with private consumption and investment continuing to grow above potential supported by wage growth, EU funds inflows, and a late cycle surge in real estate investment. Exports were a drag in all countries, but those that benefited from significant investment projects fared better, with Hungary standing out. In the western Balkans, fiscal easing offset weaker foreign demand, keeping growth close to potential.

In Russia, economic growth slowed to an estimated 1.1%, from 2.3% in 2018 when growth was supported by temporary factors (investment related to the 2018 Football World Cup and the Crimea bridge). Slow growth reflected weak domestic demand, in particular investment, muted exports growth, and tight fiscal policy. The stagnation in capital expenditure was mostly driven by a delay in public sector spending investment as spending on the "12 National Projects program" failed to start, while weak private investment was affected by sluggish internal consumption and global uncertainty. Exports were affected by temporary disruptions to oil transport and weak global demand. In 2019, Russia did not face significant new sanctions. This ushered in large portfolio inflows and reduced exchange-rate volatility.

Turkey's economy managed to exit recession faster than expected, as global risk appetite remained resilient, negative foreign-policy risks did not materialise and the government delivered significant stimulus via fiscal and credit impulses. The benign external environment helped the government borrow and spend more than expected, with the fiscal impulse reaching 2.3% of GDP in 2019. In addition, the Central Bank of Turkey was able to halve the policy rate without triggering significant real currency depreciation.

Most central banks in the CEE region kept their policy rates unchanged or delivered cuts. Central banks in Hungary, Romania and Poland remained on hold, despite an increase in inflation related to higher core inflation and energy prices, reflecting concerns about the growth outlook. In Czechia, the central bank hiked its policy rate by 25bp in May 2019 but kept it unchanged thereafter reflecting risks to growth. Serbia reduced its policy rate by 75bp to its historical low of 2.25%. The central bank of Russia cut its policy rate by 150bp in 2019, due to below target inflation and slow economic growth. In Turkey the sharp deceleration in inflation, from 20.3% at end of 2018 to 11.8% at the end of 2019, and the benign external environment allowed the central bank to halve its policy rate from 24% to 12%.

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

# Group results

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

### Introduction

The successful execution of Transform 2019 plan is proving UniCredit capability to execute and to favour long-term sustainable outcomes. The Group remains committed to generating these returns by leveraging on its extensive and growing pan European client franchise, maximising productivity through continuous cost optimisation and more efficient business processes. Thanks to proven discipline in risk management and capital allocation, the Group will keep a comfortable level of capital to absorb regulatory headwinds, while maximising shareholder distribution.

Basing on these successful results, on 3 December 2019 the new strategic plan 2020-2023 “**Team 23**” has been presented, with a clear commitment to deliver €16 billion of value creation for shareholders over the plan horizon.

The new strategic plan is based on four main pillars:

- **Grow and strengthen client franchise**
  - to improve the customer experience with a renewed focus on customer satisfaction and service quality;
  - to confirm the “Go-to” bank for the Small/Medium Enterprises (SMEs) thanks to enhanced service model;
  - to redesign customer service for individuals thanks to a mix of integrated channels;
  - to make the CEE and fully plugged-in CIB divisions as profitable growth engines, reinforcing the market leadership in CEE and strengthen CIB and Commercial Banking cooperation.
- **Transform and maximise productivity**
  - to transform into a paperless bank by adopting dematerialised processes to reduce costs and operational risk, with roll out in Italy by early second half 2020, in Austria and in Germany by 2021 and in CEE by 2023;
  - seamless cooperation between business, support functions and IT, to drive product innovation across dedicated customer journeys, such as current accounts, investment products, residential mortgages, consumer finance, cards, SME banking.
- **Disciplined risk management & controls**
  - to strengthen monitoring and management on credit and financial risk, by enhanced business accountability and in-depth monitoring by control functions;
  - to carry out targeted actions on Compliance and Operational risk;
  - Non Core rundown by end 2021 confirmed;
  - Group culture driven by “Do the right thing!” principle.
- **Capital and balance sheet management**
  - proactive capital allocation, gradual alignment of domestic sovereign bond portfolios and evolution of Group structure, including working on a project to create a sub-holding, incorporated in Italy and not listed, for international operations.
  - capital distribution expected to increase to 50 per cent of underlying net profit<sup>3</sup> in 2023, through a combination of cash dividends and share buybacks<sup>4</sup>;
  - overall €16 billion value creation as a combination of capital distribution and growth in tangible equity<sup>5</sup>;
  - CET1 MDA buffer maintained in the range 200-250bps at all times<sup>6</sup>;
  - SREP Pillar 2 Capital Requirement (P2R) lowered by 25 basis points to 175 basis points<sup>7</sup>.

As mentioned, in 2019 the Group has successfully completed the strategic plan 2016-2019 “**Transform 2019**” goals:

- **Strengthen and optimise capital**
  - after having successfully completed the capital increase, the sale of subsidiaries (Pekao and Pioneer), and also considering the agreements that led to the resolution of Koç Financial Services joint venture and disposal of 9.02 per cent stake in Yapi ve Kredi Bankasi A.Ş., the Group shows a strong capital position with the CET1<sup>8</sup> ratio as of 31 December 2019 at 13.09% including the effect from the proposed share buyback (or 13.22% excluding it), from 10.4% of 2015;
  - since the end of 2019 the SREP Pillar 2 Capital Requirement (P2R) has lowered by 25 basis points to 175 basis points<sup>6</sup>.
- **Improve the asset quality**
  - also in 2019 the proactive risk reduction measures have continued, leading the Non-Performing Exposure (NPE) ratio to 5.04% at the end of December, in comparison to the 7.72% of the end of 2018 restated, with a coverage ratio increased to 65.24%, compared to 60.96% of the end of 2018 restated;

<sup>2</sup> The amounts related to 2018 differ from the ones published at that time. For further details refer to the paragraphs “Reconciliation principles followed for the reclassified accounts”.

<sup>3</sup> Underlying net profit based on stated net profit adjusted for non-operating items.

<sup>4</sup> Proposed share buybacks subject to regulatory approval and also, as well for the dividends, to Shareholders’ Meeting authorisation.

<sup>5</sup> 9M19 to 2023.

<sup>6</sup> For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.

<sup>7</sup> Based on SREP letter received 2 December 2019.

<sup>8</sup> Common Equity Tier 1 Capital (CET1).

# Group results

- starting from the year 2015 the overall reduction of the Group Non-Performing Exposures (NPE) amounted to about €52 billion, moving from €77.1 billion<sup>9</sup> of 2015 to €25.3 billion of 2019.

- **Transform the operating model**

- the strict cost control carried out by the Group allowed to exceed the plan's targets;
- the commercial network rationalisation has continued, with the branch closures that have reached 963 units (of which 22 in the last quarter of 2019) starting from 2015, corresponding to 102% of the 944 closures forecasted by 2019 in the strategic plan;
- in the year the staff has been reduced by 1,416 FTEs, bringing the overall reduction to about 15,600 FTEs starting from the end of 2015, thus overtaking the 14,000 exits planned by Transform 2019.

- **Maximise commercial bank value**

In the whole Group, commercial initiatives are ongoing, bringing tangible results. In particular during the 2019 the following main initiatives have been carried out:

- release in Germany of the new Mobile Banking App common across the Group, already successfully rolled out in Italy, whose standardisation allows a consistent user experience and enhances the innovation time to market;
- increase of the mobile user penetration in the CEE division, that reached 48.6% of the total clients;
- a new digital account opening process in Germany, allowing opening of a new current account within a few minutes via mobile and online;
- so called "Minibonds" issuance for Italian SMEs, helping to develop a capital market culture;
- €500 million credit line activation in collaboration with the European Investment Bank, finalised to promote female entrepreneurship projects and climate change combat actions;
- subscription of the first "social impact Minibond" of €5 million;
- launch of the Patient Capital initiative, an innovative institutional platform of "patient" capitals aimed to provide with growth capital the Italian SME;
- increase of the remote sales (ATM, on line, mobile, call centre), that in Italy reached 31.3% of total sales of the bank's products which have a direct selling process;
- release of "Made4Italy", a new initiative to support Italian SMEs and promote an integrated agri-tourism sector, supported by €5 billion of new financing and consultancy services;
- agreement with the European Investment Fund to support Italian micro enterprises with an additional €60 million;
- successful joint venture with Allianz with more than 100,000 clients choosing My Care Family: an innovative product offering customised insurance solutions;
- memorandum of Understanding signed with the Export-Import Bank of China to intensify cooperation between Chinese, Italian and Central Eastern European companies;
- renewal of a €250 million funding agreement with the European Investment Bank to support Italian SMEs operating in agriculture, bio-economy and renewable energy sectors;
- "HVB Premium Invest" launch in Germany, an initiative with a dedicated sustainability investment strategy, to respond to the customer interest for sustainable investment solutions;
- set-up a €500 million agreement with the European Investment Fund to support innovative Austrian SMEs;
- launch of Apple Pay in Austria.

- **Adopt a lean but strong steering Group Corporate Centre**

Referring to the Group Corporate Centre rationalisation, in 2019 its weight on total costs was equal to the 3.0% (3.1% net of non-recurring items), below the target set for 2019 at 3.5% (recast as of June 2019, previously 3.8%).

These initiatives led in 2019 to achieve:

- a Group net profit of €3,373 million (compared with €4,107 million in 2018 restated);
- an "underlying" Group net profit, determined as net of non recurring items and used for calculation of dividend distributions, equal to 4,675 million (increasing by 55.5% versus €3,006 million of restated 2018 underlying net profit).

With specific reference to the "underlying" 2019 Group net profit, the non-recurring items amount to -€1,301 million.

These arise mainly from:

- events having a positive impact, such as the sale of FincoBank S.p.A. (€1,176 million including impacts arising from deconsolidation, valuation of the trademark and pledges provided) and the adoption of fair value model and revaluation model for the measurement of Group Real Estate portfolio respectively held for investment and used in business (79 million);
- events having a negative impact, such as the disposal of Ocean Breeze (-€194 million), the increased write-downs of "Non Core" credit exposures resulting from the update of Group rundown strategy (-€1,055 million), the agreements for the conclusion of the Joint Venture with Koç Financial Services and the disposal of 9.02% of Yapi ve Kredi Bankasi A.Ş. (-365 million), the integration costs for leaving incentives of workers in Germany and Austria (-319 million) and the write-downs recognised on intangible assets (-€208 million).

<sup>9</sup> Figures for 2015 as per Capital Market Day 2016 perimeter, not recasted.



# Group results

Regarding the 2018 restated "underlying" Group net profit, the non recurring items amount to €1,102 million and are originated by the recognition in profit and loss of deferred tax assets, resulting from the change, introduced by the Italian Budgetary Law, of the fiscal treatment related to the IFRS9 First Time Adoption (FTA) on Loan Loss Provisions (€871 million), the impact on IRAP current taxes resulting from the change mentioned above (€16 million) related to IFRS9 FTA and the retroactive application, as required by IAS40, of the fair value model for the Group real estate portfolio held for investment (€215 million).

## Operating income

In 2019 Group's revenues were €18,839 million, decreasing by 0.7% compared to 2018 restated (down by 0.6% at constant exchange rates). Net of the non-recurring items, 2019 Group's revenues would have been €18,830 million compared to €18,961 million in 2018 restated, with a deviation of -0.7%.

The decrease was mainly due to the lower net interest income, only partially mitigated by the increase of the trading result.

In particular, net interest was equal to €10,203 million, decreasing by 3.5% compared to 2018 restated (-3.5% at constant exchange rates). It is worth mentioning as well, that in 2018 an extraordinary amount of €20 million for fiscal accruals release has been recorded in Germany. Net of these extraordinary components net interest would have registered an yearly decrease of 3.2%. During the 2019 net interest was characterised by the reduction of interests income on lending to customers, as well as by the time value component decline and by the increase of the passive interests on deposits following the collection's volumes growth. To these effects was added an increase of the average costs for the bonds issued, as well as by the decrease in the results of treasury and investment & trading activities.

Again in 2019, credit spreads have continued to shrink, also due to the new decrease of the market rates, following the stabilisation signals registered in the first half of the year: average 3 months Euribor in 2019 was equal to -0.36% decreasing by 4 basis point in comparison to -0.32% in 2018.

The upturning loans to customers volumes' dynamic (€482.6 billion as at 31 December 2019, up by €13.7 billion or up by 2.9% over the last year<sup>10</sup>), has more than mitigated the €4.7 billion reduction of the Non Core component, subject of the initiatives aimed to reduce the Non-Performing Exposure (NPE).

However, the decrease of the net interest income is originated in the reduction of the loans to customers excluding the repos component, recording in 2019 a decrease of €6.4 billion, or down by 1.5% compared to the last year<sup>11</sup> (down by 1.8% at constant exchange rates), and down by 0.4%, or -€1.7 billion net of the Non Core component.

The decrease of the customers loans net of repos is originated in Italy that shows the Commercial Banking division in decrease of 3.0% compared with 2018 restated. Influenced by the Italian component, CIB divisions shows a 3.0% decrease as well. However, the other Group divisions show improving results, with Commercial Banking Germany up by 4.1%, Commercial Banking Austria up 1.0% and CEE Division up by 3.4% (1.3% at constant exchange rates). Among the CEE countries, stand out in particular Czech republic (up by 7.1% at constant exchange rates), Hungary (up by 6.8% at constant exchange rates), Bulgaria (up by 8.2%), Romania (up by 6.2% at constant exchange rates) and Bosnia (up by 6.4%), while Russia is decreasing (down by 13.0% at constant exchange rates).

Non Core Division recorded a further reduction of customers loans net of repos from €6.6 billion at the end of December 2018 restated to €1.9 billion at the end of December 2019 (down by 71.5%), continuing to pursue the goal of the Division's portfolio rundown by the 2021.

Deposits from customers, equal to €470.6 billion, have been growing by 3.0% (up by 2.7% at constant exchange rates) compared to 2018<sup>12</sup>.

The increase proved to be higher for the deposits from customers net of repos, up by 5.1% compared to 2018<sup>13</sup> (up by 4.7% at constant exchange rates).

More specifically, the deposits from customers net of repos improved in all Group's divisions, with Commercial Banking Italy up by 4.5%, Commercial Banking Germany up by 1.1%, Commercial Banking Austria up by 2.3% and CIB up by 16.5%. The CEE Division grew by 7.6% (up by 5.1% at constant exchange rates), mainly driven by Czech republic (up by 10.2% at constant exchange rates), Croatia (up by 10.0% at constant exchange rates), Bulgaria (up by 11.9%), Romania (up by 15.1% at constant exchange rates), while Russia is decreasing (down by 15.3% at constant exchange rates).

Dividends and other income from equity investments (which include the profits of the companies accounted at equity method) in 2019 amounted to €637 million, decreasing by €35 million, or down by 5.2% (down by 3.4% at constant exchange rates) compared with 2018 restated. The change is mainly attributable to a reduction of the result for the period accounted from Yapi Kredi of -€75 million, while an increase is shown in the bank-assurance joint ventures (€46 million) and in dividends for participation in Austrian banks (€24 million).

10 €468.9 billion, adjusted excluding FincoBank S.p.A. volumes due to the sale of the company.

11 €430.8 billion, adjusted excluding FincoBank S.p.A. volumes due to the sale of the company.

12 €456.7 billion, adjusted excluding FincoBank S.p.A. volumes due to the sale of the company.

13 €399.9 billion, adjusted excluding FincoBank S.p.A. volumes due to the sale of the company.



# Group results

The net fees and commissions in 2019 amounted to €6,304 million, mostly stable compared with 2018 restated (-€24 million or down by 0.4% at current and constant exchange rates), but showing a positive trend in the last quarter of 2019.

In 2019, particularly, the investment services fees showed a growth (up by 1.8% at current and constant exchange rates) that has been determined by the growth of the portfolio under management.

A positive trend as well on the transaction services fees (up by 3.1% at current and constant exchange rates compared with 2018 restated), driven by better results on debit and credit cards fees, forex and property insurance fees.

Financing services were decreasing, resulting down by 7.3% (at current and constant exchange rates) compared with 2018 restated, mainly as an effect of the lower loans commissions and "money supply".

The net trading income in 2019 was firmly improving, moving from €1,279 million of 2018 restated to €1,538 million of the current year (up by 20.2% or up by 20.6% at constant exchange rates). By adjusting 2019 of the non-recurring items related to the sale of FinecoBank S.p.A., the net trading income would have been €1,552 million, up by 21.4% compared with prior year. The increase was determined by an increase of the gains from clients activities, as well as of other activities, also thanks to improvement of the market environment. It is however continued the strategy of increasing allocation of newly acquired government bonds in the portfolio of financial assets valued at amortised cost, with an underlying model of business aimed at the collection of contractual cash flows ("Held to collect"), which goes hand in hand with the traditional operations with an underlying business model aimed at both the collection of contractual cash flows and the sale of the instruments ("Held to collect and sell") and determines the classification of the related securities in the portfolio "financial assets valued at fair value through other comprehensive income".

Finally, in 2019 the net other expenses/income amounted to €156 million, up by €41 million compared with 2018 restated (up by 35.3% and up by 35.2% at constant exchange rates). Deducting the non-recurring items both from 2018 and 2019 data, the growth would be 14.3%.

## Operating income

	YEAR		%	2019	% CHANGE
	2019	2018		Q4	ON Q3 2019
Net interest	10,203	10,570	- 3.5%	2,515	- 1.6%
Dividends and other income from equity investments	637	672	- 5.2%	133	- 27.5%
Net fees and commissions	6,304	6,328	- 0.4%	1,629	+ 3.8%
Net trading income	1,538	1,279	+ 20.2%	464	+ 22.9%
Net other expenses/income	156	116	+ 35.3%	108	n.m.
<b>Operating income</b>	<b>18,839</b>	<b>18,965</b>	<b>- 0.7%</b>	<b>4,850</b>	<b>+ 3.1%</b>

(€ million)

## Operating costs

Group's operating costs in 2019 were equal to €9,929 million, decreasing by 3.7% compared to 2018 restated (both at current and constant exchange rates), thanks to the continuation of the staff resizing initiatives and the administrative expenses control actions.

In detail, the staff expenses of 2019 were €6,146 million, decreasing by 3.0% (both at current and constant exchange rates) in comparison €6,336 million of the 2018 restated.

This result was achieved mainly thanks to the resolute dynamic of employees reduction, characterised by a drop of 1,416 FTEs compared to the 2018 restated, equal to a decrease of 1.7%. It is worth mentioning that in 2019 Staff expenses benefit from the release of €30 million relating "gains on settlement" following the acceptance of a capitalisation offer, made by UniCredit Bank Austria, to a small group of retirees.

The other administrative expenses, in 2019 amounted to €3,279 million, decreasing by 7.5% (both at current and constant exchange rates) in comparison with €3,545 million of the 2018 restated. The lower costs have been recorded mainly among the real estate expenses, mostly relating to the branch network rationalisation and to head-offices related initiatives, the communication and marketing expenses and the consulting and legal expenses.

The expenses recovery in 2019 amounted to €592 million, decreasing in comparison to the €631 million of last year (down by 6.2%, or down by 6.0% at constant exchange rates). In particular the drop was mainly related to the lower expenses of the Non Core Division and to lower number of users rights derived from software write-offs and closure of other contracts with VTS company.

Finally, the write-downs on tangible and intangible assets in 2019 amounted to €1,096 million, increasing by 3.8% (or up by 3.7% at constant exchange rates) compared to the €1,057 million in 2018 restated. Net of the non-recurring items both in 2018 and 2019 data, the yearly growth would be up by 2.0%.

# Group results

## Operating costs

	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019
	2019	2018			
Payroll costs	(6,146)	(6,336)	- 3.0%	(1,549)	+ 1.8%
Other administrative expenses	(3,279)	(3,545)	- 7.5%	(858)	+ 9.3%
Recovery of expenses	592	631	- 6.2%	150	+ 5.6%
Write downs of tangible and intangible assets	(1,096)	(1,057)	+ 3.8%	(267)	- 4.8%
<b>Operating costs</b>	<b>(9,929)</b>	<b>(10,307)</b>	<b>- 3.7%</b>	<b>(2,525)</b>	<b>+ 3.2%</b>

(€ million)

The good result achieved in terms of cost reduction deeply balanced the revenues decline, generating a Group gross operating profit of €8,910 million, up by 2.9% compared to 2018 restated (up by 3.0% at constant exchange rates). The yearly increase is 3.1% after the deduction of non-recurring items used for the calculation of the underlying net profit of the Group both in 2018 and 2019.

The cost income ratio of 2019 amounted to 52.7%, improving by 1.6 percentage points over the previous year, which amounted to 54.3%.

## 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 2019 were €3,382 million, compared to €2,614 million of 2018 restated (+29.4% or +29.3% at constant exchange rates) with an increase of €769 million. The 2019 amount includes €1,049 million of higher Non Core credit exposures' loan loss provisions relating to the update of the rundown strategy of the relevant portfolio within 2021. Net of these additional provisions, compared with 2018, net write-downs on loans and provisions for guarantees and commitments of the Group would have been decreasing by 10.7%.

The cost of risk of the Group was equal to 71 basis points, in comparison to 58 basis points of 2018 restated. Deducting from 2019 the non-recurring item of Non Core mentioned above, the cost of risk of the Group would have been 49 basis points.

In detail, Commercial Banking Italy division recorded a cost of risk of 73 basis points, improving by 1 basis point in comparison to 2018 restated. Commercial Banking Germany division recorded 12 basis points, improving by 6 basis points in comparison to last year and Commercial Banking Austria division accounted 9 basis points, worsening by 15 basis points in comparison to 2018 restated, which benefitted from some write-backs. The CIB division showed a cost of risk of 8 basis points, worsening by 2 basis points compared with 2018 restated. At last, CEE Division showed a cost of risk of 68 basis points, improving by 5 basis points in comparison to 2018 restated.

The Group gross impaired loans at 31 December 2019 were down by €12.9 billion compared to 31 December 2018 restated, decreasing from €38.2 billion to €25.3 billion, thanks to the continuous risk reduction measures carried out and to Non Core *rundown*.

Thanks to this decrease, the gross non-performing loans on total loans ratio improved, moving from 7.72% of December 2018 restated to 5.04% of December 2019. Gross bad exposures stock was at €12.5 billion, decreasing by €8.6 billion from December 2018 restated (€21.1 billion).

The Group coverage ratio of the gross non-performing loans as at 31 December 2019 was furtherly improved by 428 basis points, reaching 65.24% in comparison to 60.96% of December 2018 restated.

# Group results

## Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON- PERFORMING PAST-DUE	TOTAL NON- PERFORMING	PERFORMING	TOTAL LOANS
<b>As at 12.31.2019<sup>(*)</sup></b>						
Gross exposure	12,491	11,934	870	25,295	476,333	501,628
as a percentage of total loans	2.49%	2.38%	0.17%	5.04%	94.96%	
Writedowns	9,535	6,675	293	16,503	2,552	19,055
as a percentage of gross value	76.33%	55.93%	33.70%	65.24%	0.54%	
Carrying value	2,956	5,259	577	8,792	473,782	482,574
as a percentage of total loans	0.61%	1.09%	0.12%	1.82%	98.18%	
<b>As at 12.31.2018<sup>(**)</sup></b>						
Gross exposure	21,134	16,193	839	38,167	456,511	494,677
as a percentage of total loans	4.27%	3.27%	0.17%	7.72%	92.28%	
Writedowns	15,348	7,655	262	23,266	2,523	25,789
as a percentage of gross value	72.62%	47.27%	31.29%	60.96%	0.55%	
Carrying value	5,786	8,538	576	14,900	453,988	468,889
as a percentage of total loans	1.23%	1.82%	0.12%	3.18%	96.82%	

### Notes:

(\*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16; it should be noted that following the deconsolidation of FinecoBank S.p.A. and its subsidiary, this amount do not include loans referred to those company.

(\*\*) The figures as at 31 December 2018 differ from the ones published at the reference date due to the exclusion of the loans of FinecoBank S.p.A. and its subsidiary for the purposes of presentation on the same comparable basis with the amounts as at 31 December 2019.

## From net operating profit to profit before tax

In 2019 the improvement of the gross operating profit (+€251 million) was offset by the increase of net write-downs on loans (-€769 million), generating a Group's net operating profit amounting to €5,527 million, worsening by €517 million compared to 2018 restated (down by 8.6% or down by 8.2% at constant exchange rates).

Deducting the non-recurring items excluded from the calculation of the underlying net profit used as base for dividend distribution from both 2018 and 2019, the net operating profit of the Group would show an improvement of 9.1%, moving from €6,006 million in 2018 to €6,551 million in 2019.

Group's other charges and provisions were -€954 million, compared to -€2,271 million of 2018 restated.

This item includes legal cases and estimated liabilities of various nature totalling -€68 million, in addition to the systemic charges, amounting to -€886 million. The latter include the contributions to the Single Resolution Fund (SRF), the harmonised guarantee schemes charges (Deposits Guarantee Scheme - DGS) and the non-harmonised ones, as well as the Bank Levies.

It is worth mentioning that the 2018 restated included also provisions for the alleged US sanctions violations (refer to Notes to consolidated accounts Part E - 2.5 Operational risks - B. Legal risks paragraph "Financial sanctions matter" for further details).

The Group other provisions for risk and charges for 2019 would be reduced to -€850 million net of the non-recurring items.

Integration costs in 2019 were -€664 million compared with -€9 million in 2018 restated. Year 2019 includes non-recurring items to be excluded from the calculation of the underlying Group net profit for -€657 million (-€436 million of leaving incentives of workers in Germany and Austria and -€222 million of other integration costs, mainly due to value adjustments on intangible assets), net of which the integration costs would have been -€7 million.

Finally, net income from investments in 2019 was -€844 million compared with -€198 million recorded in 2018 restated. Both years include non-recurring items: +€288 million in 2018 restated, related to the retroactive application, provided for by IAS40, of the fair value model for the measurement of the Real Estate portfolio for investment purposes and -€937 million in 2019, mainly related to the application of fair value model and revaluation model for the measurement of Group Real Estate portfolio respectively held for investment and used in business, to the agreement aimed at the resolution of the Joint Venture of Koç Financial Services joint venture and the sale of the 9.02% of Yapi ve Kredi Bankası A.Ş. Net of the non-recurring items, to be excluded from the calculation of the underlying net profit, net income from investments would have moved from -€485 million in 2018 to +€93 million in 2019.

As an effect of the items mentioned above, in 2019 the Group registered a profit before tax of €3,065 million, compared to €3,566 million of 2018 restated (down by 14.0% or down by 13.4% at constant exchange rates). Adjusting the figures of both the years from the non-recurring items, the Group profit before tax would amount to €5,787 million in 2019, increasing by 78.6% in comparison to €3,240 million of 2018. For non-recurring items refer to paragraph "Introduction" of this section.

# Group results

## Profit before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE- DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX	
					YEAR 2019	2018
Commercial Banking Italy	7,148	(3,786)	(1,044)	2,318	1,811	1,879
Commercial Banking Germany	2,392	(1,627)	(100)	665	849	727
Commercial Banking Austria	1,558	(975)	(41)	542	332	437
Central Eastern Europe	4,251	(1,535)	(456)	2,260	1,962	2,030
Corporate & Investment Banking	3,901	(1,526)	(106)	2,270	2,041	1,369
Group Corporate Centre	(371)	(300)	(2)	(673)	(1,660)	(1,681)
Non Core	(41)	(180)	(1,632)	(1,854)	(2,270)	(1,194)
<b>Group Total</b>	<b>18,839</b>	<b>(9,929)</b>	<b>(3,382)</b>	<b>5,527</b>	<b>3,065</b>	<b>3,566</b>

## Profit (Loss) attributable to the Group

In 2019 Group's income taxes line recorded -€890 million, in comparison to +€489 million of 2018 restated.

2019 includes a positive effect of +€211 million related to the taxes connected to the non-recurring components, while 2018 data includes the extraordinary effects arising from the recognition through P&L of the positive tax effects related to IFRS9 First Time Adoption on loan loss provisions for €887 million, of which €871 million related to deferred tax assets.

Profit from non-current assets held for sale net of taxes in 2019 was €1,383 million in comparison to €288 million of the last year restated.

The 2019 figure includes non-recurring income to be excluded from the calculation of the underlying net profit of €1,287 million, related to the sale of FinecoBank S.p.A.

The profit for the period of 2019 was €3,559 million, in comparison to €4,343 million of last year restated.

Adjusting both years with the impact of the non-recurring items, the profit for the period would move from €3,225 million of 2018, to €4,782 million of 2019, with an increase of 48.3%.

Minorities, conventionally exposed with negative sign, were -€118 million, against -€233 million of 2018 restated.

Purchase price allocation was -€68 million, mainly due to the total write-down, net of the tax effect, of the brands referable to FinecoBank S.p.A., compared to -€3 million of 2018 restated.

Consequently, in 2019 the net profit attributable to the Group amounted to €3,373 million, compared to €4,107 million of 2018 restated. Excluding the non-recurring items from both years, 2019 would have recorded a net profit underlying of €4,675 million, increasing by 55.5% in comparison to the 2018 restated underlying net result, equal to €3,006 million. For non-recurring items refer to paragraph "Introduction" of this section.

# Group results

## Profit (Loss) attributable to the Group

(€ million)

	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019
	2019	2018			
Operating income	18,839	18,965	- 0.7%	4,850	+ 3.1%
Operating costs	(9,929)	(10,307)	- 3.7%	(2,525)	+ 3.2%
Operating profit (loss)	8,910	8,658	+ 2.9%	2,325	+ 3.1%
Net write-downs on loans and provisions for guarantees and commitments	(3,382)	(2,614)	+ 29.4%	(1,645)	n.m.
Net operating profit (loss)	5,527	6,044	- 8.6%	681	- 59.8%
Other charges and provisions	(954)	(2,271)	- 58.0%	(316)	+ 68.9%
Integration costs	(664)	(9)	n.m.	(657)	n.m.
Net income from investment	(844)	(198)	n.m.	(665)	n.m.
Profit (Loss) before tax	3,065	3,566	- 14.0%	(958)	n.m.
Income tax for the period	(890)	489	n.m.	119	n.m.
Profit (Loss) from non-current assets held for sale, after tax	1,383	288	n.m.	11	n.m.
Profit (Loss) for the period	3,559	4,343	- 18.1%	(828)	n.m.
Minorities	(118)	(233)	- 49.4%	(4)	- 84.2%
Net profit (loss) attributable to the Group before PPA	3,441	4,111	- 16.3%	(832)	n.m.
Purchase Price Allocation effects	(68)	(3)	n.m.	(3)	n.m.
Goodwill impairment	-	-	n.m.	-	n.m.
Net profit (loss) attributable to the Group	3,373	4,107	- 17.9%	(835)	n.m.

## Capital and value management

### Principles of value creation and capital allocation

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

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

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

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

Following the financial crisis that unfolded in 2007-2008, the European Union implemented a substantial reform of the financial services regulatory framework to enhance the resilience of its financial institutions. This reform was largely based on international standards agreed in 2010 by the Basel Committee on Banking Supervision, known as the Basel 3 framework. Among its many measures, the reform package included the adoption of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2013/36/EU of the European Parliament and of the Council, which strengthened the prudential requirements for credit institutions and investment firms.

# Group results

These rules have been modified by Regulation (EU) No.2019/876 of the European Parliament and of the Council of 20 May 2019 (so called CRR 2), amending Regulation (EU) No.575/2013 and by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (so-called CRD V), amending Directive 2013/36/EU.

## Capital ratios

### Transitional own funds and capital ratios

	AS AT	
	12.31.2019 <sup>(*)</sup>	12.31.2018 <sup>(*)</sup>
Common Equity Tier 1 Capital	50,054	44,903
Tier 1 Capital	56,414	50,488
Total own funds	66,982	58,476
Total RWA	378,718	370,180
<b>Common Equity Tier 1 Capital Ratio</b>	<b>13.22%</b>	<b>12.13%</b>
<b>Tier 1 Capital Ratio</b>	<b>14.90%</b>	<b>13.64%</b>
<b>Total Capital Ratio</b>	<b>17.69%</b>	<b>15.80%</b>

**Notes:**  
 (\*) Transitional own funds and capital ratios including all transitional adjustments according to the yearly applicable percentages.  
 UniCredit group has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values shown fully reflect the impact arising from the application of the IFRS9 principle.

The positive change with respect to 31 December 2018 (equal to about €5 billion on Common Equity Tier 1 Capital and about €9 billion on Total Own Funds) mainly reflects: (i) positive variation (equal to €2,061) in the accumulated other comprehensive income and other reserves, primarily related to the change in the valuation criterion for tangible assets, in particular with reference to properties used in business (IAS16) and properties held for investment (IAS40), (ii) the profit of 2019 (equal to €3,373 million), net of dividends for €1,404 and of €2 million of social and charity initiatives, computed for €1,967 million; (iii) the positive effect equal to €654 million deriving from the lower deduction on intangible assets connected to the deconsolidation of FinecoBank S.p.A., (iv) the lower deduction (zero at 31 December 2019 and €615 million at 31 December 2018) connected to the exceedance of the 17.65% of Common Equity Tier 1 Capital after applying the adjustments and deductions in CRR Articles 32 to 36 in full in comparison with the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit S.p.A. in financial sector entities in which UniCredit S.p.A. has a significant investments. With reference to the Total Own Funds, the positive change reflects in addition also the effect deriving from the new issue of three subordinated instruments classified in Tier 2 Capital.

The capital requirements applicable to the Group as at 31 December 2019 in coherence with CRR article 92 are the following (Pillar 1):

- Common Equity Tier 1 Capital: **4.50%**
- Tier 1 Capital: **6.00%**
- Total Capital: **8.00%**

With reference to 2019, in addition to such requirements, the Group shall also meet, through Common Equity Tier 1 Capital, the following additional requirements:

- **2.00%**, as Pillar 2 Requirements for 2019 in coherence with Supervisory Review and Evaluation Process (SREP) results;
- **2.50%**, as Capital Conservation buffer<sup>14</sup> according to CRDIV article129;
- **1.00%**, as Global Systemically Important Institutions buffer<sup>15</sup>;
- **0.09%**, as Countercyclical Capital buffer<sup>16</sup> according to the CRDIV Article 160 (paragraphs from 1 to 4), to be calculated on a quarterly basis.

Therefore, as at 31 December 2019, the Group shall also meet the following overall capital requirements:

- Common Equity Tier 1 Capital: **10.09%**
- Tier 1 Capital: **11.59%**
- Total Capital: **13.59%**

<sup>14</sup> From 1 January 2019, ended the transitional rules, the capital conservation buffer is at 2.50%.

<sup>15</sup> From 1 January 2019, ended the transitional rules, such requirement is equal to 1.00%. It should be noted that UniCredit group was identified by the Banca d'Italia as an O-SII authorized to operate in Italy, and it has to maintain a CET1 capital buffer; such level is equal to 0.50% in 2019 and will be increased starting by 0.25% on a yearly basis reaching the target of 1.00% from 1 January 2021. Nevertheless, it is worth mentioning that according to the CRD IV Article 131.14, the higher of the G-SII and the O-SII buffer will apply; hence, UniCredit group is subject to the application of 1.00% G-SII buffer for 2019.

<sup>16</sup> Amount rounded to two decimal numbers. With reference to 31 December 2019: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: United Kingdom (1.00%); Czech Republic (1.50%); Hong Kong (2.00%); Iceland (1.75%); Norway (2.50%); Sweden (2.50%); Slovakia (1.50%); Lithuania (1.00%); Bulgaria (0.50%); France (0.25%); Ireland (1.00%) Denmark (1.00%) (II) with reference to the exposures towards Italian counterparties, Banca d'Italia has set the rate equal to 0%.

# Group results

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 2018 and applicable for 2019:

## 2019 Capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
A) Pillar 1 Requirements	4.50%	6.00%	8.00%
B) Pillar 2 Requirements	2.00%	2.00%	2.00%
C) TSCR (A+B)	6.50%	8.00%	10.00%
D) Combined capital buffer requirement, of which:	3.59%	3.59%	3.59%
1. Capital Conservation buffer (CCB)	2.50%	2.50%	2.50%
2. Global Systemically Important Institution buffer (G-SII)	1.00%	1.00%	1.00%
3. Institution-specific Countercyclical Capital buffer (CCyB)	0.09%	0.09%	0.09%
E) OCR (C+D)	10.09%	11.59%	13.59%

The above mentioned requirements are the ones which are relevant for MDA purposes for UniCredit group as at 31 December 2019.

As at 31 December 2019, UniCredit group's ratios are compliant with all the above requirements.

The consolidated profit as at 31 December 2019, equal to €3,373 million, is recognised in the Own Funds for €1,967 million, resulting after the destination to potential dividends for €1,404 million approved by the Board of Directors and to social and charity initiatives for €2 million. The dividends envisages a 30% of pay-out ratio on 2019 consolidated underlying net profit<sup>17</sup>, equal to €4,675 million, excluding nonrecurring items equal to -€1,301 million. The amount of €1,967 million, as determined above, is included in CET1 capital following the authorisation by the Supervisory Authority according to CRR Article 26(2).

## Capital strengthening

During the year 2019 UniCredit S.p.A. placed an issue of equity instruments Additional Tier 1 (in particular Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes), for a total amount of €1 billion targeted to institutional investors, to continue to strengthen its regulatory capital.

The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and they may be called by the Issuer on 3 June 2026 and thereafter at any interest payment date, subject to Regulatory approval. The notes pay fixed rate coupons of 7.50% per annum up to June 2026 on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the aggregate of the then 5-Year Mid-Swap rate on the renegotiation date plus 733.4bps, calculated on an annual basis and then converted to a semi-annual rate in accordance with market practices. In line with the regulatory requirements, the coupon payments are fully discretionary.

Moreover with reference to share capital, on 6 February 2019 the Board of Directors of UniCredit S.p.A., by the powers conferred time by time by the Extraordinary Shareholders' Meeting pursuant to the art.2443 of the Italian Civil Code in order to execute the Group Incentive System, resolved a free share capital increase of €55 million by issuing No.3,200,177 ordinary shares to be granted to the employees of UniCredit S.p.A. and of Group banks and companies.

The resolution to increase the share capital has been registered with the Company Register on 4 April 2019 and the fully subscribed and paid-up share capital of UniCredit S.p.A. currently amounts to €20,995 million and it is divided into No.2,233,376,842 ordinary shares with no nominal value.

<sup>17</sup> Net profit adjusted for non-operating items; for further details, refer to definition in the Glossary.



# Group results

## Shareholders' equity attributable to the Group

The Shareholders' equity of the Group, including the net profit of the period equal to €3,373 million, amounted to €61,416 million as at 31 December 2019, compared to €56,389 million as at 31 December 2018 restated.

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

The following table shows the main changes occurred in 2019.

### Shareholders' equity attributable to the Group

	(€ million)
<b>Shareholders' Equity as at 31 December 2018 restated</b>	<b>56,389</b>
Equity instruments	992
Dividends and other allocations	(604)
Change in reserve related coupon on AT1 instruments	(285)
Changes in reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items	269
Disbursements related to transaction denominated "Cashes"	(124)
Changes in the valuation reserve tangible assets <sup>(1)</sup>	1,442
Change in the valuation reserve relating to the financial assets and liabilities at fair value	709
Change in the valuation reserve of the companies accounted for using the equity method <sup>(2)</sup>	501
Exchange differences reserve <sup>(3)</sup>	294
Change in the valuation reserve of non-current assets classified held-for-sale <sup>(2)</sup>	(660)
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans <sup>(4)</sup>	(863)
Other changes	(17)
Net profit (loss) for the period	3,373
<b>Shareholders' Equity as at 31 December 2019</b>	<b>61,416</b>

#### Notes:

- (1) The change in the valuation reserve tangible assets for +€1,442 million (€1,445 million gross of minorities) due to the transition from the cost model to the revaluation model for the properties used in business, ruled by IAS16 "Property, plant and machinery" (for further details please see Part A - Accounting policies - A.1 - General - Section 5 - Other matters).
- (2) The change in the valuation reserve of the companies accounted for using the equity method for +€501 million mainly due to the change of Turkish Lira for -€110 million and for +€677 million due to the reclassification of 9.02% of the valuation reserve of Yapi Ve Kredi Bankasi AS in the valuation reserve of non-current assets classified held-for-sale (mainly referred to Turkish Lira for -€643 million).
- (3) This effect is mainly due to the positive impact of the Russian Ruble for €324 million.
- (4) Mainly referred to widespread drop in Euro yield curve reducing DBO discount rate partially offset by plan assets performance.

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

## Reconciliation parent company UniCredit S.p.A. - Consolidated accounts

The following table reconciles the Parent Company's shareholders' equity and Net profit to the corresponding consolidated figures.

### Reconciliation of parent company UniCredit S.p.A. to Consolidated accounts

	SHAREHOLDERS' EQUITY	(€ million) of which: NET PROFIT
<b>Balance as at 31 December 2019 of parent company UniCredit S.p.A.</b>	<b>51,519</b>	<b>(555)</b>
Consolidated contribution:	9,254	6,904
- fully consolidated subsidiaries	5,494	6,232
- investments valued at equity method	3,760	672
Reverse of ordinary dividends received in the period:	-	(2,350)
- fully consolidated subsidiaries	-	(2,290)
- investments valued at equity method	-	(60)
Other consolidation adjustments	1,012	(508)
<b>Balance as at 31 December 2019 (minorities included)</b>	<b>61,785</b>	<b>3,491</b>
of which Group	61,416	3,373
of which minorities	369	118



# Group results

## Contribution of the sector of activity to the results of the Group

### 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 Center with supporting functions for the Italian business.

In relation to individual clients (Mass market, Affluent, Private and Wealth), Commercial Banking Italy's goal is to offer a full range of products and services to fulfill transactional, investments and credit needs, relying on branches and multichannel services provided thanks to new technologies.

#### Income statement, key ratios and indicators

COMMERCIAL BANKING ITALY	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019
	2019	2018			
Operating income	7,148	7,163	- 0.2%	1,782	+ 0.6%
Operating costs	(3,786)	(4,033)	- 6.1%	(946)	+ 0.8%
Net write-downs on loans and provisions for guarantees and commitments	(1,044)	(1,046)	- 0.2%	(270)	+ 7.6%
Net operating profit	2,318	2,083	+ 11.3%	566	- 2.7%
Profit before tax	1,811	1,879	- 3.6%	386	- 21.1%
Customers loans (net Repos and IC)	141,308	145,641	- 3.0%	141,308	- 1.3%
Customers depos (net Repos and IC)	152,889	146,236	+ 4.5%	152,889	+ 0.1%
Total RWA Eop	99,784	95,753	+ 4.2%	99,784	- 2.3%
EVA (€ million)	303	4	n.m.	160	n.m.
Absorbed Capital (€ million)	12,584	11,016	+ 14.2%	12,776	- 2.1%
ROAC	+ 11.2%	+ 12.0%	- 0.8 p.p.	+ 13.1%	+ 2.5 p.p.
Cost/Income	+ 53.0%	+ 56.3%	- 3.3 p.p.	+ 53.1%	+ 0.1 p.p.
Cost of Risk	73 bps	74 bps	- 1 bps	76 bps	6 bps
Full Time Equivalent (eop)	28,640	29,582	- 3.2%	28,640	- 0.7%

### Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services through its branch network. It is composed of: "Privatkundenbank" (Individual Clients segment), "Unternehmerbank" (Corporate segment) and the local Corporate Center.

Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

#### Income statement, key ratios and indicators

COMMERCIAL BANKING GERMANY	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019
	2019	2018			
Operating income	2,392	2,445	- 2.2%	635	+ 9.6%
Operating costs	(1,627)	(1,641)	- 0.9%	(416)	+ 4.7%
Net write-downs on loans and provisions for guarantees and commitments	(100)	(145)	- 30.9%	(48)	+ 73.9%
Net operating profit	665	659	+ 0.8%	171	+ 11.0%
Profit before tax	849	727	+ 16.8%	165	- 28.5%
Customers loans (net Repos and IC)	87,172	83,741	+ 4.1%	87,172	- 1.5%
Customers depos (net Repos and IC)	92,742	91,694	+ 1.1%	92,742	+ 1.4%
Total RWA Eop	36,388	36,642	- 0.7%	36,388	- 2.5%
EVA (€ million)	35	193	- 81.8%	(103)	n.m.
Absorbed Capital (€ million)	4,636	4,441	+ 4.4%	4,654	+ 0.5%
ROAC	+ 11.7%	+ 13.4%	- 1.7 p.p.	+ 7.1%	- 7.5 p.p.
Cost/Income	+ 68.0%	+ 67.1%	+ 0.9 p.p.	+ 65.5%	- 3.1 p.p.
Cost of Risk	12 bps	17 bps	- 6 bps	22 bps	9 bps
Full Time Equivalent (eop)	9,120	9,167	- 0.5%	9,120	- 0.2%

# Group results

## Commercial Banking Austria

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

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

### Income statement, key ratios and indicators

COMMERCIAL BANKING AUSTRIA	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019
	2019	2018			
Operating income	1,558	1,561	- 0.2%	419	+ 6.6%
Operating costs	(975)	(1,021)	- 4.5%	(249)	+ 2.2%
Net write-downs on loans and provisions for guarantees and commitments	(41)	25	n.m.	(32)	+ 67.9%
Net operating profit	542	565	- 4.2%	138	+ 5.9%
Profit before tax	332	437	- 24.1%	(16)	n.m.
Customers loans (net Repos and IC)	45,269	44,808	+ 1.0%	45,269	+ 0.5%
Customers depots (net Repos and IC)	48,459	47,380	+ 2.3%	48,459	+ 2.4%
Total RWA Eop	23,857	23,496	+ 1.5%	23,857	- 1.6%
EVA (€ million)	423	166	n.m.	270	n.m.
Absorbed Capital (€ million)	2,930	2,647	+ 10.7%	2,963	+ 0.8%
ROAC	+ 19.3%	+ 15.8%	+ 3.5 p.p.	+ 30.0%	+ 13.8 p.p.
Cost/Income	+ 62.6%	+ 65.4%	- 2.8 p.p.	+ 59.5%	- 2.6 p.p.
Cost of Risk	9 bps	- 5 bps	15 bps	28 bps	11 bps
Full Time Equivalent (eop)	4,833	4,873	- 0.8%	4,833	- 1.2%

## 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

CEE DIVISION	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019
	2019	2018			
Operating income	4,251	4,199	+ 1.2%	1,046	- 1.5%
Operating costs	(1,535)	(1,501)	+ 2.3%	(408)	+ 7.8%
Net write-downs on loans and provisions for guarantees and commitments	(456)	(457)	- 0.2%	(153)	+ 31.0%
Net operating profit	2,260	2,241	+ 0.8%	486	- 14.4%
Profit before tax	1,962	2,030	- 3.3%	381	- 27.1%
Customers loans (net Repos and IC)	67,534	65,344	+ 3.4%	67,534	- 0.9%
Customers depots (net Repos and IC)	70,745	65,744	+ 7.6%	70,745	- 1.2%
Total RWA Eop	90,028	86,572	+ 4.0%	90,028	- 1.0%
EVA (€ million)	485	478	+ 1.4%	49	- 66.1%
Absorbed Capital (€ million)	11,065	10,632	+ 4.1%	11,144	- 0.2%
ROAC	+ 14.5%	+ 15.6%	- 1.1 p.p.	+ 11.1%	- 4.4 p.p.
Cost/Income	+ 36.1%	+ 35.7%	+ 0.4 p.p.	+ 39.0%	+ 3.4 p.p.
Cost of Risk	68 bps	73 bps	- 5 bps	90 bps	21 bps
Full Time Equivalent (eop)	24,229	24,214	+ 0.1%	24,229	- 0.3%

# Group results

## CIB

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

### Income statement, key ratios and indicators

						(€ million)
CORPORATE & INVESTMENT BANKING	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019	
	2019	2018				
Operating income	3,901	3,799	+ 2.7%	1,033	+ 5.7%	
Operating costs	(1,526)	(1,556)	- 2.0%	(399)	+ 10.8%	
Net write-downs on loans and provisions for guarantees and commitments	(106)	(76)	+ 39.0%	47	n.m.	
Net operating profit	2,270	2,167	+ 4.8%	682	+ 11.0%	
Profit before tax	2,041	1,369	+ 49.1%	537	- 10.7%	
Customers loans (net Repos and IC)	78,888	81,354	- 3.0%	78,888	- 2.1%	
Customers depots (net Repos and IC)	52,794	45,301	+ 16.5%	52,794	+ 2.8%	
Total RWA Eop	80,648	81,598	- 1.2%	80,648	- 3.3%	
EVA (€ million)	673	(22)	n.m.	210	+ 25.6%	
Absorbed Capital (€ million)	10,427	10,028	+ 4.0%	10,447	- 2.8%	
ROAC	+ 13.2%	+ 8.9%	+ 4.2 p.p.	+ 14.1%	- 1.2 p.p.	
Cost/Income	+ 39.1%	+ 41.0%	- 1.9 p.p.	+ 38.6%	+ 1.8 p.p.	
Cost of Risk	8 bps	7 bps	2 bps	- 14 bps	- 15 bps	
Full Time Equivalent (eop)	3,161	3,234	- 2.3%	3,161	- 1.3%	

## Non Core

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

### Income statement, key ratios and indicators

						(€ million)
NON CORE	YEAR		% CHANGE	2019 Q4	% CHANGE ON Q3 2019	
	2019	2018				
Operating income	(41)	42	n.m.	(30)	n.m.	
Operating costs	(180)	(206)	- 12.5%	(45)	- 10.0%	
Net write-downs on loans and provisions for guarantees and commitments <sup>(*)</sup>	(1,632)	(921)	+ 77.2%	(1,188)	n.m.	
Net operating profit	(1,854)	(1,085)	+ 70.9%	(1,263)	n.m.	
Profit before tax	(2,270)	(1,194)	+ 90.2%	(1,496)	n.m.	
Customers loans (net Repos and IC)	1,886	6,612	- 71.5%	1,886	- 50.9%	
Customers depots (net Repos and IC)	488	528	- 7.5%	488	+ 3.5%	
Net Impaired Loans (percentage of total net loans Non Core)	100.00%	99.93%	6.5 bps	100.00%	0.8 bps	
Total RWA Eop	10,966	12,221	- 10.3%	10,966	- 19.6%	
EVA (€ million)	(919)	(1,017)	- 9.7%	(252)	+ 21.8%	
Absorbed Capital (€ million)	1,635	1,975	- 17.2%	1,543	- 14.8%	
ROAC	- 103.1%	- 40.5%	- 62.6 p.p.	- 286.0%	n.m.	
Cost/Income	n.m.	n.m.	n.m.	n.m.	n.m.	
Cost of Risk	n.m.	918 bps	n.m.	n.m.	n.m.	
Full Time Equivalent (eop)	295	345	- 14.7%	295	- 7.6%	

Note:

(\*) The increase in item "Net write-downs on loans and provisions for guarantees and commitments" reflects for €1,049 million the higher value adjustments resulting from the update of the rundown strategy.

## Other information

### Report on corporate governance and ownership structure

Within the meaning of Art.123-bis par.3 of the Legislative Decree No.58 dated 24 February 1998, the "Report on corporate governance and ownership structure" is available in the "Governance" section of the UniCredit website (<http://www.unicreditgroup.eu>).

An explanatory chapter on the corporate governance structure is likewise included below in this document ("Corporate Governance").

### Report on remuneration

Pursuant to Art.123-ter of the Legislative Decree dated 24 February 1998 No.58 and of Art.84-quater, of the Consob Issuers' Regulations, the "Group Remuneration Policy and Report" is available on UniCredit's website (<http://www.unicreditgroup.eu>).

### Non-financial information

During 2019 the Group took decisive steps towards the integration of sustainability topics within our business strategy. There was a strong focus on Ethics and Respect, with the issuing of global policies on anti-retaliation, harassment, bullying and sexual misconduct. Further to that the Group did a great effort in order to communicate its approach and commitments towards sustainability topics, which were publicly announced in November 2019 with a set of Environmental and Social targets.

Pursuant to articles 3 and 4 of Legislative Decree 254/2016, the Integrated Report, published on UniCredit website (<http://www.unicreditgroup.eu>) constitutes the Non-financial Declaration and it covers more in detail the sustainability strategy and 2019 achievements.

### Research and development projects

In 2019, UniCredit S.p.A.'s Research & Development Department primarily focused on:

- Exceed: R&D has been involved in Exceed project aimed at the creation of an electronic market of domestic liquidity within the Group. This involvement has ended in June, as the project is currently in development by Group's "Markets" division;
- Lupin: an artificial intelligence model is under development to automatically compare signatures and other information on cheques;
- Gyros: automatic analysis of document within artificial intelligence models in order to verify the correct grant of loans;
- Pizza: requested by Group Compliance, is to automatically analyse the Loans documents, in order to verify coherence and completeness between the offer form and the contract;
- Invicta: requested by Group Cost Management, Invicta project aims at automatically dispatch the electronic invoices, to be processed by the correct owner;
- Pitchbook: requested by Commercial Banking Italy and Commercial Banking Central Eastern Europe, aims at automatically generate customer-tailored commercial offers, based on the analysis of the balance sheets. Currently R&D is completing the prototyping phase.

## Group activities development operations and other corporate transactions

### Transactions and initiatives involving shareholdings

#### Reduction of UniCredit stake in Yapi Kredi Bank below 32%

On 30 November 2019, UniCredit S.p.A. and Koç Group entered into a set of agreements related to certain shares transfers (as better described below) and to the termination of the existing shareholders agreement related to Koç Finansal Hizmetleri A.Ş. ("KFS"), the Turkish joint venture vehicle through which Koç Group and UniCredit have run a commercial banking operation in Turkey since 2002.

In particular, the agreements signed entailed that, at the closing of the transaction occurred on 5 February 2020:

- Koç Group has acquired UniCredit's entire 50% shareholding in KFS, thereby becoming the sole owner of KFS,
- KFS simultaneously has sold 31.93% and 9.02% stakes in Yapi ve Kredi Bankası A.Ş. ("YKB") to UniCredit and Koç Holding A.Ş. ("Koç Holding"), respectively, and
- simultaneously, the shareholders agreement related to KFS have been terminated.

## Other information

As a result, at closing, UniCredit owns a direct 31.93% stake in YKB, with a reduction in participation by 9.02% (from an indirect 40.95% stake, to a direct 31.93% stake).

For further information on the transaction refer to Consolidated financial statement - Notes to consolidated accounts - Part B - Section 7 - Equity investments.

For further details refer to paragraph "Subsequent events" of this Consolidated report on operations.

### Disposal of SIA UniCredit Leasing

On 10 December 2019, UniCredit S.p.A. signed a binding agreement with AS Citadele banka for the disposal of SIA UniCredit Leasing, its 100% subsidiary active in the Baltics. Closing of the transaction, subject to regulatory approvals, is expected in first half 2020.

### Disposal of FinecoBank S.p.A.

#### Accelerated bookbuilding of 17% of FinecoBank S.p.A. and exit from UniCredit group

On 7 May 2019, UniCredit S.p.A. announced the launch of a placement of ordinary shares in FinecoBank S.p.A. representing 17% of the issued share capital, compared to 35.3% held on the same date. On 8 May 2019 the successful completion of the transaction has been announced following the placement to institutional investors of No.103.5 million of ordinary shares at a price of €9.80 per share. The price represented a discount of 4.4% to the last pre-announcement closing price of FinecoBank S.p.A. Gross proceeds in favour of UniCredit S.p.A. amounted to €1,014 million.

Before the abovementioned announcement, on the same day, UniCredit S.p.A. and FinecoBank S.p.A. announced a series of actions and procedures aimed at ensuring FinecoBank S.p.A. ability to operate independently in case of exit from the UniCredit group. In this context, the parties have entered into a framework agreement concerning, inter alia:

- a financial guarantee contract granted by UniCredit S.p.A. in favour of FinecoBank S.p.A. in order to neutralise the credit risk exposure of FinecoBank S.p.A. against UniCredit S.p.A.;
- a contract that allows FinecoBank S.p.A. to use, free of charge, certain names and trademarks containing the term "Fineco", owned by UniCredit S.p.A., together with the provision of an American option in favour of FinecoBank S.p.A. for the acquisition of the brand;
- a Master Service Agreement for the supply of certain services for a specific period of time by UniCredit group in favour of FinecoBank S.p.A.

Following the completion of the placement's settlement, on 10 May 2019 UniCredit S.p.A. informed that FinecoBank S.p.A. was no longer part of the Group.

#### Accelerated bookbuilding of UniCredit's residual stake in FinecoBank S.p.A.

On 8 July 2019, UniCredit S.p.A. announced the launch of a placement of the residual stake held in FinecoBank S.p.A., equal to 18.3% of the issued share capital, that lead to the placement to institutional investors of No.111.6 million of ordinary shares at a price of €9.85 per share. The price represents a discount of 4.4% to the last pre-announcement closing price of FinecoBank S.p.A. Gross proceeds in favour of UniCredit S.p.A. amounted to €1,099 million.

#### Exercise of the option for the purchase of the brand "Fineco" by FinecoBank S.p.A.

By exercising the option provided by the contract stipulated with UniCredit S.p.A., in November 2019 FinecoBank S.p.A. purchased the brand "Fineco" at the price of €22.5 million. The change of ownership at the relevant trademark offices, where the brand "Fineco" is registered, is in progress.

For further details on terms of Fineco's transaction, refer to Consolidated financial statements - Notes to the consolidated accounts - Part A - A.1 General - Section 3. Consolidation scope and methods.

### Accelerated bookbuilding of 8.4% of Mediobanca

On 6 November 2019, UniCredit S.p.A. announced the launch of a placement of its total stake held in Mediobanca - Banca di Credito Finanziario S.p.A., equal to 8.4% of the issued share capital. On the same day, the successful completion of the transaction has been announced, following the placement to institutional investors of No.74.5 million of ordinary shares at a price of €10.53 per share. The price represented a discount of 2.3% to the last pre-announcement closing price of Mediobanca. Gross proceeds of the placement amount to €785 million.

For further information on the transaction refer to Consolidated financial statement - Notes to consolidated accounts - Part B - Section 7 - Equity investments.

## Other information

### Disposal of UniCredit's indirect stake in SwanCap Partners

In April 2019, UniCredit S.p.A. sold its entire non-control shareholding in SwanCap Partners GmbH ("SwanCap"), held through UniCredit Bank AG, to funds advised by Ardian realizing a gain on disposal of about €16 million.

SwanCap is specialised in private equity ("PE") buyouts, offering an integrated approach to its predominantly institutional investors by combining PE primary investments, direct secondaries and direct co-investments.

### Disposal of Ocean Breeze, a German offshore wind farm

In December 2019, UniCredit S.p.A. sold Ocean Breeze Energy GmbH & Co. KG ("Ocean Breeze"), held through UniCredit Bank AG, to Macquarie Infrastructure and Real Assets.

Ocean Breeze is the owner and operator of the 400MW offshore wind farm BARD Offshore 1, the first operative offshore wind farm in the German North Sea.

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

In February 2019 UniCredit approved the reorganisation project of the activities carried out by its subsidiary UniCredit Services S.C.p.A. through the transfer to UniCredit S.p.A. of the Italian activities related to "operations" and "real estate" business carried out by UniCredit Services in Italy for the benefit of Italian customers.

The transfer of the activities is expected to generate benefits in terms of synergies and simplification of procedures and/or complexities reduction and governance enhancement, also through a clearer accountability and controlling process.

The reorganisation project, which obtained the European Central Bank authorisation in April 2019, took place through a partial non-proportional and asymmetric demerger of UniCredit Services in favor of UniCredit; in July 2019 the aforementioned demerger was approved by the extraordinary shareholders' meeting of UniCredit Services and by the Board of Directors of UniCredit, according to the provisions of Article 2505-bis of the Italian Civil Code; the project was completed on 1 September 2019.

### Foundation of UniCredit Leased Asset Management S.p.A.

Within the goal of accelerating the rundown of the non core portfolio by 2021, in April 2019 UniCredit Leased Asset Management S.p.A., a company entirely owned by UniCredit Leasing S.p.A., was set up to optimise the property management returned to UniCredit Leasing and preserve the value of the real estate guarantees underlying loans to Group customers, through auction activity intervention, in order to allow a better valuation and a more efficient placement of the property on the market.

The new company, whose target is on real estate assets from business activities, became operative after the spin-off of the Leased Asset Management branch division and the previously repossessed property of UniCredit Leasing.

### Acquisition of a shareholding in Salini Impregilo S.p.A.

In November 2019, as part of a capital increase of a total of €600 million approved by Salini Impregilo S.p.A. (one of the major global players in the construction of large complex infrastructures sector), UniCredit subscribed a 5.26% stake in Salini's capital with an investment of €70.5 million; the aforementioned increase was also subscribed by a significant pool of qualified investors.

The project is aimed at strengthening and relaunching the national major works and construction sector, creating a group able to compete abroad on an equal footing with international rivals.

UniCredit, together with other shareholders (Salini Costruttori, CDP Equity, Intesa Sanpaolo and Banco BPM), has entered into a 6-month lock-up commitment starting from the date of subscription of the shares.

### Foundation of UniQLegal società tra avvocati per azioni

In December 2019, UniCredit, together with the law firms Nctm and La Scala, established "UniQLegal società tra avvocati per azioni", new initiative created to meet UniCredit group's specific legal services requirements; specifically the necessity to effectively manage passive banking litigation and recurring legal advice with the aim to become a true reference point of banking law in Italy.

The partnership, whose capital is held by the law firms Nctm and La Scala with 45.5% each and by UniCredit with 9%, will enable to leverage the partner firms' considerable experience and advanced management technologies with the skills and processes of Group Legal, creating a centre of professional excellence characterised by specialised know-how, ability to invest, technological innovation, new organisational models and economies of scale that will lead to a new standard in the provision of specialised legal services.

### 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.

## Other information

### Sales initiatives of the parent company UniCredit S.p.A.

#### Sale of an Italian Consumer unsecured non-performing credit portfolio

On 12 April 2019 UniCredit S.p.A. 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 which entirely consists of Italian unsecured consumer credits with a total legal claim value, gross of write-downs and write-offs mainly, of approximately €51 million, a gross book value at the transfer date of approximately €48 million and a net book value, at the transfer date, of approximately €7 million.

Non-performing loans included in this portfolio have been derecognised in the second quarter 2019, with the recognition of the economic impact in the same quarter.

UniCredit S.p.A. and MBCS have also reached an agreement for the disposal of up to €160 million of Italian unsecured consumer loans of the same nature, originated from the first quarter of 2019 to the end of the year.

The additional sales performed during the year 2019 involved credit exposures with a total legal claim value, gross of write-downs and write-offs mainly, of approximately €140 million, a gross book value at the transfer date of approximately €136 million and a net book value, at the transfer date, of approximately €21 million.

#### Sale of an Italian Small Medium Enterprise unsecured non-performing loans portfolio of €1.1 billion

On 25 July 2019 UniCredit S.p.A. announced an agreement with a securitisation vehicle financed by SPF Investment Management, L.P. in relation to the sale of an Italian Small and Medium Enterprise non-performing unsecured loans portfolio, on a non-recourse basis (pro-soluto).

The portfolio consists of granular Italian exposures (small tickets) with total legal claim value, gross of write-downs and write-offs mainly, of approximately €1.1 billion, a gross book value at the transfer date of approximately €964 million and a net book value, at the transfer date, of approximately €55 million.

The economic impact of the disposal was recognised in the accounting measurement of these NPLs in the second quarter 2019.

#### Sale of an Italian Small Medium Enterprise unsecured non-performing loans portfolio

On 26 July 2019 UniCredit S.p.A. announced an agreement with a securitisation vehicle managed by Illimity S.p.A. ("Illimity") and a securitisation vehicle managed by Guber S.p.A. ("Guber"). The agreement concerns the disposal of an Italian Small and Medium Enterprise non-performing unsecured loans portfolio, on a non-recourse basis (pro-soluto).

The portfolio entirely consists of Italian large-ticket exposures with a total legal claim value, gross of write-downs and write-offs mainly, of approximately €450 million.

Illimity bought a portion of the portfolio with a claim value of approximately €240 million, a gross book value at the transfer date of approximately €193 million and a net book value, at the transfer date, of approximately €12 million, and Guber bought approximately €210 million, a gross book value at the transfer date of approximately €168 million and a net book value, at the transfer date, of approximately €8 million.

The impact was recognised in the second quarter 2019 financial statements.

#### Sale of an Italian Small Medium Enterprise secured non-performing loans portfolio

On 27 July 2019 UniCredit S.p.A. announced an agreement with a securitisation vehicle managed by Illimity S.p.A. ("Illimity"). The agreement concerns the disposal of an Italian Small and Medium Enterprise non-performing secured loans portfolio, on a non-recourse basis (pro-soluto).

The portfolio entirely consists of Italian exposures with a total gross claim value of approximately €730 million, a gross book value at the transfer date of approximately €607 million and a net book value, at the transfer date, of approximately €142 million.

The impact was recognised in the third quarter 2019.

#### Sale of a non-performing loans Residential Mortgage portfolio to PRISMA SPV

On 11 October 2019 UniCredit S.p.A. transferred an NPL Residential Mortgage Portfolio of €4.1 billion Gross Book Value (€6.1 billion claims) to a securitisation vehicle, PRISMA SPV S.r.l. (PRISMA) with the transaction structured by UniCredit Bank AG as Sole Arranger.



## Other information

On 18 October 2019 PRISMA issued three classes of notes: €1.21 billion senior note, €80 million mezzanine note and €30 million junior note, fully subscribed by UniCredit S.p.A. The senior and the mezzanine notes are rated by Moody's (Baa1 and B3 respectively) and by Scope (BBB+ and B- respectively). The Securitisation has been structured for complying with the new GACS law issued on 25 March 2019 and the senior note aims at obtaining the GACS guarantee (Garanzia sulle Cartolarizzazioni delle Sofferenze).

On 5 November 2019 UniCredit entered into a binding agreement to dispose 95% of the mezzanine and junior notes to a financial institution not belonging to the Group, while retaining the 5% required by regulation as Originator net economic interest in PRISMA. Following the completion of this agreement, UniCredit proceeded with the cancellation (derecognition) of the transferred loans from the Assets.

Italfondario and doValue act respectively as Master and Special Servicer of the Securitisation while Securitisation Services S.p.A. (Banca Finint Group) covers the roles of Monitoring Agent, Calculation Agent, Representative of Noteholders and Back-up Servicer Facilitator.

UniCredit Bank AG and JPMorgan acted as Placement Agents of the mezzanine and junior notes and the latter acts also as Settlement Agent.

UniCredit Bank AG covers also the roles of swap counterparty and liquidity line provider for PRISMA.

On 27 December 2019 Italian Minister of Economy and Finance recognised the GACS as a guarantee for the repayment of the senior notes.

With reference to the regulatory treatment applied as of the fourth quarter 2019, UniCredit, following the notification to the European Central Bank, represented the related significant risk transfer when reporting the transaction above outlined.

For further detail on the initiative refer to Company financial statement - Notes to the accounts - Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Quantitative information - "Prisma transaction".

### **Sale to Guber, Barclays and IFIS of an unsecured non-performing Italian leasing credit portfolio by UniCredit Leasing S.p.A.**

On 16 December 2019 UniCredit S.p.A. announced an agreement with Guber Banca and Barclays Investments Bank and Banca IFIS for the disposal of an unsecured non performing Italian leasing loans portfolio, on a non-recourse basis (pro-soluto).

The portfolio entirely consists of Italian exposures with a gross claim value of approximately €154 million as at 30 June 2019 and a gross book value at the transfer date of approximately €137 million. The economic impact of the disposal was reflected in the fourth quarter 2019 financial statements.

Guber Banca and Barclays Investments Bank bought, through a securitisation vehicle "SPV", a portion of the portfolio with a claim value of approximately €112 million and Banca IFIS bought the remaining portion for approximately €42 million.

### **Other sales initiatives**

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

On 17 July 2019 UniCredit informed that, through its subsidiary UniCredit Bank Hungary, concluded an agreement in relation to the disposal on a non-recourse basis (pro-soluto) of a portfolio composed of retail mortgages, unsecured and overdrawn accounts receivables with the locally-licensed Hungarian financial enterprise EOS Faktor Zrt.

The portfolio entirely consists of Hungarian loans with a total legal claim value, gross of write-downs and write-offs mainly, of approximately €28 million (HUF 9,0 billion) a gross book value at the transfer date of approximately €14 million.

In addition, UniCredit Bank Hungary has signed with EOS Faktor Zrt. a 3-year agreement forward flow program on the new non-performing loans inflows in the mortgages, unsecured consumer, predefined SME loans and overdrawn accounts segments.

The loans included in this portfolio were derecognised in the second quarter 2019, with the recognition of the economic impact of the disposal in the same quarter.

#### **Sale of a Bosnian non-performing credit portfolio to B2 Kapital d.o.o., part of the B2Holding group**

On 4 July 2019 UniCredit announced that, through its subsidiaries UniCredit a.d. Banja Luka and UniCredit Bank d.d. Mostar, reached an agreement with B2 Kapital d.o.o., part of the B2Holding group, for the disposal of a portfolio on a non-recourse basis (pro-soluto) composed of secured and unsecured non-performing loans granted by UniCredit a.d. Banja Luka and UniCredit Bank d.d. Mostar to SME's and Corporate customers.

The portfolio entirely consists of Bosnian loans with total legal claim value, gross of write-downs and write-offs mainly, of approximately €24.5 million and a gross book value at the transfer date of approximately €15.6 million. The accounting derecognition of NPLs included in this portfolio, started during the second quarter 2019, was completed in the third quarter 2019.

The economic impact of the disposal was recognised in the accounting measurement of these NPLs in the second quarter 2019.



## Other information

### Zagrebacka banka sells a non-performing credit portfolio of €203.3 million to DDM Group

On 20 September 2019 UniCredit announced, through its subsidiary Zagrebacka banka, the signing of a loan sale and purchase agreement with DDM, in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing exposures portfolio composed of loans granted to corporate, SME and private individual customers.

The portfolio entirely consists of Croatian loans with total claim value, gross of write-downs and write-offs mainly, of €203.3 million and a gross book value at the transfer date of approximately €137.7 million.

The economic impact of the disposal was recognised in the accounting measurement of these NPLs in the second quarter 2019.

### AO UniCredit Bank sells Russian non-performing credit portfolio of €45.2 million to EOS Group

On 24 September 2019 UniCredit announced, through its subsidiary AO UniCredit Bank (Russia), the signing of a loan sale and purchase agreement with EOS Group, in relation to the disposal on a non-recourse basis (pro-soluto) of non-performing exposures portfolio composed of loans granted to private individual customers. The portfolio entirely consists of Russian loans with a total claim value of €45.2 million, equal to the gross book value.

The economic impact of the disposal was recognised in the third quarter 2019 financial statements.

### Sale of a Bulgarian non-performing credit portfolio to APS and Balbec Capital

On 18 November 2019 UniCredit announced that, through its subsidiary UniCredit Bulbank (Bulgaria), an agreement was reached with APS and Balbec Capital to sell on a non-recourse basis (pro-soluto) a portfolio composed of secured and unsecured non-performing loans granted by UniCredit Bulbank to SME and Corporate customers.

The portfolio entirely consists of Bulgarian loans with a Legal Claim, gross of write-downs and write-offs mainly, value of approximately €50 million and a gross book value at the transfer date of approximately €15.8 million.

The economic impact of the disposal was recognised in the fourth quarter 2019.

## Other information on Group activities

### FINO Project

In relation to the FINO Project (started in 2016 and completed in 2018), as at 31 December 2019, following the redemptions made, the Notes (Asset Backed Securities) owned by UniCredit S.p.A. amounted totally about €215 million (about €164 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 €51 million recorded under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" in connection with the remaining Mezzanine securities and all the Junior Notes). The evaluation of the Notes classified among other assets mandatorily at fair value led in 2019 to a negative impact of about €9 million, while the Notes classified among financial assets at fair value through other comprehensive income an impairment has been recognised for approximately €22 million, due to the change in estimation of expected cash flows of the underlying securitised loans.

The receivables related to the Deferred Subscription Price (DSP/Deferred Purchase Price-DPP), owed to UniCredit S.p.A. by third-party entities belonging to the relevant third-party Investor's groups, with suitable credit rating and a capital structure that can guarantee that the repayment of the DSP/DPP does not depend, either in full or mainly, on the payment of ABSs issued by the SPVs Fino 1 Securitisation S.r.l., Fino 2 Securitisation S.r.l. and Onif Finance S.r.l., and deriving from the securitisation transactions completed during 2017, have been classified under item "40. Financial assets at amortised cost" according to IFRS9, and measured on the basis of the estimated future cash flows. During 2019, in alignment with the contractual deadlines, the DSP/DPPs have been reimbursed for an amount of €335 million (equal to approximately 64% of the original amount).

As at 31 December 2019 they remain to approximately €184 million, and include, among others, for around €6 million, the positive effect (recognised in item "10. Interest income and similar revenues" of the income statement as at 31 December 2019) connected with the reversal of the time value in respect to 31 December 2018.

### Issue of dual tranche 3-Year Senior Non-Preferred Notes for a total amount of \$3 billion

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

This transaction is the third on the Senior Non-Preferred market by UniCredit S.p.A. following its inaugural €1.5 billion 5-year issue in January 2018 and the \$3 billion 5-year issue occurred in November 2018.

The bonds will be eligible for the forthcoming of Total Loss Absorbing Capacity (TLAC) requirement improving the subordination ratio by approximately 72bps.

This transaction is part of UniCredit's TLAC funding plan for which the company had announced planned issuances of €3 to €5 billion by the end of the first quarter of 2019 during the third quarter of 2018 results presentation.

## Other information

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

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

### Reorganisation of the Senior management team to prepare the strategic plan

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

### Issue of a 10-year subordinated Tier 2 bond for an amount of €1 billion

On 13 February 2019 the parent company UniCredit S.p.A. launched a Tier 2 subordinated benchmark bond with a 10-year maturity and callable after 5 years. The amount issued amounts to €1 billion.

The transaction saw strong demand from almost 200 institutional investors, mainly funds with 75% of the final allocation, and had an order-book of around €2 billion, which originated mainly from: France (40%), Italy (28%), United Kingdom and Ireland (11%), followed by Germany and Austria (8%).

### Issue of €1 billion Additional Tier 1 PerpNC 6/2026 Notes (AT1)

On 12 March 2019 the parent company UniCredit S.p.A. issued Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1 (AT1), for a total amount of €1 billion targeted to institutional investors.

UniCredit S.p.A. decided to proceed with the transaction to continue to strengthen its regulatory capital taking advantage of the positive market window.

The Additional Tier 1 notes contributed to improve the Tier 1 ratio for approximately 27 bps and were part of UniCredit's 2019 TLAC Funding plan. The Notes were distributed to different institutional investor categories such as funds (90%), banks/private banks (7%) and insurance companies (3%).

The demand came mainly from the United Kingdom (65%), Italy (9%), France (6%) and US-offshore (4%).

### Issue of Fixed Rate Tier 2 Subordinated 15NC10 Notes for \$1.25 billion

On 27 March 2019 the parent company UniCredit S.p.A. placed Tier 2 Notes targeted to institutional investors for a total amount of \$1.25 billion. This transaction allowed UniCredit S.p.A. to be well ahead in the execution of the 2019 TLAC Funding Plan, contributing to further strengthen the Total Capital Ratio.

The book building process generated approximately \$2.5 billion in demand, with a very granular distribution attracting orders from over 100 global accounts: 80% from United States/Canada, 7% from the United Kingdom, 3% from Italy, 3% from France and 3% from Asia.

The Notes were distributed to different institutional investors' categories such as funds (94%), insurance companies/pension funds (4%) and banks/private banks (2%).

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

The Sandokan programme, started in 2016 with circa €1.3 billion gross book value of large secured loans) has continued with the implementation of "Sandokan 2" a co-investment programme between the parent company UniCredit S.p.A., Pimco, GWM and Aurora Recovery Capital ("AREC").

The final agreement was executed on 5 June 2019. Through the transaction, management and special servicing activities relating to the Sandokan 2 portfolio have been transferred to AREC, a special servicer owned by Finance Roma, GWM and PIMCO, to optimise the effectiveness in the handling of medium and long-term real estate loans.

The expanded Sandokan platform will help to increase the future value of loans through a proactive asset management, innovative solutions and new funding, when and where needed.

The transaction do not result in the derecognition of UniCredit's portfolio.

## Other information

The loans are transferred place in multiple tranches to Yanez SPV, the Sandokan programme securitisation vehicle, whose first one took place in June 2019.

Sandokan 2, part of the Sandokan programme, is expected to include loans up to a maximum amount of €2 billion gross book value.

The subscribed agreement aims to generate a potential economic benefit by developing the assets included. It is built on the strong relationship developed in the last 4 years between UniCredit S.p.A., PIMCO, GWM and AREC.

### UniCredit first European bank issuing a Senior Preferred benchmark callable

On 18 June 2019 the parent company UniCredit S.p.A. launched a Senior Preferred benchmark with a 6-year maturity and callable after 5 years.

The amount issued amounts to €1.25 billion and it is the first callable Senior Preferred benchmark issued by an European bank.

The transaction was an extraordinary success with orders amounting to €4,3 billion placed by 300 institutional investors.

The bond was distributed to various types of institutional investors, such as funds (77%), banks/private banks (14%), insurance companies (4%) and governmental institutions (4%). The geographical distribution was the following: France (24%), United Kingdom (24%), Germany/Austria (11%) and Italy (10%).

### Issue of a callable Senior Non-Preferred

On 26 June 2019 the parent company UniCredit S.p.A. launched its first callable Senior Non-Preferred, raising a total of €750 million. Targeted at institutional investors, with 6-year maturity, callable after 5 years.

The bond was placed across various institutional investor categories, comprising funds (76%), banks/private banks (12%), insurance companies (7%) and official institutions (4%). The demand came from the following main regions: France (44%), United Kingdom (17%), Germany/Austria (11%) and Italy (10%).

### Sale of USD 200 million of the USD 650,000.000 Perpetual Fixed Rate Resettable Additional Tier 1 Notes (the "AT1 Notes") issued by Yapı ve Kredi Bankası A.Ş.

On 7 August 2019 the parent company UniCredit S.p.A. sold USD 200million of the AT1 Notes issued by Yapı. This followed the completion of the period of 180 days from the issue date of the AT1 Notes in which it was agreed with the issuer that UniCredit would not have sold any of the AT1 Notes purchased by UniCredit in the initial offering.

### Issue of a 10 year subordinated Tier 2 bond with a 2% coupon for an amount of €1.25 billion

On 16 September 2019 the parent company UniCredit S.p.A. launched a Tier 2 subordinated benchmark with 10 year maturity, callable after 5 years. The amount issued is equal to €1.25 billion and represents the third Tier 2 issuance in 2019, reaffirming once again UniCredit's solid fixed income investors base and its market access in different formats.

The bond pays a fixed coupon of 2.00% during the first 5 years, and has an issue price of 99.783%, equivalent to a spread of 240bps over the 5 year swap rate. If the issuer does not call the bonds after 5 years, the coupon for the subsequent period until maturity will be reset on the base of the 5 year swap rate at the end of the fifth year, increased by the initial spread.

Goldman Sachs, HSBC, Mediobanca, Société Générale CIB, UBS and UniCredit Bank AG have managed the placement acting as joint bookrunners.

### Agreement with B&C Privatstiftung Foundation for the disposal of its ultimate beneficiary position

On 1 October 2019 the parent company UniCredit S.p.A. signed an agreement with B&C Privatstiftung Foundation for the disposal of its ultimate beneficiary position and an agreement regarding all former rights in the foundation.

For further details refer to Consolidated financial statements - Notes to consolidated accounts - Part C - Consolidated income statement - Section 17 - Gains (Losses) of equity investments.

### Issue of a 5.5 Year Senior Preferred Fixed Rate for an amount of €1 billion

On 2 October 2019 the parent company UniCredit S.p.A. launched a Senior Preferred benchmark with a "long" 5 year maturity, taking advantage of current positive market conditions. The amount issued is equal to €1 billion.

In particular, the bond pays a fixed coupon of 0.50%, and has an issue price of 99.919%.

UniCredit Bank AG acted as Sole Book Runner and Lead Manager. CA-CIB, Credit Suisse, ING, JPM and Santander acted as Joint Lead Managers (no books).

## Other information

### UniCredit 2015 data incident

On 28 October 2019 the UniCredit S.p.A. cyber security team identified a data incident involving a file generated in 2015 containing a defined set of approximately 3 million records limited to the Italian perimeter. The records consist of names, city, telephone number and email only. Consequently no other personal data or any bank details permitting access to customer accounts or allowing for unauthorised transactions have been compromised.

UniCredit immediately launched an internal investigation and informed all the relevant authorities, including the Police.

The Bank contacted all potentially affected persons exclusively by post and/or online banking notifications.

Customer data safety and security is UniCredit's top priority and since the 2016 launch of Transform 2019, the Group has invested an additional €2.4 billion in upgrading and strengthening its IT systems and cyber security. In June 2019, the Group implemented a new strong identification process for access to its web and mobile services, as well as payment transactions. This new process requires a onetime password or biometric identification further reinforcing its strong security and client protection.

### 2019 EU-wide Transparency Exercise

On 29 November 2019 UniCredit noted the announcements made by the European Banking Authority (EBA) and the European Central Bank (ECB) regarding the information of the 2019 EU-wide Transparency Exercise and fulfilment of the EBA Board of Supervisors' decision.

### ECB lowers SREP Pillar 2 Capital Requirement by 25 basis points to 175 basis points

On 2 December 2019 UniCredit was informed by the European Central Bank ('ECB') of its final decision concerning capital requirements following the results of its annual Supervisory Review and Evaluation Process ('SREP').

As a result of the strengthening and de-risking of its balance sheet and given the successful execution of Transform 2019, the ECB improved the risk evaluation of UniCredit compared to 2018. As a consequence, the Single Supervisor has lowered UniCredit's SREP Pillar 2 Capital Requirement (P2R) by 25 basis points to 175 basis points.

### Update MREL requirement to 10.67 percent of TLOF from June 2022

On 2 December 2019 the parent company UniCredit S.p.A. received from the Single Resolution Board and Banca d'Italia the updated decision on the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), which superseded the previous one communicated in May 2018.

UniCredit S.p.A. shall comply with MREL on a consolidated basis at the level of 10.67 percent of Total Liabilities and Own Funds (TLOF), of which 8.29 percent shall be met with subordinated instruments taking into account an allowance of 2.5 percent of Risk Weighted Assets (RWAs), which shall be reached by 30 June 2022 and from that day shall be met at all times.

### Team 23 - UniCredit 2020-2023 Strategic Plan

On 3 December 2019 presented UniCredit 2020-2023 Strategic Plan which foresees a clear commitment to deliver €16 billion of value creation for shareholders over the 2020-2023 Plan and the increase to 40 per cent of 2019 capital distribution.

For further details on new strategic plan refer to paragraph Main results and performance for the period - Introduction of this Consolidated report on operations.

### Mandatory settlement of the "Secured Equity-Linked Certificates to be Mandatorily Settled in Ordinary Shares of Bank Pekao S.A. on or before 15 December 2019"

In connection with the mandatory settlement of the "Secured Equity-Linked Certificates to be Mandatorily Settled in Ordinary Shares of Bank Pekao S.A. on or before 15 December 2019" (the "Certificates") issued by parent company UniCredit S.p.A., on 16 December 2019 (the "Settlement Date") the outstanding Certificates were settled according to a Relevant Settlement Ratio equal to 100%. Therefore No.10,000 ordinary shares of Bank Pekao S.A. (the "BP Shares") were delivered in respect of each Certificate.

In light of the receipt of the settlement notices for all outstanding Certificates, in accordance with the terms & conditions of the Certificates, on the Settlement Date, a total of No.16,430,000 BP Shares were delivered to the relevant Certificate holders.

## Other information

### Organisational model

#### Significant organisational changes in 2019

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

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

#### Organisational structure

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

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

## Other information

### Conversion of DTAs into tax credits

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

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

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

The fee due for financial year 2019 was paid on 28 June 2019 for an overall amount of €114.2 million relating to the whole Italian Tax Group, of which €109.5 million for UniCredit S.p.A., €4.4 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring.

## Other information

### Certifications and other communications

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

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

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

For more information on related-party transactions refer to Notes to the consolidated accounts - Part H.

### Information on risks

For a complete description of the risks and uncertainties that the Group must face under the current market conditions, refer to the appropriate section in the Consolidated financial statements - Notes to the consolidated accounts - Part E.



## Subsequent events and outlook

### Subsequent events<sup>18</sup>

On 8 January 2020 the parent company UniCredit S.p.A. launched a Tier 2 subordinated benchmark with 12 year maturity, callable after 7 years. The amount issued is equal to €1.25 billion and represents the first Tier 2 issuance in 2020, reaffirming UniCredit's solid fixed income investors base and its market access in different formats.

The bond pays a fixed coupon of 2.731% during the first 7 years, and has an issue price of 100%, equivalent to a spread of 280 bps over the 7 year swap rate. If the issuer does not call the bonds after 7 years, the coupon for the subsequent period until maturity will be reset on the base of the 5 year swap rate at the end of the seventh year, increased by the initial spread.

Barclays, BBVA, Credit Agricole CIB, Mediobanca, Morgan Stanley and UniCredit Bank AG have managed the placement acting as joint bookrunners.

On 13 January 2020 the parent company UniCredit S.p.A. launched €1.25 billion Senior Non-Preferred with 6 year maturity, callable after 5 years, and €750 million Senior Non-Preferred with 10 years maturity. The combined amount represents the largest EUR institutional unsecured issuance ever done by UniCredit.

The amount issued is part of the 2020 Funding Plan presented at the Capital Market Day last December 3 and will be computed in UniCredit's TLAC requirement. This further confirms UniCredit's ability to access the market in different formats.

BofA Securities, Commerzbank, HSBC, ING, JP Morgan, Société Générale and UniCredit Bank AG have managed the placement acting as joint bookrunners.

On 28 January 2020 the parent company UniCredit S.p.A. sold senior notes, related to the PRISMA securitisation transaction, for a nominal value of €100 million.

On 5 February 2020 the agreements whose signing was announced on 30 November 2019 were completed; such agreements envisaged: (i) the disposal of the entire UniCredit S.p.A.'s 50% stake in Koç Finansal Hizmetleri A.Ş. ("KFS") to the Koç Group, (ii) the disposal of shares of Yapi ve Kredi Bankası A.Ş. ("Yapi Kredi") by KFS to UniCredit S.p.A. and Koç Holding A.Ş., as a result of which UniCredit S.p.A. became a direct shareholder of Yapi Kredi with a stake equal to 31.93% of the share capital, and (iii) the termination of the shareholders agreement related to KFS. On the same date, UniCredit S.p.A. completed the Accelerated BookBuild offering for the disposal to institutional investors of the 11.93% of the share capital of Yapi Kredi; following such transaction UniCredit S.p.A. holds a direct stake in Yapi Kredi equal to 20% of the share capital, which is accounted among the participations under significant influence.

On 5 February 2020, the Italian Personal Data Protection Authority notified the parent company UniCredit S.p.A. of the start of sanctioning proceedings regarding a violation of customers' personal data following a Cyber-attack (data breach) occurred in October 2018, communicated through its Group website on 22 October 2018. As required by the "Italian personal data protection Code (Art.166, c.6 of Legislative Decree 196/03)" the Bank will present its statement of defence on the matter and will request a hearing with the Authority to explain its arguments. It is currently not possible to define the timeline and outcome of the proceedings.

For further details refer to Consolidated financial statements - Notes to the consolidated accounts - Part E - Information on risks and hedging policies - Section 2 - Risks on the prudential consolidated perimeter - 2.6 Other risks - Top end emerging risks - 3. Systemic threats - 3.1 Systemic threats associated with cybercrime.

<sup>18</sup> Up to the date of approval by the Board of Directors' Meeting of 5 February 2020 which, on the same date, authorised the publication also in accordance with IAS10.



## Subsequent events and outlook

### Outlook

Global GDP growth is set to weaken further in 2020, growing to 2.7%, from 2.9% in 2019. With less uncertainty from trade tensions between US and China, a slowdown in the American economy, with growth rates halving compared to 2019, will weigh on world growth. These developments will likely lead to a weak growth in world trade: +0.6% in 2020 and +0.9% in 2021 (following a 0.4% decline in 2019).

In the eurozone, the economic growth is at 1.2% throughout 2019, the weakest level since the sovereign debt crisis, and is expected to slow to 0.8% in 2020. The manufacturing sector, in Germany in particular, will continue to be hit by the weakness in world trade, which is likely to have a negative impact on exports and investments, with these latter also penalised by a deterioration in corporate profitability. Private consumption will remain an important driver of economic growth, in a context in which the effects of the weakness of external demand on the labour market will remain probably limited.

In Italy, expectations are that the phase of weak growth will continue in 2020, at a rate of 0.2%, similar to that of 2019, continuing to be affected by the challenging external context. This will translate into a further slowdown in the growth of Italian exports, which in addition to the weakness of the German economy, in 2020 could be affected by the lower demand from the US market. On domestic demand, prospects for investment in machinery and equipment will remain the most uncertain, although low financing costs will help contain the fall, while we expect that private consumption will support economic growth, albeit hampered by slowing employment and income growth.

The monetary policy of the European Central Bank (ECB) is likely to remain unchanged during the 2020, following a 10 basis points cut in the deposit rate to -0.50%, adopted in September. The ECB's strategy review, which started in January and is expected to be concluded by the end of the year, mainly with a focus on the definition of price stability, will be the key event for financial markets.

In 2020 the Group will operate in a still challenging macro-economic environment, characterised by uncertainty factors and by a still low level of interest rates. Nevertheless it will be committed to carry out the new strategic plan "Team 23", to generate sustainable returns by leveraging on its pan European client franchise and focusing on continuous costs and processes optimisation.

The Group will continue to keeping a high level of capital to absorb regulatory headwinds, delivering recurring growth of tangible equity, while maximising distribution to shareholders.

Milan, 5 February 2020

CHAIRMAN  
CESARE BISONI



THE BOARD OF DIRECTORS

CEO  
JEAN PIERRE MUSTIER



# Transform and Maximise Productivity.



Our customer focus drives the right process optimisation, leading to new ways of working. We will continue to maximise productivity across the value chain, improving processes and products while minimising operational risk. A great example of our transformation is the paperless bank, currently being rolled out across our networks.

# Governance organisational structure

The information in this section refers to the date of 5 February 2020 (approval date by the Board of Directors of the Report and Accounts 2019 - General Meeting Draft of UniCredit S.p.A. and of the Consolidated Report and Accounts of UniCredit group).

## Introduction

UniCredit's overall corporate governance framework, i.e. the system of rules and procedures that its corporate bodies refer to steer the principles of their behaviour and fulfil their various responsibilities towards the Group's stakeholders, has been defined in compliance with current national and European provisions as well as the recommendations contained in the Italian Corporate Governance Code for listed companies (hereinafter, also the "Code"). The Code, according to the major international markets' experience, identifies the corporate governance standards and best practices for Italian listed companies recommended by the Corporate Governance Committee, to be applied according to the "comply or explain" principle that requires the explanation in the corporate governance report of the reasons of failure to comply with one or more recommendations contained in its principles or criteria.

Moreover, UniCredit is subject to the provisions contained in the Supervisory Regulations issued by Banca d'Italia and, in detail, with regards to corporate governance issues, to the Supervisory Regulations on banks' corporate governance (Circular No.285/2013, Part I, Title IV, Chapter 1). In compliance with the aforementioned Supervisory Regulations UniCredit, as significant bank subject to the direct prudential supervision of the ECB, as well as a listed bank, is qualifiable as bank of a major size or operational complexity and consequently complies with the provisions applicable to such kind of bank.

Since 2001, UniCredit has adopted the Code which is available to the public on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.en.htm>).

UniCredit yearly draws up a corporate governance report meant for its shareholders, institutional and non-institutional investors and the market. The report supplies suitable information on the UniCredit own corporate governance system.

Consistently with the relevant legal and regulatory obligations, as well as in line with the provisions of the Code, in its edition as updated in July 2018, the 2019 Report on corporate governance and ownership structure has been drafted, in accordance with Section 123/bis of the Legislative Decree No.58 dated 24 February 1998 (hereinafter, also the "TUF").

The Report on corporate governance and ownership structure, approved by the Board of Directors in its meeting held on 5 March 2020, is published at the same time as the Report on Operations on the Issuer's website (<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html>). For further information on the UniCredit corporate governance system see the first of the above documents.

UniCredit, as issuer of shares also listed on the Frankfurt and Warsaw regulated markets, also fulfils the legal and regulatory obligations relating to listings on said markets as well as the provisions on corporate governance contained in the Polish Corporate Governance Code issued by the Warsaw Stock Exchange.

Since its establishment, UniCredit has adopted the so-called traditional management and control system.

The distinctive feature of this model is that the strategic supervision and the management of the company, the overseeing of its management and the legal accounting supervision are separated. In particular, the Board of Directors is solely responsible for the strategic supervision and the management of the Company, while the Board of Statutory Auditors is entrusted with supervising its management. Legal accounting supervision is assigned to an external audit firm by the Shareholders' Meeting on the basis of a proposal from the Board of Statutory Auditors, in compliance with relevant current laws.

The reasons behind the choice of such governance model are that it has proven capable of managing the business efficiently, while ensuring effective controls. That is, it creates the conditions for UniCredit S.p.A. to be able to guarantee the sound and prudent management of a complex and global banking group, such as the UniCredit group.

Moreover, the traditional management ascribes certain aspects to the sole responsibility of the Shareholders' Meeting, creating in this way an opportunity for dialogue and debate between shareholders and management about the fundamental elements of governance. These include the appointment and dismissal of directors, the appointment of the Board of Statutory Auditors members, the assignment of the mandate for the external auditing to an audit firm, the setting of the related remuneration, as well as the approval of the financial statements, the profit allocations, the resolutions on the remuneration and incentive policies and practices provided for by current provisions and the criteria to determine the compensation to be granted in the event of early termination of employment or early retirement from office.

# Governance organisational structure

## Shareholders' Meeting

The Ordinary Shareholders' Meeting of UniCredit is convened at least once a year within 180 days of the end of the financial year, in order to resolve upon the issues that current laws and the Articles of Association make it responsible for. An Extraordinary Shareholders' Meeting is convened, instead, whenever it is necessary to resolve upon any of the matters that are exclusively attributed to it by current laws.

The Agenda of the Shareholders' Meeting is established pursuant to legal requirements and to the UniCredit Articles of Association by whoever exercises the power to call a Meeting.

The Ordinary Shareholders' Meeting has adopted Regulations governing Ordinary and Extraordinary Meetings in a functional and regular way. The Regulations are available on the Governance/Shareholders Meeting Section of the UniCredit website.

## Board of Directors

The Board of Directors of UniCredit may be comprised of between a minimum of 9 up to a maximum of 24 members. As at the approval date of this document, UniCredit has 15 Directors.

Their term in office is 3 financial years, unless a shorter term is established at the time they are appointed, and ends on the date of the Shareholders' Meeting called upon to approve the financial statements relating to the latest year in which they were in office.

The term in office of the current Board of Directors, which was appointed by the Shareholders' Meeting of 12 April 2018, will expire on the date of the Shareholders' Meeting called upon to approve the 2020 financial statements.

According to the current legal and regulatory provisions, the UniCredit Directors shall be appointed on the basis of a proportional representation mechanism ("*voto di lista*") abiding by the membership criteria concerning, inter alia, minority and independent Directors, as well as the balance between genders, pursuant to the procedures specified in Clause 20 of the UniCredit Articles of Association. The legitimate parties who are entitled to submit slates are the Board of Directors and the shareholders, who individually or collectively with others represent at least 0.5% of share capital in the form of ordinary shares with voting rights at the ordinary Shareholders' Meetings.

The UniCredit Articles of Association envisage that, regardless of the total number of the Board members, two Directors shall be appointed from the second slate receiving the highest votes, without any connection with the shareholders who, even jointly, filed, or voted for, the slate first by number of votes, to ensure to the minority shareholders a greater presence on the Board of Directors.

The Board establishes its qualitative and quantitative composition deemed to be optimal for the effective fulfillment of the duties and responsibilities entrusted to the Board of Directors by law, by the Supervisory Provisions and by the UniCredit Articles of Association, according to the current national and European provisions applicable on such topics, also concerning the time commitment and the limits upon the maximum number of offices that UniCredit Directors may hold.

Moreover, Directors must take into account the provisions of Section 36 of Law Decree No.201/2011 ("ban on interlocking directorships"), approved as statute by Law No.214/2011, which establishes that holders of a seat in managerial, supervisory and controlling bodies, as well as top management officers in companies or group of companies active in banking, insurance and financial markets are forbidden to hold similar offices, or to exercise similar duties, in competing companies or groups of companies.

The function and competencies of the Board of Directors are set forth in the UniCredit Corporate Bodies and Committees Regulation, available on the Governance/Governance system & policies Section of the UniCredit website.

## Independence of Directors

In compliance with the criteria established by Section 3 of the Code (which coincide with those envisaged by the UniCredit Articles of Association) and the provisions set out by Section 148 of the TUF, the Directors' independence shall be assessed by the Board of Directors every time the Board is renewed, as well as on an annual basis and whenever a person is appointed as Director, on the basis of the information provided by the Director him/herself or, however, available to the Company. The outcome of the assessments of the Board shall be notified after the appointment, through a press release disclosed to the market and, subsequently, within the Corporate Governance Report.

## Governance organisational structure

With reference to the Board of Directors' members, the Corporate Governance, Nomination and Sustainability Committee and the Board of Directors, the latter at the annual verification carried out during its meeting held on 9 July 2019, as well as at the verification of individual Directors (5 March and 8 May 2019), carried out the assessment of the Directors' independence requirements based on the statements made by the parties concerned and on the information available to the Company.

With specific reference to the independence requirements laid down by the Code and the Articles of Association, information relating to the existence of direct or indirect relationships (credit relationships, business/professional relationships and employee relationships, as well as significant offices held) that the Directors and their other connected subjects may have with UniCredit and Group companies was taken into account.

In order to assess the potential significance of the abovementioned relationships, the Board of Directors has decided not to proceed with merely identifying predefined economic targets, which if simply exceeded could automatically indicate that independence has been compromised, as such check requires an overall assessment of both objective and subjective aspects. Therefore, for this purpose, the following criteria should be taken into account: (i) the nature and characteristics of the relationship; (ii) the amount in absolute and relative terms of the transactions; and (iii) the subjective profile of the relationship.

More specifically, when assessing the significance of the relationship, the following information, where available, is considered by the Board:

- as far as credit relations are concerned, the amount in absolute value of the credit granted, its weighting in relation to the system and, where appropriate, the economic and financial situation of the borrower;
- as far as professional/commercial relations are concerned, the characteristics of the transaction/relationship, the amount of the consideration and, where appropriate, the economic and financial situation of the counterparty;
- as far as offices held in Group companies are concerned, the total amount of any additional remunerations.

In all the above cases, all the parties involved (Director or family member; UniCredit or Group company) and, for relationships with companies/entities, the related kind of "connection" (post held/control participation) with the Director or the family member were taken into account.

As a result of such assessments and on the basis of the declaration provided by the persons concerned, the number of independent Directors according to the provisions of the Code is equal to 12.

According to the Code, the Board of Statutory Auditors, in its meetings held on 13 March, 8 May and 10 July 2019, ascertained, with a positive outcome, the proper application of the criteria and procedures adopted by the Board of Directors to assess the independence of its own members.

# Governance organisational structure

## Status and activities of the Directors

In the following chart the information regarding the members of the Board of Directors in office at the approval date of this document is reported.

POSITION	MEMBERS	IN OFFICE		SLATE (M/m) <sup>(*)</sup>	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT AS PER ARTICLES OF ASSOCIATION AND CODE	INDEPENDENT AS PER TUF	BOARD MEETINGS ATTENDANCE % <sup>(**)</sup>	NUMBER OF OTHER POSITIONS <sup>(***)</sup>
		SINCE	UNTIL							
Chairman	Bisoni Cesare <sup>(1)</sup>	04.12.2018	Approval of 2020 financial statements	M		X		X	100	--
Deputy Vice Chairman	Andreotti Lamberto <sup>(2)</sup>	04.12.2018	Approval of 2020 financial statements	M		X	X	X	83.33	1
CEO <sup>◊</sup>	Mustier Jean Pierre	04.12.2018	Approval of 2020 financial statements	M	X				100	--
Director	Al Mehairi Mohamed Hamad	04.12.2018	Approval of 2020 financial statements	M		X	X	X	83.33	7
Director	Balbinot Sergio	04.12.2018	Approval of 2020 financial statements	M		X		X	88.89	7
Director	Cariello Vincenzo	04.12.2018	Approval of 2020 financial statements	m		X	X	X	100	--
Director	Carletti Elena <sup>(3)</sup>	02.07.2019	Approval of 2020 financial statements	--		X	X	X	100	--
Director	De Giorgi Diego <sup>(4)</sup>	02.05.2020	04.09.2020	--		X	X	X	--	--
Director	De Wismes Isabelle	04.12.2018	Approval of 2020 financial statements	M		X	X	X	88.89	--
Director	Lara Bartolomé Beatriz Ángela <sup>(4)</sup>	02.05.2020	04.09.2020	--		X	X	X	--	1
Director	Micossi Stefano	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	--
Director	Pierdicchi Maria	04.12.2018	Approval of 2020 financial statements	M		X	X	X	94.44	3
Director	Tondi Francesca	04.12.2018	Approval of 2020 financial statements	m		X	X	X	100	1
Director	Wolfgring Alexander	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	3
Director	Zambon Elena	04.12.2018	Approval of 2020 financial statements	M		X	X	X	94.44	12
----- Directors who left during the Period -----										
Chairman	Saccomanni Fabrizio	04.12.2018	08.08.2019	M		X		X	100	--
Director	Boeckenfeld Martha Dagmar <sup>(5)</sup>	04.12.2018	09.18.2019	M		X	X	X	100	6
Director	Sironi Andrea <sup>(6)</sup>	04.12.2018	02.06.2019	M		X	X	X	72.73	3
Quorum required for the submission of the slates for the latest appointment: 0.5%										
Number of meetings held during the financial year: 18										

### Notes:

(\*) M = Member elected from the slate that obtained the majority of the Shareholders' votes;

m = Member elected from the slate voted by the minority;

(\*\*) Number of meeting attended/number of meetings held during the concerned party's term of office with regard to the period;

(\*\*\*) Number of positions as Director or Auditor held in other companies listed on regulated markets (both in Italy and abroad), including financial services companies, banks, insurance companies or other large companies.

There is a list of such companies for each Director attached to the Report on corporate governance and ownership structure;

◊ Director in charge of the internal controls and risks management system.

(1) Appointed as Chairman on 20 September 2019, in place of Mr. Fabrizio Saccomanni. Mr. Bisoni, as Deputy Vice Chairman, acted as pro-tempore Chairman from 8 August up to 20 September 2019.

(2) Appointed as Deputy Vice Chairman on 8 October 2019, in place of Mr. Bisoni.

(3) Co-opted effective from 7 February 2019, in place of Mr. Andrea Sironi, and confirmed by the Shareholders' Meeting held on 11 April 2019.

(4) Co-opted on 5 February 2020, in place of Mr. Fabrizio Saccomanni and Ms. Martha Dagmar Boeckenfeld

(5) Resigned effective from 18 September 2019.

(6) Resigned effective from 7 February 2019.

# Governance organisational structure

## Committees of the Board of Directors

In order to foster an efficient information and advisory system to enable the Board of Directors better to assess the topics for which it is responsible, also in accordance with the provisions of the Code, the Board has established four Committees, vested with research, advisory and proposal-making powers diversified by sector of competence: the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee, the Remuneration Committee and the Related-Parties Committee. Their duties are undertaken based on terms of reference and procedures set forth by the Board.

The Committees consist, as a rule, of a number of members from 3 up to 5. More specifically, the Internal Controls & Risks Committee, the Corporate Governance, Nomination and Sustainability Committee and the Remuneration Committee, set up in compliance with the provisions of the Banca d'Italia Supervisory Regulations on banks' corporate governance, envisaging 3 specialist committees, one on appointments, one on risks and one on remuneration, are composed of non-executives Directors, mostly independent pursuant to the Articles of Association. Such Committees must be differentiated from each other by at least one member and, if a Director elected by the minorities is present, that Director is a member of at least one Committee. The Chairman of each Committee shall be chosen from among the independent members. The Related-Parties Committee, set up for overseeing issues concerning transactions with related and associated parties, in compliance with the CONSOB regulatory provisions and the Banca d'Italia Supervisory Regulations, consists only of independent Directors pursuant to the Code. The Corporate Governance, Nomination and Sustainability Committee also supervises the sustainability issues linked to the activity exercised by UniCredit and to the dynamics of the interactions of the latter with all the stakeholders.

None of the functions of one or more specialist Committees on appointments, risks and remuneration envisaged by the Code has been reserved to the Board of Directors. Moreover, none of the abovementioned Committees, per se, performs the multiple functions of two or more committees as envisaged by the Code. The Committee functions have not been allocated amongst the various Committees in a different manner vis-à-vis the provisions of the Code.

The Committee's tasks are coordinated by the Chairman, who exercises all necessary powers for its proper functioning. Each Committee draws up an annual plan of activities to ensure the fulfillment of its tasks. Committee meetings are convened by the Chairman with frequency adequate to the fulfillment of its tasks and plan of activities or when needed or requested in writing, with proper motivation, by at least two members of the Committee. The provisions set out for the Board of Directors' functioning shall apply, as compatible, to the Board Committees.

Committee members have the necessary knowledge, skills and experience to perform the duties assigned to them and ensure that any other corporate positions they hold in other companies or entities (including non-Italian ones) are compatible with their availability and commitment to serve as a Committee member.

At the invitation of each Committee Chairman, the CEO, other Directors, the General Manager (when appointed), the Manager in charge of drafting the company financial reports, as well as personnel belonging to the Company and the Group, may attend Committee meetings on specific Agenda items. Without prejudice to the possibility for the Statutory Auditors to attend the meetings, at the invitation of each Committee Chairman, the Chairman of the Board of Statutory Auditors, or other Auditors designated by the latter, may be called upon to attend Committee meetings. Always at the invitation of each Committee Chairman, personnel or externals appointed in the corporate bodies of the Group's subsidiaries may be called upon to attend Committee meetings.

To perform their duties, Board Committees have access to the financial resources necessary to guarantee their operational independence and, within the limitations of the budget approved by the Board of Directors, may consult independent external experts and invite them to attend meetings; in the event of specific requirements, the relevant budget may be supplemented.

The Chairman of each Committee, at the first available Board of Directors meeting, reports on the activities carried out during the Committee meetings.

The Board Committees' composition, functions and competencies are set forth in the Corporate Bodies and Committees Regulation, available on the Governance/Governance system & policies Section of the UniCredit website.

## Internal Controls & Risks Committee

The Internal Controls & Risks Committee consists of 5 non-executive Directors.

The composition of the Internal Controls & Risks Committee is the following: Mr. Alexander Wolfgring (Chairman), Ms. Elena Carletti, Ms. Isabelle de Wismes, Ms. Maria Pierdicchi and Ms. Francesca Tondi.



# Governance organisational structure

All members of the Committee meet the independence requirements prescribed by the Code, which coincide with those envisaged by the UniCredit Articles of Association, and are independent pursuant to Section 148, paragraph 3, of the TUF.

All members of the Committee meet the experience required by the applicable provisions, covering the provided areas of competence related to risk and control as well as in accounting and audit.

Committee meetings are attended by the Chairman of the Board of Statutory Auditors, the Head of Internal Audit, the Chief Compliance Officer and the Group Chief Risk Officer. At the invitation of the Committee Chairman, the Chief Executive Officer, other Directors, the Manager in charge of drafting the Company financial reports, as well as personnel belonging to the Company and the Group, may attend Committee meetings. Staff from the external audit firm may also be invited.

The Committee is responsible for setting up the necessary functional links with the Board of Statutory Auditors, so as to undertake activities deemed common to the two bodies, and to exchange information of mutual interest, within the purview of their respective competencies.

The Committee must be able to access relevant corporate information, consult external experts and, where necessary, communicate directly with the Heads of Internal Audit, Group Risk Management and Group Compliance.

In 2019, the Committee held 17 meetings.

## Duties

The Committee supports the Board of Directors on risk management and control-related issues.

Among other things, the Committee:

- a) with the support of the Corporate Governance, Nomination and Sustainability Committee, identifies and proposes to the Board who should be appointed as Head of the corporate control functions or assesses the evaluation of their dismissal; for the Head of Internal Audit function, issues its opinion on setting the remuneration and the performance goals associated with its variable portion in line with the company policies;
- b) pre-examines activity programmes (including audit plans) and annual reports from corporate control functions to be sent to the Board, as well as periodical reports prepared by these functions above and beyond legal or regulatory requirements;
- c) evaluates and issues opinions to the Board on the compliance of the internal control system and corporate organisation with the applicable rules and regulations, and on the requirements that must be complied with by the corporate control functions, drawing the Board's attention to any weaknesses and consequent corrective actions to be implemented; for this purpose, it assesses proposals put forward by the CEO;
- d) through evaluations and opinions, contributes to defining company policy on the outsourcing of corporate control functions;
- e) verifies that the corporate control functions correctly comply with the Board's recommendations and guidelines, assisting the Board in drafting the coordination documents envisaged under Banca d'Italia Circular No.285;
- f) examines and assesses the correct use of accounting principles and their uniformity with regard to drafting the main accounting documents (such as, by way of example, operating and consolidated financial statements, interim operating reports, etc.), for this purpose coordinating with the Manager in charge of drafting the company financial reports and with the Board of Statutory Auditors;
- g) examines the work carried out by the Group's external auditors and the results stated in their reports or any letters and suggestions;
- h) assesses any findings reported by Internal Audit and Group Compliance, or that may arise from enquiries and/or investigations carried out by third parties;
- i) may seek specific audit interventions, at such time informing the Chairman of the Board of Statutory Auditors;
- j) analyses Group guidelines for the Group Compliance function that fall within its remit, monitoring that they have been adopted and implemented;
- k) requests that the Head of Internal Audit draft any proposals for the qualitative and quantitative improvement of the function itself;
- l) is involved, within its specific remit, in the process of identifying material risk takers on an on-going basis.

With a special focus on risk management and control-related issues, the Committee supports the Board of Directors in:

- defining and approving strategic guidelines and risk management policies with specific reference to risk appetite and risk tolerance. For this purpose, it also examines the annual budget drafting guidelines;
- verifying that risk strategies, management policies and the Risk Appetite Framework (RAF) have been correctly implemented;
- defining policies and processes for evaluating corporate activities, including verification that the price and conditions of client transactions comply with the risk-related business model and strategies.

# Governance organisational structure

Without prejudice to the competencies of the Remuneration Committee, the Committee checks that the incentives underlying the remuneration and incentive system comply with the RAF, particularly taking into account risks, capital and liquidity.

Moreover, the Committee reports to the Board of Directors on the status of the Group's internal control system.

Furthermore, as regards investments in non-financial equities, the Committee assesses, supports and puts forward proposals with regard to organizing and enacting internal controls on the making and managing of equity investments in non-financial companies, in addition to verifying compliance within the framework of such equity investments in terms of strategic and operational guidelines.

## Corporate Governance, Nomination and Sustainability Committee

The Corporate Governance, Nomination and Sustainability Committee consists of 5 non-executive Directors.

The composition of the Corporate Governance, Nomination and Sustainability Committee is the following: Mr. Stefano Micossi (Chairman), Mr. Cesare Bisoni, Ms. Francesca Tondi, Mr. Alexander Wolfgring and Ms. Elena Zambon.

The majority of the members of the Committee (4 out of 5) meet the independence requirements prescribed by the Code, which coincide with those envisaged by the UniCredit Articles of Association; all the members are independent pursuant to Section 148, sub-section 3, of the TUF. The Chairman of the Committee is independent pursuant to the Code and Section 148, sub-section 3, of the TUF.

In 2019, the Committee held 15 meetings.

## Duties

Among other things, the Committee:

- a) provides opinions and support to the Board regarding the definition of the UniCredit corporate governance system, corporate structure and Group governance models and guidelines;
- b) drafts proposals to be submitted to the Board regarding the optimal qualitative and quantitative composition of the Board, and the maximum number of posts held by Directors in other companies considered compatible with effectively fulfilling these roles at UniCredit;
- c) provides opinions and support regarding the Board self-assessment process, as directed by the Chairman of the Board of Directors;
- d) sets targets for the least well represented gender in corporate bodies as well as for management and staff belonging to the Group, and prepares a plan to bring this proportion up to set targets;
- e) drafts proposals to be submitted to the Chairman of the Board of Directors regarding the selection of staff appointed to conduct the Board's self-assessment process.

The Committee provides opinions and support to the Board also regarding:

- a) the verification that UniCredit Directors comply with the requirements provided by applicable laws and the Articles of Association (including the ban on interlocking directorships laid down by applicable laws), and that they collectively and individually ensure abidance with the qualitative and quantitative composition of the Board deemed to be optimal;
- b) the selection of candidates for the post of Chairman, Chief Executive Officer and Director of UniCredit, in the event of co-optation, and, should the Board present its own list of candidates for the position of independent Director for approval by the UniCredit Shareholders' Meeting, taking into due account any recommendations from shareholders, as per the process for selecting candidates to the post of Board of Directors members (including the Chairman and the Chief Executive Officer) approved by the Board itself;
- c) the appointment of the CEO, General Manager, Deputy General Managers and other Senior Executive Vice Presidents who are executives with strategic responsibilities;
- d) the verification that the General Manager and the Manager in charge of drafting the company financial reports comply with the requirements provided by applicable laws and the Articles of Association, if applicable;
- e) the definition of appointment and succession plan policies for the CEO, General Manager, Deputy General Managers and other executives with strategic responsibilities, Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents);
- f) the definition of the policy for the appointment of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies;
- g) the designation of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at the main companies.

# Governance organisational structure

Moreover, the Committee:

- provides support, coordinating with the Internal Controls & Risks Committee, in proposing candidates or assessing dismissal for the roles of Heads of corporate control functions to the Board of Directors;
- undertakes research to help the Board of Directors draft a succession plan for executive directors.

Furthermore, the Committee oversees sustainability issues linked to the activities carried out by UniCredit and the dynamics underpinning interactions between UniCredit and all of its stakeholders.

Within this framework, in particular, the Committee:

- pre-examines the yearly Integrated Report, which constitutes a non-financial declaration pursuant to the provisions of Sections 3 and 4 of Legislative Decree No.254/2016, to be submitted for approval to the Board of Directors;
- drafts proposals with regard to the Group environmental and social strategy, annual objectives and targets, monitoring over time that they are implemented;
- oversees sustainability-related developments also in light of international guidelines and principles, monitoring the Group's performance.

## Remuneration Committee

The Remuneration Committee consists of 3 non-executive Directors.

The composition of the Remuneration Committee is the following: Mr. Lamberto Andreotti (Chairman), Ms. Elena Carletti and Ms. Elena Zambon.

All members of the Committee meet the independence requirements prescribed by the Code, which coincide with those envisaged by the UniCredit Articles of Association, and are independent pursuant to Section 148, paragraph 3, of the TUF.

At least one member of the Committee has adequate knowledge and experience in finance or remuneration policies, which the Board of Directors assesses at such time as they are appointed to the Committee.

In order for the incentives included in the compensation and incentive schemes to be consistent with the Bank's risk, capital and liquidity management, as well as to get updates on the market trends, compensation levels and regulatory developments, an external advisor also attends Committee meetings.

The Group Chief Risk Officer is invited, upon need, to attend Committee meetings to ensure that incentive schemes are appropriately updated to take into account all of the risks that the Bank has taken on, pursuant to methodologies in compliance with those adopted by the Bank in managing risk for regulatory and internal purposes.

In 2019, the Committee held 12 meetings.

## Duties

Among other things, the Committee:

- puts proposals to the Board regarding the remuneration and the performance goals associated with its variable portion, for the members of the Board of Directors, the General Manager, Deputy General Managers, Heads of the corporate control functions and personnel whose remuneration and incentive systems are decided upon by the Board;
- exercises oversight on the criteria for remunerating the most significant employees, as identified pursuant to the relevant Banca d'Italia provisions, as well as on the outcomes of the application of such criteria.

Furthermore, the Committee issues opinions to the Board on:

- a) the remuneration policy for Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and the Leadership Team (Senior Vice Presidents);
- b) Group incentive schemes based on financial instruments;
- c) the remuneration policy for corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies.

Committee members regarding whom the Committee is called upon to express its opinion on their remuneration as a result of their specific assignments shall not attend meetings at which the proposal for such remuneration is calculated.

# Governance organisational structure

Furthermore, the Committee:

- coordinates the process for identifying material risk takers on an on-going basis;
- directly oversees the correct application of rules regarding the remuneration of the Heads of corporate control functions, working closely with the Board of Statutory Auditors;
- works with the other committees, particularly the Internal Controls & Risks Committee, to verify that the incentives included in compensation and incentive schemes are consistent with the RAF, ensuring the involvement of the corporate functions responsible for drafting and monitoring remuneration and incentive policies and practices;
- provides appropriate feedback on its operations to the Board of Directors, Board of Statutory Auditors and the Shareholders' Meeting;
- where necessary drawing on information received from the relevant corporate functions, expresses its opinion on the achievement of the performance targets associated with incentive schemes, and on the other conditions laid down for bonus payments.

## Related-Parties Committee

The Related-Parties Committee consist of 3 independent Directors.

The composition of the Related-Parties Committee is the following: Ms. Maria Pierdicchi (Chairwoman), Mr. Vincenzo Cariello and Mr. Stefano Micossi.

In reference to the Related-Parties Committee's meetings, only for reasons of urgency, in specific cases dealing with transactions falling into the decision-making powers of the Board of Directors, a meeting may be convened at least twelve hours in advance.

In 2019 the Committee held 11 meetings.

## Duties

The Committee operates on a consultative and proposition-making basis. The Committee oversees issues concerning transactions with related parties pursuant to CONSOB Regulation No.17221/2010 and transactions with associated parties pursuant to Banca d'Italia Circular No.263/2006 (Title V, Chapter 5), carrying out the specific role attributed to independent directors by the aforementioned provisions. Furthermore, it carries out any other duties assigned to it within the Global Policy for the management of transactions with persons in conflict of interest.

The Company's competent offices ensure a constant monitoring of transactions envisaged by the procedures for the identification and management of transactions with related and/or associated parties, also in view of enabling the Committee to propose corrective actions.

### a) Temporary replacement in cases of conflict of interest

For each individual transaction, Committee members must be different from the counterparty, its associated parties and/or any entities related to it.

If a Committee member is a counterparty to the transaction under examination (or is related/associated with the counterparty), he/she must promptly inform the Chairman of the Board of Directors and the Committee Chairman (provided he/she is not in a conflict of interest situation), and abstain from attending further Committee proceedings with regard to the transaction in which the relationship exists. Having consulted with the Committee Chairman (provided he/she is not in a conflict of interest situation), the Chairman of the Board of Directors shall immediately take steps to replace the member who has this conflict of interest with another member from the Board of Directors who qualifies as independent pursuant to the Italian Corporate Governance Code for listed companies, after contacting them beforehand, in order to restore the Committee to three non-related and non-associated independent Directors.

### b) Temporary replacement of unavailable members in the event of an urgent transaction

For transactions that need to be finalised urgently and require the intervention of the Related-Parties Committee during negotiations and due diligence and/or during the issue of opinions, having acknowledged the urgency and noted that the majority or all members are unable to meet or carry out the required activities in time to conclude the transaction, the Committee Chairman shall promptly inform the Chairman of the Board of Directors of this situation.

In any event, these circumstances must be communicated no later than the day after the Committee Chairman was informed that the majority or all Committee members were not available.

Having consulted with the CEO and determined that the transaction cannot be delayed, the Chairman of the Board of Directors immediately takes steps to find three Directors to sit on the Committee and follow the process for temporary substitutions in the event of conflicts of interest.

# Governance organisational structure

As regards sections a) and b) above, it should be noted that:

- replacements must be provided with all available information in good time before the meeting at which the Committee is called upon to express its opinion regarding the transaction;
- replacements undertake the duties allocated to them until the conclusion of the decision-making process regarding the specific transaction in question, and remain involved in the decisions taken by the Committee.

## Board Committees

MEMBERS	EXEC.	NON EXEC.	INDEP. AS PER ARTICLES OF ASSOCIATION AND CODE	INTERNAL CONTROLS & RISKS COMMITTEE		CORPORATE GOVERNANCE, NOMINATION AND SUSTAINABILITY COMMITTEE		REMUNERATION COMMITTEE		RELATED-PARTIES COMMITTEE	
				(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Bisoni Cesare		X				M	100%			C <sup>(1)</sup>	100%
Andreotti Lamberto		X	X					C	91.67%		
Mustier Jean Pierre	X										
Al Mehairi Mohamed Hamad		X	X								
Balbinot Sergio		X									
Cariello Vincenzo		X	X							M	100%
Carletti Elena		X	X	M <sup>(2)</sup>	100%			M <sup>(2)</sup>	100%		
De Giorgi Diego		X	X								
De Wismes Isabelle		X	X	M	100%						
Lara Bartolomé Beatriz Ángela		X	X								
Micossi Stefano		X	X			C	100%			M	100%
Pierdicchi Maria		X	X	M	100%					C <sup>(1)</sup>	100%
Tondi Francesca		X	X	M <sup>(3)</sup>	100%	M	100%				
Wolfgring Alexander		X	X	C	100%	M	100%				
Zambon Elena		X	X			M	86.67%	M	91.67%		
----- Members who left during the Period -----											
Boeckenfeld Martha Dagmar		X	X	M <sup>(4)</sup>	100%						
Sironi Andrea		X	X	M <sup>(5)</sup>	100%			M <sup>(5)</sup>	100%		
<b>No. of meetings held during the financial year</b>				<b>IC&amp;RC: 17</b>		<b>CGN&amp;S: 15</b>		<b>RC: 12</b>		<b>RPC: 11</b>	

### Notes:

(\*) A "C" (Chairman) or an "M" (Member) in this column shows that the member of the Board of Directors belongs to the Committee and also indicates his/her position.

(\*\*) Meetings' attendance percentage (number of meetings attended/number of meetings held during the concerned party's term of office with regard to the period).

(1) Further to the appointment of Mr. Bisoni as Chairman of the Board of Directors, effective from 20 September 2019, the Board of Directors, in its meeting held on 8 October 2019, on proposal of the Corporate Governance, Nomination and Sustainability Committee, has appointed Ms. Maria Pierdicchi as Chairwoman of the Related-Parties Committee.

(2) Office held since 7 February 2019.

(3) Office held since 8 October 2019.

(4) Office held until 18 September 2019.

(5) Office held until 6 February 2019.

# Governance organisational structure

## Board of Statutory Auditors

Pursuant to the UniCredit Articles of Association, the Ordinary Shareholders' Meeting appoints 5 permanent Statutory Auditors, among whom the Chairman, and 4 substitute Statutory Auditors. Both the permanent and substitute Statutory Auditors may be re-elected.

Permanent and substitute members of the Board of Statutory Auditors are appointed on the basis of a proportional representation mechanism ("voto di lista") in accordance with the composition criteria regarding, *inter alia*, the appointment of the Chairman of the Board by the minority shareholders and the balance between genders, as established by the UniCredit Articles of Association, and in compliance with current legal provisions. In detail, the candidate who has obtained the highest share of votes among the candidates belonging to the slate that obtained the highest number of votes among the minority slates, as defined by current provisions (also regulatory) in force, shall be selected by the Shareholders' Meeting as Chairman of the Board of Statutory Auditors.

Their term in office is 3 financial years and ends on the date of the Shareholders' Meeting called upon to approve the financial statements for the third year of office.

Members of the Board of Statutory Auditors shall meet the requirements envisaged by current provisions, also of a regulatory nature, in particular the professional experience, integrity and independence ones, and they can hold administrative and control appointments with other companies within the limits set by current laws and regulations.

The Shareholders' Meeting of 11 April 2019, appointed the permanent and substitute Statutory Auditors for the 2019-2021 financial years, with term of office until the date of the Shareholders' Meeting called upon to approve the 2021 financial statements.

In the following chart the information regarding the members of the Board of Statutory Auditors in office as at the approval date of this document.

### Statutory Auditors

POSITION	MEMBERS	IN OFFICE		SLATE (M/m) <sup>(*)</sup>	INDEPENDENT AS PER CODE	%( <sup>(*)</sup> )	NUMBER OF OTHERS POSITIONS <sup>(***)</sup>
		SINCE	UNTIL				
Chairman	Rigotti Marco Giuseppe Maria	04.11.2019	Approval of 2021 financial statements	m	X	100%	2
Permanent Statutory Auditor	Bonissoni Angelo Rocco	04.11.2019	Approval of 2021 financial statements	M	X	100%	–
Permanent Statutory Auditor	Navarra Benedetta	04.11.2019	Approval of 2021 financial statements	M	X	100%	4
Permanent Statutory Auditor	Paolucci Guido	04.11.2019	Approval of 2021 financial statements	M	X	100%	–
Permanent Statutory Auditor	Bientinesi Antonella	04.11.2019	Approval of 2021 financial statements	m	X	100%	2
Substitute Statutory Auditor	Pagani Raffaella	04.11.2019	Approval of 2021 financial statements	M	X		3
Substitute Statutory Auditor	Manes Paola	04.11.2019	Approval of 2021 financial statements	M	X		1
Substitute Statutory Auditor	Franchini Roberto	04.11.2019	Approval of 2021 financial statements	m	X		–
Substitute Statutory Auditor	Rimoldi Enrica	04.11.2019	Approval of 2021 financial statements	m	X		–
----- Statutory Auditors who left during the Period -----							
Chairman	Singer Pierpaolo	04.14.2016	04.11.2019	m	X	100%	–
Substitute Statutory Auditor	Talamonti Maria Francesca	04.14.2016	04.11.2019	m	X		2
Substitute Statutory Auditor	Amato Myriam	12.04.2017	04.11.2019	–	X		1
<b>Quorum required for the submission of the slates for the latest appointment: 0.5%</b>							
<b>Number of meetings held during the financial year: 57</b>							

#### Notes:

(\*) M = Member elected from the slate obtaining the majority of the Shareholders' votes; m = Member elected from the slate voted by a minority.

(\*\*) Meetings' attendance percentage (number of meetings attended/number of meetings held during the concerned party's term of office with regard to the period).

(\*\*\*) Number of positions as Director or Auditor held by the concerned party pursuant to Section 148/bis of the TUF. A complete list of such positions is published by the CONSOB on its website pursuant to Section 144-quinquiesdecies of the CONSOB Issuers Rules.

# Governance organisational structure

## Share capital

As at 31 December 2019, the fully subscribed and paid up UniCredit share capital amounted to Euro 20,994,799,961.81, divided into No.2,233,376,842 ordinary shares with no nominal value. The ordinary shares are issued in a dematerialised form and are indivisible as well as freely transferable.

No other types of shares, equity instruments or convertible or exchangeable bonds have been issued.

## Major Shareholders

On the basis of the results from the Shareholders Register, completed with the communications received according to Section 120 of the TUF and other information known to the Company, the relevant equity holdings, direct and indirect, as at 31 December 2019 were as follows.

According to the communications received pursuant to current provisions, the shareholders listed below hold significant shareholdings (more than 3%), not falling within the disclosure exemptions (Section 119/bis of the Consob Rules No.11971/99).

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
<b>BlackRock Inc.</b>		<b>5.084%</b>	<b>5.084%</b>
	BlackRock Institutional Trust Company, Na	1.327%	1.327%
	BlackRock Fund Advisors	1.205%	1.205%
	BlackRock Advisors (UK) Ltd	0.623%	0.623%
	BlackRock Advisors, LLC	0.535%	0.535%
	BlackRock Investment Management, LLC	0.513%	0.513%
	BlackRock Asset Management Deutschland Ag	0.454%	0.454%
	BlackRock Investment Management (UK) Ltd	0.253%	0.253%
	BlackRock Asset Management Canada Ltd	0.066%	0.066%
	BlackRock Investment Management (Australia) Ltd	0.042%	0.042%
	BlackRock Financial Management, Inc	0.025%	0.025%
	BlackRock Japan Co. Ltd	0.023%	0.023%
	BlackRock (Netherlands) B.V.	0.012%	0.012%
	BlackRock (Singapore) Ltd	0.003%	0.003%
	BlackRock International Ltd	0.002%	0.002%
	BlackRock Asset Management North Asia Ltd	0.001%	0.001%
<b>Dodge &amp; Cox</b>	<b>Dodge &amp; Cox</b>	<b>5.002%</b>	<b>5.002%</b>



# Governance organisational structure

## Participation Rights

Eligible to attend Shareholders' Meetings are those who hold voting rights and in respect of whom the Company has received, from the broker holding the relevant securities account, the notification within the deadline set forth by applicable law (record date, i.e. seven market trading days before the Shareholders' Meeting date).

Those who hold voting rights may arrange to be represented in the Shareholders' Meeting, in compliance with the provisions of the prevailing law.

UniCredit has always encouraged its shareholders to exercise their participation and voting rights and; for that reason, some time ago it adopted the Regulations governing Shareholders' Meetings to ensure their regular conduct. Said Regulations are available on UniCredit website on the Governance/Shareholders' Meeting Section.

## Senior Management Team



**JEAN PIERRE  
MUSTIER**

Chief Executive Officer



**FRANCESCO  
GIORDANO**

Co-CEO of Commercial  
Banking WEU



**OLIVIER  
KHAYAT**

Co-CEO of Commercial  
Banking WEU



**GIANFRANCO  
BISAGNI**

Co-CEO of Commercial  
Banking CEE



**NICCOLÒ  
UBERTALLI**

Co-CEO of Commercial  
Banking CEE



**CARLO  
VIVALDI**

Co-Chief Operating  
Officer



**RANIERI  
DE MARCHIS**

Co-Chief Operating  
Officer



**WOUTER  
DEVRIENDT**

Head of Finance &  
Controls



**GIANPAOLO  
ALESSANDRO**

Head of Group Legal  
Secretary of the BoD



**CARLO  
APPETITI**

Chief Compliance  
Officer



**MAURIZIO  
BERETTA**

Head of Group Institutional  
Affairs & Sustainability



**MARCO  
BIZZOZERO**

CEO of Group Wealth  
Management



**MIRKO  
BIANCHI**

Co-Chief Financial  
Officer



**RICHARD  
BURTON**

CEO of CIB Division



**ANDREA  
CASINI**

Co-CEO of Commercial  
Banking Italy



**PAOLO  
CORNETTA**

Head of Group Human  
Capital



**SERENELLA  
DE CANDIA\***

Head of Internal Audit



**MICHAEL  
DIEDERICH**

CEO of Commercial  
Banking Germany



**MAXIMILIAN  
HOHENBERG**

Head of Group Identity  
& Communication



**FINJA CAROLIN  
KÜTZ**

Group Chief Transformation  
Officer & Deputy COO



**TJ  
LIM**

Group Chief Risk  
Officer



**AURELIO  
MACCARIO**

Chief Lending Officer



**ANDREA FRANCESCO  
MAFFEZZONI**

Head of Strategy  
and M&A



**STEFANO  
PORRO**

Co-Chief Financial Officer  
and "Dirigente Preposto"



**REMO  
TARICANI**

Co-CEO of Commercial  
Banking Italy



**ROBERT  
ZADRAZIL**

CEO of Commercial  
Banking Austria

\* Not EMC Member



# Group Management Team

## List of other members of Group Management Team\*

	<i>COUNTRY GERMANY – UNICREDIT BANK AG</i>	<b>Paolo Lange'</b> Cordusio SIM - Chief Executive Officer
	<b>Sandra Betocchi</b> Chief Operating Officer	<b>Stefano Vecchi</b> Head of Wealth Management Italy
	<b>Markus Beumer</b> Head of Corporate (Unternehmer) Bank	<i>COMMERCIAL BANKING CENTRAL EASTERN EUROPE</i>
	<b>Emanuele Butta'</b> Head of Commercial Banking (Privatkunden Bank)	<b>Mikhail Alekseev</b> Chief Executive Officer - Russia
	<b>Ljiljana Cortan</b> Chief Risk Officer	<b>Graziano Cameli</b> Head of CEE Business Development
	<b>Joachim Dobrikat</b> Head of Accounting, Shareholding & Regulatory Reporting	<b>Claudio Cesario</b> Commercial Banking Central Eastern Europe
	<b>Andreas Frueh</b> Head of Legal, Corporate Affairs & Documentation Germany	<b>Romeo Collina</b> Chief Executive Officer - Croatia
	<b>Jan Kupfer</b> Head of Corporate & Investment Banking/Markets	<b>Dalibor Cubela</b> General Manager - Croatia**
	<b>Simone Marcucci</b> General Representative CFO Germany	<b>Andrea Diamanti</b> General Manager - Russia
	<b>Angelika Plauk</b> Head of Audit Management	<b>Jakub Dusilek</b> Chief Executive Officer - Czech Republic & Slovakia**
	<b>Georg Rohleder</b> Head of Human Capital & Corporate Office	<b>Marco Giuseppe Esposito</b> Chief Executive Officer - Slovenia**
	<b>Barbara Roth</b> Head of Compliance Germany	<b>Marco Iannaccone</b> General Manager - Turkey
<b>EXECUTIVE VICE PRESIDENT</b>	<b>Boris Scukanec Hopinski</b> General Representative COO Germany	<b>Paolo Iannone</b> General Manager - Czech Republic & Slovakia
<i>COMMERCIAL BANKING WESTERN EUROPE</i>	<b>Guglielmo Zadra</b> Chief Financial Officer	<b>Amina Mahmutovic</b> Chief Executive Officer - Mostar**
<b>Giuseppe Aquaro</b> Head of Business Operational Excellence	<i>COMMERCIAL BANKING ITALY</i>	<b>Gordan Pehar</b> Chief Executive Officer - Banja Luka**
<i>COUNTRY AUSTRIA – UNICREDIT BANK AUSTRIA AG</i>	<b>Andrea Burchi</b> Regional Manager Centro Nord	<b>Teodora Petkova</b> Chief Executive Officer - Bulgaria**
<b>Gregor Hofstaetter Pobst</b> Chief Financial Officer	<b>Lucio Izzi</b> Head of Corporate Sales & Marketing	<b>Septimiu Postelnicu</b> General Manager - Bulgaria**
<b>Juergen Kullnigg</b> Chief Risk Officer	<b>Salvatore Malandrino</b> Regional Manager Sicilia	<b>Catalin Rasvan Radu</b> Chief Executive Officer - Romania
<b>Mauro Maschio</b> Head of Privatkundenbank (Retail, Small Business, Private)	<b>Salvatore Pisconti</b> Regional Manager Centro	<b>Feza Tan</b> Chief Executive Officer - Serbia
<b>Tina Pogacic</b> Chief Operating Officer and CEO UniCredit Services GmbH	<i>WEALTH MANAGEMENT</i>	<b>Balazs Toth</b> Chief Executive Officer - Hungary**
<b>Gunter Schubert</b> Head of CIB Network Austria	<b>Manuela D'Onofrio</b> Head of Group Investments and Solutions	<b>Ivan Vlaho</b> General Manager - Hungary
<b>Susanne Wendler</b> Head of Unternehmerbank (Corporate)	<b>Dieter Hengl</b> Head of Wealth Management Bank Austria/ CEO Schoellerbank Ag	<i>CORPORATE &amp; INVESTMENT BANKING</i>
		<b>Luca Corsini</b> Co-Head Global Transaction Banking (GTB)

**Alfredo Maria De Falco**  
Head of CIB Italy

**Jérôme Frizé**  
Head of Financial Institutions Groups (FIG)

**Goffredo Guizzardi**  
Co-Head Global F&A

**Guy Laffineur**  
Head of Markets

**Christian Reusch**  
Co-Head Global F&A

**Marcello Vittorio Ronco**  
Head of Tech Projects (GTB)

**Giovanni Solaroli**  
Co-Head Global Transaction Banking (GTB)

**Patrick Soulard**  
Country Head France

**Ivan Tardivo**  
Head of HR CIB and CIB Business  
and Process Transformation

#### CHIEF OPERATING OFFICE

**Fabio Cesaretti**  
CIO Western Europe

**Paolo Chiaverini**  
Head of Global Operations

**Marco Cravario**  
Head of Group Procurement & Cost  
Management

**Salvatore Greco**  
Head of Group Real Estate

**Artur Gruca**  
CIO Finance & Controls

**Luca Rubaga**  
General Manager UniCredit Services

**Daniele Tonella**  
CEO UniCredit Services and Group Chief  
Information Officer

**Stefan Vogt**  
Group Chief Security Officer

#### GROUP HUMAN CAPITAL

**Angelo Carletta**  
Head of HR COO Area

**Cihangir Kavuncu**  
Head of HR Transformation and  
Operations Office

**Luigi Luciani**  
Head of HR Italy & CEO Functions

**Laura Orlic**  
Head of HR CEE

**Andrea Vintani**  
Head of Human Capital Strategies

#### FINANCE & CONTROLS

##### GROUP COMPLIANCE

**Martin Boehm**  
Head of Group CIB Compliance

**Giovanni Buson**  
Head of Group Compliance Advisory  
& Country Italy Management

**Michele Valeriani**  
Head of Group Anti Financial Crime  
Compliance & Head of Group Compliance  
Risk Assessment and Control

##### GROUP CHIEF FINANCIAL OFFICE

**Alessandro Brusadelli**  
Head of Group Finance

**Bonifacio Di Francescantonio**  
Head of Group Accounting & Regulatory  
Reporting

**Mihaela-Alina Lupu**  
Head of Group Planning & Capital  
Management

**Roberto Monachino**  
Group Data Officer

**Joerg Pietzner**  
Head of Group Investor Relations

##### GROUP LENDING OFFICE

**Mario Agostini**  
Head of CLO Italy

**Maurizio Maria Francescatti**  
Head of Group Lending Processes

**Andreas Mayer**  
Head of Group Credit Transactions

**Andrea Varese**  
Chief Lending Office\*\*\*

##### GROUP LEGAL

**Shannon Lazzarini**  
Head of Group Litigation

#### RISK MANAGEMENT

**Davide Bazzarello**  
Head of Group Credit & Integrated Risks

**Jose Brena**  
Head of Non Core Asset Management

**Andrea Cesaroni**  
Head of Group Financial Risk

**Giandomenico Miceli**  
Head of Group Operational  
& Reputational Risks

**Corrado Pavanati**  
Head of Group Risk Models & Credit Risk  
Governance

**Wolfgang Schilk**  
CRO CEE

\* Data as at 5 February 2020

\*\* SVP/FVP Group Title

\*\*\* SEVP Group Title



## Consolidated accounts

Balance sheet carrying values as at 31 December 2018 reported for comparative purposes are subject to restatement, compared to those stated at the same date, as a result of the change in investment properties evaluation criterion that represents a voluntary change in accounting policy to be applied retrospectively according to IAS8 par.19-b). In addition, as requested by IAS1 par.40A and 40B, also comparative figures as at 1 January 2018 are exposed.

Income statement carrying values as at 31 December 2018 reported for comparative purposes are subject to restatement, compared to those stated at the same date, as a result of both the change in investment properties evaluation criterion and the deconsolidation of FinecoBank S.p.A. and its subsidiary Fineco Asset Management Designated Activity Company.

### Consolidated balance sheet

				(€ million)
				AMOUNTS AS AT
ASSETS	12.31.2019	12.31.2018	01.01.2018	
10. Cash and cash balances	17,305	30,991	64,493	
20. Financial assets at fair value through profit or loss:	81,880	86,137	101,810	
a) financial assets held for trading	63,280	65,231	74,666	
b) financial assets designated at fair value	-	-	-	
c) other financial assets mandatorily at fair value	18,600	20,906	27,144	
30. Financial assets at fair value through other comprehensive income	79,702	88,280	100,636	
40. Financial assets at amortised cost:	626,463	579,311	519,901	
a) loans and advances to banks	101,669	73,643	71,134	
b) loans and advances to customers	524,794	505,668	448,766	
50. Hedging derivatives	5,934	4,682	3,431	
60. Changes in fair value of portfolio hedged items (+/-)	3,296	2,439	2,601	
70. Equity investments	4,787	5,502	6,212	
80. Insurance reserves charged to reinsurers	-	-	-	
90. Property, plant and equipment	11,097	8,804	9,038	
100. Intangible assets	2,800	3,507	3,385	
of which: goodwill	886	1,484	1,484	
110. Tax assets:	12,922	12,944	12,761	
a) current	793	1,032	2,042	
b) deferred	12,129	11,912	10,719	
120. Non-current assets and disposal groups classified as held for sale	2,512	2,241	1,206	
130. Other assets	6,949	7,334	8,800	
<b>Total assets</b>	<b>855,647</b>	<b>832,172</b>	<b>834,276</b>	

				(€ million)
				AMOUNTS AS AT
LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2019	12.31.2018	01.01.2018	
10. Financial liabilities at amortised cost:	704,840	686,036	684,190	
a) deposits from banks	135,572	125,895	123,234	
b) deposits from customers	472,967	478,988	462,895	
c) debt securities in issue	96,301	81,153	98,061	
20. Financial liabilities held for trading	41,483	43,111	51,100	
30. Financial liabilities designated at fair value	9,678	9,318	8,302	
40. Hedging derivatives	7,186	6,032	3,568	
50. Value adjustment of hedged financial liabilities (+/-)	4,964	3,230	3,047	
60. Tax liabilities:	1,378	946	1,179	
a) current	685	402	644	
b) deferred	693	544	535	
70. Liabilities associated with assets classified as held for sale	725	540	185	
80. Other liabilities	12,549	13,950	14,809	
90. Provision for employee severance pay	661	698	917	
100. Provisions for risks and charges:	10,398	10,961	9,741	
a) commitments and guarantees given	1,089	1,140	1,090	
b) post-retirement benefit obligations	5,619	4,767	4,522	
c) other provisions for risks and charges	3,690	5,054	4,129	
110. Technical reserves	-	-	-	
120. Valuation reserves	(6,120)	(7,488)	(4,651)	
130. Redeemable shares	-	-	-	
140. Equity instruments	5,602	4,610	4,610	
150. Reserves	24,344	20,836	16,627	
160. Share premium	13,225	13,393	13,400	
170. Share capital	20,995	20,940	20,881	
180. Treasury shares (-)	(3)	(9)	(3)	
190. Minority shareholders' equity (+/-)	369	961	902	
200. Profit (Loss) of the year (+/-)	3,373	4,107	5,473	
<b>Total liabilities and shareholders' equity</b>	<b>855,647</b>	<b>832,172</b>	<b>834,276</b>	



## Consolidated accounts

## Consolidated income statement

(€ million)

ITEMS	YEAR	
	2019	2018
10. Interest income and similar revenues	14,793	15,106
<i>of which: interest income calculated with the effective interest method</i>	13,186	12,867
20. Interest expenses and similar charges	(4,521)	(4,355)
<b>30. Net interest margin</b>	<b>10,272</b>	<b>10,751</b>
40. Fees and commissions income	7,606	7,589
50. Fees and commissions expenses	(1,288)	(1,038)
<b>60. Net fees and commissions</b>	<b>6,318</b>	<b>6,551</b>
70. Dividend income and similar revenues	295	413
80. Net gains (losses) on trading	1,298	373
90. Net gains (losses) on hedge accounting	42	17
100. Gains (Losses) on disposal and repurchase of:	287	298
a) financial assets at amortised cost	138	129
b) financial assets at fair value through other comprehensive income	160	174
c) financial liabilities	(11)	(5)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(370)	290
a) financial assets/liabilities designated at fair value	(530)	411
b) other financial assets mandatorily at fair value	160	(121)
<b>120. Operating income</b>	<b>18,142</b>	<b>18,693</b>
130. Net losses/recoveries on credit impairment relating to:	(3,489)	(2,674)
a) financial assets at amortised cost	(3,478)	(2,655)
b) financial assets at fair value through other comprehensive income	(11)	(19)
140. Gains/Losses from contractual changes with no cancellations	(20)	(3)
<b>150. Net profit from financial activities</b>	<b>14,633</b>	<b>16,016</b>
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
<b>180. Net profit from financial and insurance activities</b>	<b>14,633</b>	<b>16,016</b>
190. Administrative expenses:	(10,684)	(11,157)
a) staff costs	(6,588)	(6,350)
b) other administrative expenses	(4,096)	(4,807)
200. Net provisions for risks and charges:	(103)	(1,516)
a) commitments and financial guarantees given	45	(19)
b) other net provisions	(148)	(1,497)
210. Net value adjustments/write-backs on property, plant and equipment	(1,425)	(633)
220. Net value adjustments/write-backs on intangible assets	(746)	(420)
230. Other operating expenses/income	897	907
<b>240. Operating costs</b>	<b>(12,061)</b>	<b>(12,819)</b>
250. Gains (Losses) of equity investments	316	(97)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	4	417
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals on investments	129	174
<b>290. Profit (Loss) before tax from continuing operations</b>	<b>3,021</b>	<b>3,691</b>
300. Tax expenses (income) of the year from continuing operations	(862)	523
<b>310. Profit (Loss) after tax from continuing operations</b>	<b>2,159</b>	<b>4,214</b>
320. Profit (Loss) after tax from discontinued operations	1,332	126
<b>330. Profit (Loss) of the year</b>	<b>3,491</b>	<b>4,340</b>
340. Minority profit (loss) of the year	(118)	(233)
<b>350. Parent Company's profit (loss) of the year</b>	<b>3,373</b>	<b>4,107</b>
Earnings per share (€)	1.462	1.809
Diluted earnings per share (€)	1.453	1.801

## Consolidated accounts

## Consolidated statement of other comprehensive income

(€ million)

ITEMS	AS AT	
	12.31.2019	12.31.2018
<b>10. Profit (Loss) for the year</b>	<b>3,491</b>	<b>4,340</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	39	16
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(125)	120
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	1,445	-
60. Intangible assets	-	-
70. Defined-benefit plans	(867)	(298)
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	(23)	(2)
<b>Other comprehensive income after tax reclassified to profit or loss</b>		
100. Foreign investments hedging	-	-
110. Foreign exchange differences	309	(386)
120. Cash flow hedging	(55)	(130)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	806	(1,290)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	(161)	(829)
<b>170. Total other comprehensive income after tax</b>	<b>1,368</b>	<b>(2,799)</b>
<b>180. Other comprehensive income (Item 10+170)</b>	<b>4,859</b>	<b>1,541</b>
190. Minority consolidated other comprehensive income	(127)	(231)
<b>200. Parent Company's consolidated other comprehensive income</b>	<b>4,732</b>	<b>1,310</b>

## Consolidated accounts

## Statement of changes in the consolidated shareholders' equity as at 31 December 2019

(€ million)

	BALANCE AS AT 12.31.2018	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2019	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE YEAR											TOTAL SHAREHOLDERS' EQUITY AS AT 12.31.2019	GROUP SHAREHOLDERS' EQUITY AS AT 12.31.2019	MINORITY SHAREHOLDERS' EQUITY AS AT 12.31.2019
						CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS								OTHER COMPREHENSIVE INCOME 2019				
				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							
Share capital:																			
- ordinary shares	21,248	-	21,248	-	-	(137)	55	-	-	-	-	-	-	-	-	21,166	20,995	171	
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premium	13,480	-	13,480	-	-	(169)	-	-	-	-	-	-	-	-	-	13,311	13,225	86	
Reserves:																			
- from profits	13,776	-	13,776	3,548	-	(575)	(55)	-	-	-	-	-	-	-	-	16,694	16,838	(144)	
- other	7,408	-	7,408	-	-	156	-	-	-	-	-	-	69	-	-	7,633	7,506	127	
Valuation reserves	(7,494)	-	(7,494)	-	-	17	-	-	-	-	-	-	-	-	1,368	(6,109)	(6,120)	11	
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity instruments	4,610	-	4,610	-	-	-	-	-	-	-	992	-	-	-	-	5,602	5,602	-	
Treasury shares	(18)	-	(18)	-	-	15	-	-	-	-	-	-	-	-	-	(3)	(3)	-	
Profit (Loss) for the year	4,340	-	4,340	(3,548)	(792)	-	-	-	-	-	-	-	-	-	3,491	3,491	3,373	118	
Total shareholders' equity	57,350	-	57,350	-	(792)	(693)	-	-	-	-	992	-	69	-	4,859	61,785	61,416	369	
Group shareholders' equity	56,389	-	56,389	-	(604)	(162)	-	-	-	-	992	-	69	-	4,732	61,416			
Minority shareholders' equity	961	-	961	-	(188)	(531)	-	-	-	-	-	-	-	-	127	369			

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

The cumulated change of revaluation reserves includes the variation of property, plant and equipment reserve for +€1,445 million due to the transition from the cost model to the revaluation model for the properties used in business, ruled by IAS16 "Property, plant and machinery" (for further details please see Part A - Accounting policies - A.1 - General - Section 5 - Other matters), the effect for -€858 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the effects of the cash flow hedges reserve for -€55 million and the effect of financial asset and liabilities at fair value for +€720 million. This cumulated change includes furthermore the effect of exchange differences reserve for +€292 million, mainly related to effect of Russian Ruble for +€324 million, for +€501 million the change in the valuation reserve of the companies accounted for using the equity method, mainly due to the change of Turkish Lira for -€110 million and for +€677 million due to the reclassification of 9.02% of the valuation reserve of Yapi Ve Kredi Bankasi AS in the reserve of Non – current assets classified as held for sale changed for -€660 million (mainly referred to cumulated change of Turkish Lira for -€643 million).

The change of the other reserves includes the payment of coupons on AT1 equity instruments for -€285 million.

The change in Group share capital refers to the increase for +€55 million following the resolution of the Board of Directors of 6 February 2019 of UniCredit S.p.A. executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.

Following the resolutions of the Shareholders' Meeting of 11 April 2019 of UniCredit S.p.A., the coverage of the negative other reserves for +€293 million was executed by using: i) the share premium reserve for the component related to the payment of AT1 coupons in 2017 for -€168 million; ii) the statutory reserve, included in reserves from profit, to cover the negative reserve arising from the payment of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" for -€125 million.

The change in net equity of minorities is mainly due to the sale of FinecoBank S.p.A. This transaction has impacted mainly share capital and reserves from profits.

For further details about the Shareholders' equity changes see Part B - Consolidated balance sheet - Liabilities - Section 13 of the Consolidated financial statement, Notes to the consolidated accounts.

## Consolidated accounts

## Statement of changes in the consolidated shareholders' equity as at 31 December 2018

(€ million)

	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE YEAR										TOTAL SHAREHOLDERS' EQUITY AS AT 12.31.2018	GROUP SHAREHOLDERS' EQUITY AS AT 12.31.2018	MINORITY SHAREHOLDERS' EQUITY AS AT 12.31.2018
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS								OTHER COMPREHENSIVE INCOME 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				
Share capital:																		
- ordinary shares	21,200	-	21,200	-	-	(14)	62	-	-	-	-	-	-	-	-	21,248	20,940	308
- other shares	2	-	2	-	-	-	-	(2)	-	-	-	-	-	-	-	-	-	-
Share premium	13,488	-	13,488	-	-	(8)	-	-	-	-	-	-	-	-	-	13,480	13,393	87
Reserves:																		
- from profits	11,520	(2,660)	8,860	4,924	-	52	(60)	-	-	-	-	-	-	-	-	13,776	13,555	221
- other	7,951	-	7,951	-	-	(613)	-	-	-	-	-	-	70	-	-	7,408	7,281	127
Valuation reserves	(4,329)	(325)	(4,654)	-	-	(41)	-	-	-	-	-	-	-	-	(2,799)	(7,494)	(7,488)	(6)
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	4,610	-	4,610	-	-	-	-	-	-	-	-	-	-	-	-	4,610	4,610	-
Treasury shares	(3)	-	(3)	-	-	(15)	-	-	-	-	-	-	-	-	-	(18)	(9)	(9)
Profit (Loss) for the year	5,786	-	5,786	(4,924)	(862)	-	-	-	-	-	-	-	-	-	4,340	4,340	4,107	233
Total shareholders' equity	60,225	(2,985)	57,240	-	(862)	(639)	2	(2)	-	-	-	-	70	-	1,541	57,350	56,389	961
Group shareholders' equity	59,331	(2,993)	56,338	-	(715)	(616)	2	(2)	-	-	-	-	70	2	1,310	56,389		
Minority shareholders' equity	894	8	902	-	(147)	(23)	-	-	-	-	-	-	-	(2)	231	961		

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

The column "Change in opening balance" includes furthermore the impacts arising from the change in the evaluation criterion of the Group's real estate portfolio held for investment. Please note that, due to the retrospective application of this change, the profit of 31 December 2018 is different from the published result. Refer to 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 reserves includes the effect for -€299 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the effects of the cash flow hedges reserve for -€130 million and the effect of financial asset and liabilities at fair value for -€1,186 million. This cumulated change includes furthermore the effect of exchange differences reserve for -€386 million, mainly related to effect of Russian Ruble for -€352 million and the change in the valuation reserve of the companies accounted for using the equity method for -€838 million, mainly due to the depreciation of the items in Turkish Lira for -€712 million.

The change of the other reserves mainly refers to the payment of coupon on AT1 equity instruments for -€242 million.

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

## Consolidated accounts

## Consolidated cash flow statement (indirect method)

(€ million)

	YEAR	
	2019	2018
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations:</b>	<b>11,140</b>	<b>8,566</b>
- profit (loss) for the year (+/-)	3,491	4,340
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	571	(2,206)
- gains (losses) on hedge accounting (-/+)	(42)	(17)
- net losses/recoveries on impairment (+/-)	5,288	4,478
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	2,167	635
- net provisions for risks and charges and other expenses/income (+/-)	(174)	1,083
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	687	(747)
- impairment/write-backs after tax on discontinued operations (+/-)	(1,235)	135
- other adjustments (+/-)	387	865
<b>2. Liquidity generated/absorbed by financial assets:</b>	<b>(58,982)</b>	<b>(39,034)</b>
- financial assets held for trading	1,889	10,559
- financial assets designated at fair value	-	-
- other financial assets mandatorily at fair value	3,647	6,153
- financial assets at fair value through other comprehensive income	8,863	10,436
- financial assets at amortised cost	(75,408)	(68,601)
- other assets	2,027	2,419
<b>3. Liquidity generated/absorbed by financial liabilities:</b>	<b>31,635</b>	<b>(492)</b>
- financial liabilities at amortised cost	38,352	6,387
- financial liabilities held for trading	(2,045)	(7,374)
- financial liabilities designated at fair value	(158)	1,635
- other liabilities	(4,514)	(1,140)
<b>Net liquidity generated/absorbed by operating activities</b>	<b>(16,207)</b>	<b>(30,960)</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Liquidity generated by:</b>	<b>5,020</b>	<b>842</b>
- sales of equity investments	844	14
- collected dividends on equity investments	64	183
- sales of property, plant and equipment	2,978	377
- sales of intangible assets	11	6
- sales of subsidiaries and business units	1,123	262
<b>2. Liquidity absorbed by:</b>	<b>(2,205)</b>	<b>(2,062)</b>
- purchases of equity investments	(20)	(485)
- purchases of property, plant and equipment	(1,543)	(1,008)
- purchases of intangible assets	(642)	(569)
- purchases of subsidiaries and business units	-	-
<b>Net liquidity generated/absorbed by investment activities</b>	<b>2,815</b>	<b>(1,220)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	992	-
- dividend distribution and other	(1,307)	(1,301)
- sale/purchase of minority control	-	-
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(315)</b>	<b>(1,301)</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR</b>	<b>(13,707)</b>	<b>(33,481)</b>

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

## Consolidated accounts

### Reconciliation

ITEMS	YEAR	
	2019	2018
Cash and cash balances at the beginning of the year	30,991	64,493
Net liquidity generated/absorbed in the year	(13,707)	(33,481)
Cash and cash balances: foreign exchange effect	21	(21)
Cash and cash balances at the end of the year	17,305	30,991

The figures related to 2018 of the point "1. Operations" in section "A. Operating activities" have been restated following the deconsolidation of FinecoBank S.p.A. and its subsidiary, Fineco Asset Management Designated Activity Company occurred in the second quarter of 2019 and following the adoption by the Group of fair value model to account for land and buildings held for investment, ruled by IAS40.

The liquidity absorbed in 2018 by FinecoBank S.p.A. and its subsidiary amounted to €1 million.

The disposal of FinecoBank S.p.A. has generated in 2019 cash of €2,094 million, net of cash and cash balances owned by the company at the beginning of the year.

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 balances" refers to the definition according to Banca d'Italia (Circular 262, 22 December 2005 and subsequent amendments).

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





## Part A - Accounting policies

### A.1 - General

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

These 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 31 December 2019, pursuant to EU Regulation No.1606/2002 which was incorporated into Italian legislation through Legislative Decree No.38 of 28 February 2005 (see Section 5 - Other matters).

These statements are an integral part of the Annual Financial Statements as required by Art.154-ter, par.1 of the Single Finance Act (TUF, Legislative Decree No.58 of 24 February 1998).

In its circular 262 of 22 December 2005 and subsequent amendments Banca d'Italia laid down the formats for the financial statements and notes to the accounts used to prepare these financial statements.

Banca d'Italia issued on 30 November 2018 the 6<sup>th</sup> update of its circular 262 adjusting the formats for the consolidated accounts and notes to the consolidated accounts to the requirements of IFRS16: Leasing.

#### Section 2 - General preparation criteria

As mentioned above, these Consolidated financial statements have been prepared in accordance with the IFRS endorsed by the European Commission.

The following documents have been used to interpret and support the application of IFRS, even though not all of them have 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 IFRSs;
- Interpretative documents on the application of 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.

The Consolidated financial statements include the Balance sheet, the Income statement, the Statement of other comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement (compiled using the "indirect method") and the Notes to the consolidated accounts, together with the Consolidated report on operations and Annexes.

In addition, pursuant to Art.123-bis par.3 of TUF, as reported in chapter "Other information" of the Consolidated report on operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of UniCredit website:

<https://www.unicreditgroup.eu/it/governance/governance-system-and-policies.html> - Italian version and

<https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html> - English version.

Figures in the Consolidated accounts and in the Notes to the accounts are given in millions of euros, unless otherwise specified.

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

In this regard, the Directors, based on the 2020-2023 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 Consolidated financial statements as at 31 December 2019 have been prepared on a going-concern basis.

The measurement criteria adopted are therefore consistent with the assumption that the business is a going-concern 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 compared with the previous year.

#### Risks and uncertainty relating to the use of estimates

Pursuant to IFRSs, Management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets, liabilities, income and expenses reported in the Accounts, as well as the disclosure concerning potential assets and liabilities. Estimates and the 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.

## Part A - Accounting policies

In particular estimated figures have been used for the recognition of some of the largest value-based items in the Consolidated financial statements at 31 December 2019, as required by the accounting policies and regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going-concern, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted confirm the carrying values at 31 December 2019. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment.

The parameters and information used to check the above-mentioned 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 in the measurement of:

- financial instruments not listed in active markets measured at fair value;
- loans and receivables, equity investments 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 - Par.2.5 Operational risk);
- goodwill and other intangible assets;
- deferred tax assets;
- investment and used in business properties;

whose assessment may significantly change over time according to the trend in (i) domestic and international socio-economic conditions and subsequent impact on the Group's profitability and customers' creditworthiness, (ii) financial markets, which affect changes in interest rates, prices and actuarial assumptions and (iii) real estate market affecting the value of property owned by the Bank or received as collateral. Regarding the evaluation of credit exposures, it should be noted that, with the entrance into force of IFRS9, their evaluation depends on forward-looking information and, in particular, on the evolution of macro-economic scenarios used in the calculation of loan loss provisions.

Note 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. Refer to Part E - Information on risks and hedging policies - Section 5 - 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 of the Consolidated report on operations.

With specific reference to future cash flow projections used in the valuation of goodwill, intangible assets and deferred tax assets, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change in unpredictably. For further information see Part B - Consolidated Balance Sheet - Assets - 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 financial statements as at 31 December 2019 are described below.

#### Consolidated Accounts

For the preparation of the Consolidated financial statements as at 31 December 2019 the following sources have been used:

- UniCredit S.p.A. general meeting draft accounts as at 31 December 2019;
- the accounts as at 31 December 2019, approved by the competent bodies and functions, of the other fully consolidated subsidiaries 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 as at 31 December 2019 of Nuova Compagnia di Partecipazioni Group, including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italtipetroli S.p.A.), and Capital Dev Group, including Capital Dev S.p.A., and their direct and indirect subsidiaries.

## Part A - Accounting policies

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 the Group is exposed.

In order to verify the existence of control, the Group considers the following factors:

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

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

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

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

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

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

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

The portion attributable to non-controlling interests is presented in the Balance sheet under item "190 Minorities", separately from the liabilities and net equity attributable to the Group. In the Income statement, the portion attributable to minorities is also presented separately under item "340 Minorities".

With respect to companies included in the consolidation scope for the first time, the fair value of the cost paid to obtain control of this equity interest, including ancillary expenses, is measured at the acquisition date.

The difference between the consideration received of an interest held in a subsidiary and the carrying amount of the net assets is recognised in the Net Equity, if the sale does not entail loss of control.

### Joint arrangements

A joint arrangement is a contractual agreement under the terms of which two or more counterparties arrange to jointly control an entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to the standard IFRS11 - Joint Arrangements, such agreements must be classified as Joint Operations or Joint Ventures according to the contractual rights and obligations held by the Group.

## Part A - Accounting policies

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

A Joint Venture is a joint arrangement in which the parties have rights on the net assets of the arrangement.

The Group has assessed the nature of the joint arrangements and has determined that its jointly controlled equity investments are of the Joint Venture type. These equity investments are recognised using the equity method.

Carrying amount of the Joint Ventures is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of value in use (VIU) and fair value (FV) less cost to sell).

### Associates

An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.

Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity, or
- is able, also through shareholders' agreements, to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in the policy-making process, including participation in decisions about dividends or other distributions;
  - the existence of significant transactions;
  - interchange of managerial personnel;
  - provision of key technical information.

It is to be pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.

Investments in associates are recognised using the equity method. Carrying amount of Associates is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of VIU and FV less cost to sell).

### Equity method

Equity investments in companies measured using the equity method include the goodwill (less any impairment loss) paid to purchase them.

The investor's share of the profit and loss of the investee after the date of acquisition is recognised in the Income statement under item "250 Profit (Loss) of investments". Any dividends distributed reduce the carrying amount of the equity investment.

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

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

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

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

## Part A - Accounting policies

## 1. Investments in Subsidiaries

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
				HELD BY			
A. LINE BY LINE METHOD							
1 UNICREDIT SPA Issued capital EUR 20,994,799,961.81	MILAN	MILAN		PARENT COMPANY			
2 A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG Issued capital EUR 613,550	MUNICH	MUNICH	1	GRUNDSTUCKSAKTIENGESSELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)		100.00	
3 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH		100.00	98.11
4 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG		100.00	98.11
5 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG		100.00	98.11
6 AI BETEILIGUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG		100.00	
7 ALLEGRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH		99.80	
8 ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.		100.00	
9 ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO		100.00	
10 ALMS LEASING GMBH. Issued capital EUR 36,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH		100.00	
11 ALPINE CAYMAN ISLANDS LTD. Issued capital EUR 798	GRAND CAYMAN	GEORGE TOWN	1	UNICREDIT BANK AUSTRIA AG		100.00	
12 ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)
13 ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH		99.80	
14 AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD Issued capital RSD 98,672,974	BELGRADE	BELGRADE	1	UCTAM D.O.O. BEOGRAD		100.00	
15 ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH		99.80	
16 ANTHEMIS EVO LLP	LONDON	LONDON	4	UNICREDIT SPA		..	(3)
17 AO UNICREDIT BANK Issued capital RUR 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT SPA		100.00	
18 ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)
19 ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA		..	(3)
20 ARGENTAUROS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH		100.00	
21 ARNO GRUNDSTUECKSV ERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.		99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
22 ATLANTERRA IMMOBILIENVERWALTUNGS GMBH Issued capital EUR 1,023,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH		90.00	
23 AUSTRIA LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH		0.40	
				GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.		99.40	
				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		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
24 BA ALPINE HOLDINGS, INC. Issued capital USD 74,435,918	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AUSTRIA AG	100.00	
25 BA BETRIEBSOBJEKTE GMBH Issued capital EUR 5,630,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
26 BA CA LEASING (DEUTSCHLAND) GMBH Issued capital EUR 153,388	HAMBURG	HAMBURG	1	UNICREDIT LEASING SPA THROUGH A TRUST COMPANY OUTSIDE THE GROUP	94.90 5.10	(4)
27 BA CA SECUND LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
28 BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 363,364	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
29 BA GEBAEUEVERMIETUNGSGMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH	89.00 10.00 1.00	
30 BA GVG-HOLDING GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
31 BA-CA ANDANTE LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
32 BA-CA FINANCE (CAYMAN) II LIMITED Issued capital EUR 15,000	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
33 BA-CA FINANCE (CAYMAN) LIMITED Issued capital EUR 15,000	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
34 BA-CA LEASING DREI GARAGEN GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
35 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	
36 BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. Issued capital EUR 127,177	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
37 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	
38 BA-CA WIEN MITTE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
39 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	
40 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	
41 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	
42 BACA KOMMUNALLEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
43 BACA LEASING ALFA S.R.O. Issued capital CZK 110,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
44 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	
45 BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
46 BAHBETA INGATLANHASZNOSITO KFT. Issued capital HUF 30,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALTAEEN GMBH	100.00	
47 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	

## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
48	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	
49	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	
50	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	
51	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	
52	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	
53	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	
54	BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
55	BANK AUSTRIA FINANZSERVICE GMBH Issued capital EUR 490,542	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
56	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG WOEM GRUNDSTUECKSVORWALTUNGS-GESELLSCHAFT M.B.H.	0.20 99.80	
57	BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
58	BANK AUSTRIA LEASING IKARUS 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	
59	BANK AUSTRIA LEASING MEDEA 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	
60	BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
61	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	
62	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
63	BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
64	BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
65	BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
66	BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG Issued capital EUR 0	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH CALG IMMOBILIEN LEASING GMBH	1.00 99.00	
67	BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA. Issued capital BRL 351,531	SAO PAULO	SAO PAULO	1	UNICREDIT SPA UNICREDIT U.S. FINANCE LLC	100.00 ..	
68	BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG Issued capital EUR 51,150	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
69	BERTRAM PROJEKT UNODECIMA TECHNIKZENTRUM GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	ROLIN GRUNDSTUECKSPUNUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG WEALTHCAP MANAGEMENT SERVICES GMBH	87.00 6.00 1.00	
70	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		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
71 BF NINE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
72 BIL LEASING-FONDS GMBH & CO VELUM KG Issued capital EUR 2,556	GRUENWALD	GRUENWALD	1	BIL LEASING-FONDS VERWALTUNGS-GMBH UNICREDIT BANK AG	.. 100.00	33.33 33.33
73 BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
74 BORGO DI PEROLLA SRL Issued capital EUR 2,043,952	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	
75 BREWO GRUNDSTUECKSVERTWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
76 BUITENGAATS HOLDING B.V.	EEMSHAVEN	EEMSHAVEN	4	BARD ENGINEERING GMBH	..	<sup>(3)</sup>
77 C.E.CO.S. COMPLETAMENTO EDILIZIO CORSO SICILIA SPA Issued capital EUR 103,300	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	100.00	
78 CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
79 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	
80 CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
81 CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
82 CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
83 CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
84 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	
85 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	
86 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	
87 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	
88 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	
89 CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG Issued capital EUR 2,326,378	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
90 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	
91 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	
92 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	
93 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	

## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
94	CALG MINAL GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
95	CAPITAL DEV SPA Issued capital EUR 272,000	ROME	ROME	1	UNICREDIT SPA	100.00	
96	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: BIPCA CORDUSIO RMBS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
97	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: CAPITAL MORTGAGE 2007 - 1)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
98	CARD COMPLETE SERVICE BANK AG Issued capital EUR 6,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
99	CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH Issued capital EUR 75,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	55.00	
100	CASTELLANI LEASING GMBH Issued capital EUR 1,800,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
101	CAVE NUOVE SPA Issued capital EUR 140,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
102	CHARADE LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
103	CHEFREN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
104	CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
105	COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	REAL-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
106	COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 103,400	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
107	CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
108	CONTRA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
					JAUSERN-LEASING GESELLSCHAFT M.B.H.	25.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
109	CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
110	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
111	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
112	CORDUSIO SIM SPA Issued capital EUR 76,282,051	MILAN	MILAN	1	UNICREDIT SPA	97.12	(5)
113	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
114	CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
115	DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
116	DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	100.00	

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
117 DEBO LEASING SRL Issued capital RON 724,400	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A. UNICREDIT LEASING CORPORATION IFN S.A.	0.01 99.99	
118 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
119 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
120 DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG	100.00	
121 DINERS CLUB POLSKA SP.Z O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG	100.00	
122 DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
123 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	10.00 90.00	
124 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	
125 ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
126 ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
127 ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
128 ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
129 ELEKTRA PURCHASE NO. 34 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
130 ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
131 ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
132 ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
133 ELEKTRA PURCHASE NO. 39 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
134 ELEKTRA PURCHASE NO. 41 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
135 ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
136 ELEKTRA PURCHASE NO. 44 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
137 ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
138 ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
139 ELEKTRA PURCHASE NO. 55 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
140 ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
141 ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
142 ELEKTRA PURCHASE NO. 63 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
143 ELEKTRA PURCHASE NO. 64 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
144 ELEKTRA PURCHASE NO. 71 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
145 ELEKTRA PURCHASE NO. 718 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
146 ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
147 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	
148 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	
149 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	
150 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	
151 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	
152 EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) Issued capital HUF 100,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
153 EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
154 EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
155 EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
156 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
157 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
158 FACTORBANK AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
159 FINECO VERWALTUNG AG Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
160 FINN ARSENAL LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.60	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	0.20	
161 FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING KFT	75.00	
162 FMZ SIGMA PROJEKTENTWICKLUNGS GMBH  Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
163 FOLIA LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
164 FONDIARIA LASA SPA  Issued capital EUR 3,102,000	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
165 FOOD & MORE GMBH Issued capital EUR 100,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
166 FUGATO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
167 GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. Issued capital EUR 27,434	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
168 GEBAEUDELEASING GRUNDSTUECKVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
169 GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
170 GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. Issued capital EUR 18,333	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	37.30	
				CALG IMMOBILIEN LEASING GMBH	37.50	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
171 GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	..	(3)
172 GENERAL LOGISTIC SOLUTIONS LLC Issued capital RUB 2,342,309,444	MOSCOW	MOSCOW	1	UCTAM RU LIMITED LIABILITY COMPANY	100.00	
173 GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND) Issued capital EUR 4,086,245	MUNICH	MUNICH	1	TERRENO GRUNDSTUECKSVRWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	98.24	
174 GRUNDSTUECKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAFT Issued capital EUR 51,500	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
175 GRUNDSTUECKSVRWALTUNG LINZ-MITTE GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
176	H.F.S. IMMOBILIENFONDS GMBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
177	H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING) Issued capital EUR 97,755,806	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
178	H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG Issued capital EUR 85,430,630	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	99.41	
179	H.F.S. LEASINGFONDS GMBH Issued capital EUR 26,000	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
180	HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG Issued capital EUR 276,200	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
					TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
181	HAWA GRUNDSTUCKS GMBH & CO. OHG IMMOBILIENVERWALTUNG Issued capital EUR 54,300	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
					TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
182	HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
183	HERKU LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
184	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
185	HONEU LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
186	HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
187	HVB CAPITAL LLC Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
188	HVB CAPITAL LLC II Issued capital USD 13	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
189	HVB CAPITAL LLC III Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
190	HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	<sup>(3)</sup>
191	HVB FUNDING TRUST II Issued capital USD 2,371	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
192	HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	<sup>(3)</sup>
193	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG Issued capital EUR 10,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
194	HVB HONG KONG LIMITED Issued capital USD 129	HONG KONG	HONG KONG	1	UNICREDIT BANK AG	100.00	
195	HVB IMMOBILIEN AG Issued capital EUR 520,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
196	HVB LEASING CZECH REPUBLIC S.R.O. Issued capital CZK 49,632,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
197	HVB PROJEKT GMBH Issued capital EUR 24,543,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
					UNICREDIT BANK AG	6.00	
198	HVB SECUR GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
199	HVB TECTA GMBH Issued capital EUR 1,534,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
					UNICREDIT BANK AG	6.00	
200	HVB VERWA 4 GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	

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				HELD BY	HOLDING %	
201 HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
202 HVZ GMBH & CO. OBJEKT KG  Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKS- VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
203 HYPO-BANK VERWALTUNGSZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE Issued capital EUR 25,600	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
204 ICE CREEK POOL NO.1 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
205 IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	ROME	ROME	4	UNICREDIT SPA	..	(3)
206 IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
207 IMMOBILIEN RATING GMBH  Issued capital EUR 50,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN- MANAGEMENT GMBH	61.00	
				UNICREDIT BANK AUSTRIA AG	19.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	19.00	
208 IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
209 IMPRESA TWO SRL (CARTOLARIZZAZIONE : IMPRESA TWO)	CONEGLIANO	CONEGLIANO	4	UNICREDIT SPA	..	(3)
210 INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
				UNICREDIT BANK AG	6.15	
211 INTRO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H.	100.00	
212 ISB UNIVERSALE BAU GMBH  Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
213 ISTITUTO IMMOBILIARE DI CATANIA SPA Issued capital EUR 7,700,000	CATANIA	CATANIA	1	CAPITAL DEV SPA	93.92	
				UNICREDIT SPA	1.12	
214 ISTITUTO PER L'EDILIZIA POPOLARE DI SAN BERILLO SRL IN LIQUIDAZIONE Issued capital EUR 154,800	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	99.90	
215 JAUSERN-LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
216 KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	99.80	0.00
217 KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H. Issued capital EUR 44,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
218 KUNSTHAUS LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H.	5.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
219 KUTRA GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
220 LAGERMAX LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
221 LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
222 LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
223 LARGO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
				VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
224 LEASFINANZ ALPHA ASSETVERMIETUNG GMBH  Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
225 LEASFINANZ BANK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
226 LEASFINANZ GMBH Issued capital EUR 218,019	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
227 LEGATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
228 LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
229 LINO HOTEL-LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
230 LIPARK LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
231 LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
232 LOCAT CROATIA DOO Issued capital HRK 39,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
233 LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING SPA	..	(3)
234 M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO. OG. Issued capital EUR 3,707	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96	
				UNICREDIT LUNA LEASING GMBH	98.04	
235 MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
236 MENUETT GRUNDSTUECKSERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
237 MERKURHOF GRUNDSTUECKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG Issued capital EUR 5,112,919	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
238 MM OMEGA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
239 MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
240 MOEGRA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
241 MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
242 MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
243 NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
244 NF OBJEKT FFM GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
245 NF OBJEKTE BERLIN GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
246 NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	



## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
247	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA Issued capital EUR 200,000	ROME	ROME	1	UNICREDIT SPA	100.00	
248	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
249	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
250	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
					UNICREDIT BANK AG	6.00	
251	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG Issued capital EUR 5,125,701	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	94.78	93.87
					WEALTHCAP LEASING GMBH	5.22	5.14
252	OOO UNICREDIT GARANT Issued capital RUR 106,998,000	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	
253	OOO UNICREDIT LEASING Issued capital RUR 149,160,248	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
254	ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	<sup>(3)</sup>
255	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH Issued capital EUR 10,149,150	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
256	OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
					T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
257	OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
					T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
258	PAI (BERMUDA) LIMITED Issued capital USD 12,000	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
259	PAI MANAGEMENT LTD Issued capital EUR 1,032,000	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
260	PALAIS ROTHSCCHILD VERMIETUNGS GMBH & CO OG Issued capital EUR 2,180,185	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
261	PARCO DELLE ACACIE DUE S.P.A. Issued capital EUR 90,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
262	PARSEC 6 SPA Issued capital EUR 90,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
263	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
264	PELOPS LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
265	PENSIONSKASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	<sup>(3)</sup>
266	PIANA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
267	PIRTA VERWALTUNGS GMBH Issued capital EUR 2,067,138	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
268	PISANA S.P.A. Issued capital EUR 1,000,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
269	POLLUX IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
					UNICREDIT BANK AUSTRIA AG	99.80	
270	POMINVEST DD Issued capital HRK 17,434,000	SPLIT	SPLIT	1	ZAGREBACKA BANKA D.D.	88.66	88.95
271	PORTIA GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG Issued capital EUR 500,013,550	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
272 POSATO 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	
273 PRELUDE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT 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	98.80 0.20 1.00	
274 PRO WOHNBAU GMBH  Issued capital EUR 23,621,113	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. IMMOBILIEN HOLDING GMBH	0.31 99.69	
275 PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
276 QUADREC 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	
277 QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
278 QUINT 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	
279 RANA-LIEGENSCHAFTSVERTWERTUNG GMBH  Issued capital EUR 72,700	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
280 REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
281 REAL INVEST IMMOBILIEN GMBH  Issued capital EUR 36,400	VIENNA	VIENNA	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00	
282 REAL INVEST PROPERTY GMBH & CO SPB JOTA KG  Issued capital EUR 0	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	.. 44.55	32.07
283 REAL-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT 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	
284 REAL-RENT LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 73,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
285 REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H.  Issued capital EUR 726,728	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
286 ROLIN GRUNDSTUCKSPANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH  Issued capital EUR 30,677	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
287 ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
288 ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
289 RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H.  Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
290 S. MARIA DELLA GUARDIA S.R.L.  Issued capital EUR 210,000	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	51.00	
291 SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MBH & CO. OHG SAARLAND  Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
292 SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM  Issued capital EUR 2,300,850	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKSV-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG TIVOLI GRUNDSTUECKS-AKTIENGESSELLSCHAFT	97.78 2.22	

## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
293	SAMAR SPA Issued capital EUR 50,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
294	SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA	99.60	
295	SCHOELLERBANK AKTIENGESELLSCHAFT Issued capital EUR 20,000,000	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH	0.01	
					UNICREDIT BANK AUSTRIA AG	99.99	
296	SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
297	SECA-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	74.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
298	SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
299	SELFOSS BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	GRUENWALD	GRUENWALD	1	HVB PROJEKT GMBH	100.00	
300	SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
301	SHOPPING PALACE BRATISLAVA, V.O.S. Issued capital EUR 0	BRATISLAVA	BRATISLAVA	1	REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	100.00	
302	SIA UNICREDIT INSURANCE BROKER Issued capital EUR 15,080	RIGA	RIGA	1	SIA UNICREDIT LEASING	100.00	
303	SIA UNICREDIT LEASING Issued capital EUR 15,569,120	RIGA	RIGA	1	UNICREDIT SPA	100.00	
304	SIGMA LEASING GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.40	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.40	
305	SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L. Issued capital EUR 2,556,459	MUNICH	MUNICH	1	UNICREDIT BANK AG	99.98	
306	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH Issued capital EUR 30,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	5.00	
					SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	95.00	
307	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	
308	SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
309	SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 12,537,500	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
310	SONATA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	98.80	
311	SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
312	SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH Issued capital EUR 511,300	MUNICH	MUNICH	1	ARGENTHAUS IMMOBILIEN-VERMIETUNGS-UND VERWALTUNGS GMBH	100.00	
313	STEWI GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	24.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	75.80	

# Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
314 STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
315 SUCCESS 2015 B.V.	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(3)
316 SVILUPPO IMMOBILIARE PESCACCIO - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 10,000	ROME	ROME	1	CAVE NUOVE SPA	100.00	
317 T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	100.00	
318 T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	87.50	
319 TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
320 TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
321 TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
322 TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
323 TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 365,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
324 TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG Issued capital EUR 6,979,476	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
325 TRICASA GRUNDBESITZGESELLSCHAFT DES BÜRGERLICHEN RECHTS NR. 1 Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
326 UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG Issued capital EUR 10,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
				BA-CA ANDANTE LEASING GMBH	10.00	
327 UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
328 UCTAM BH D.O.O. Issued capital BAM 2,000	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
329 UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
330 UCTAM CZECH REPUBLIC SRO Issued capital CZK 45,500,000	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
331 UCTAM D.O.O. BEOGRAD Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
332 UCTAM HUNGARY KFT Issued capital HUF 10,300,000	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
333 UCTAM RETAIL HUNGARY KFT. Issued capital HUF 10,000,000	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
334 UCTAM RO S.R.L. Issued capital RON 30,560,080	BUCHAREST	BUCHAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
335 UCTAM RU LIMITED LIABILITY COMPANY Issued capital RUB 4,000,000	MOSCOW	MOSCOW	1	UCTAM BALTICS SIA	..	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
336 UCTAM SVK S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UCTAM BALTICS SIA	15.00	0.01
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
337 UCTAM UPRAVLJANJE D.O.O. Issued capital EUR 7,500	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
338 UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERTWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
339 UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
340 UNICREDIT AURORA LEASING GMBH Issued capital EUR 219,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
341 UNICREDIT BANK A.D. BANJA LUKA Issued capital BAM 97,055,000	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	99.42	
342 UNICREDIT BANK AG Issued capital EUR 2,407,151,016	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
343 UNICREDIT BANK AUSTRIA AG Issued capital EUR 1,681,033,521	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
344 UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 8,754,617,898	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	
345 UNICREDIT BANK D.D. Issued capital BAM 119,195,000	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
346 UNICREDIT BANK HUNGARY ZRT. Issued capital HUF 24,118,220,000	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
347 UNICREDIT BANK IRELAND PLC Issued capital EUR 1,343,118,650	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
348 UNICREDIT BANK S.A. Issued capital RON 1,177,748,253	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.63	
349 UNICREDIT BANK SERBIA JSC Issued capital RSD 23,607,620,000	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
350 UNICREDIT BANKA SLOVENIJA D.D. Issued capital EUR 20,383,698	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
351 UNICREDIT BETEILIGUNGS GMBH Issued capital EUR 1,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
352 UNICREDIT BIZTOSITASKOEZVETITO KFT Issued capital HUF 5,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
353 UNICREDIT BPC MORTGAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	...	<sup>(3)</sup>
354 UNICREDIT BPC MORTGAGE S.R.L. Issued capital EUR 12,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
355 UNICREDIT BROKER S.R.O. Issued capital EUR 8,266	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
356 UNICREDIT BULBANK AD Issued capital BGN 285,776,674	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
357 UNICREDIT CAPITAL MARKETS LLC Issued capital USD 100,100	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
358 UNICREDIT CENTER AM KAISERWASSER GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
359 UNICREDIT CONSUMER FINANCING EAD Issued capital BGN 2,800,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
360 UNICREDIT CONSUMER FINANCING IFN S.A. Issued capital RON 103,269,200	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	50.10	
				UNICREDIT SPA	49.90	
361 UNICREDIT DIRECT SERVICES GMBH Issued capital EUR 767,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
362 UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 222,600,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
363 UNICREDIT FACTORING EAD Issued capital BGN 1,000,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
364 UNICREDIT FACTORING SPA Issued capital EUR 414,348,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
365 UNICREDIT FLEET MANAGEMENT EOOD Issued capital BGN 100,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
366 UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
367 UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
368 UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH Issued capital EUR 57,000	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
369 UNICREDIT GLOBAL LEASING EXPORT GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
370 UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT LEASING SPA	100.00	
371 UNICREDIT GUSTRA LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
				UNICREDIT PEGASUS LEASING GMBH	90.00	
372 UNICREDIT HAMRED LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
				UNICREDIT PEGASUS LEASING GMBH	90.00	
373 UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
374 UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH	0.03	
				UNICREDIT INSURANCE MANAGEMENT CEE GMBH	99.97	
375 UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	
376 UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA Issued capital EUR 13,406,600	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
377 UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
378 UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,000	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
379 UNICREDIT LEASED ASSET MANAGEMENT SPA Issued capital EUR 1,000,000	MILAN	MILAN	1	UNICREDIT LEASING SPA	100.00	
380 UNICREDIT LEASING (AUSTRIA) GMBH Issued capital EUR 17,296,134	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
				PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH	0.02	
				UNICREDIT BANK AUSTRIA AG	89.98	
381 UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
382 UNICREDIT LEASING AVIATION GMBH Issued capital EUR 1,600,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
383 UNICREDIT LEASING CORPORATION IFN S.A. Issued capital RON 90,989,013	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	99.96	
				UNICREDIT CONSUMER FINANCING IFN S.A.	0.04	
384 UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
385 UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
386 UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
387 UNICREDIT LEASING FINANCE GMBH Issued capital EUR 17,580,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
388 UNICREDIT LEASING FLEET MANAGEMENT S.R.L. Issued capital RON 680,000	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH	90.02	
				UNICREDIT LEASING CORPORATION IFN S.A.	9.98	
389 UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH Issued capital EUR 364,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
390 UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
391 UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
392 UNICREDIT LEASING IMMOTRUCK ZRT. Issued capital HUF 350,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
393 UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
394 UNICREDIT LEASING KFT Issued capital HUF 30,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
395 UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
396 UNICREDIT LEASING SPA Issued capital EUR 1,106,877,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
397 UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
398 UNICREDIT LEASING TECHNIKUM GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
399 UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
400 UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
401 UNICREDIT LUNA LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
402 UNICREDIT MOBILIEN UND KFZ LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
403 UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
404 UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
405 UNICREDIT OPERATIV LIZING KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
406 UNICREDIT PARTNER D.O.O. BEOGRAD Issued capital RSD 2,001,875	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
407 UNICREDIT PEGASUS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
408 UNICREDIT POJISTOVACI MAKLESKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
409 UNICREDIT POLARIS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
410 UNICREDIT RENT D.O.O. BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
411 UNICREDIT SERVICES GMBH Issued capital EUR 1,200,000	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
412 UNICREDIT SERVICES S.C.P.A. Issued capital EUR 194,159,415	MILAN	MILAN	1	CORDUSIO SIM SPA	..	
				CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
				UNICREDIT BANK AG	..	
				UNICREDIT FACTORING SPA	..	
				UNICREDIT SPA	100.00	100.00
413 UNICREDIT SUBITO CASA SPA Issued capital EUR 500,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
414 UNICREDIT TECHRENT LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
415 UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
416 UNICREDIT U.S. FINANCE LLC Issued capital USD 130	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	
417 UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				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		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
418 UNIVERSALE INTERNATIONAL REALITAETEN GMBH Issued capital EUR 32,715,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
419 V.M.G. VERMIETUNGSGESELLSCHAFT MBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
420 VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
421 VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG Issued capital EUR 48,728,161	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
422 VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH Issued capital EUR 511,292	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
423 VICOVARO RE SRL Issued capital EUR 10,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
424 VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
425 WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
426 WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
427 WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
428 WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
429 WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
430 WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG Issued capital EUR 5,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	50.00
				WEALTHCAP VORRATS-2 GMBH	...	50.00
431 WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG Issued capital EUR 10,600	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	94.34	50.00
				WEALTHCAP VORRATS-2 GMBH	5.66	50.00
432 WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
433 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH Issued capital EUR 25,565	MUNICH	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
434 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
435 WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
436 WEALTHCAP INVESTMENT SERVICES GMBH Issued capital EUR 4,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	10.00	
				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	90.00	
437 WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
438 WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
439 WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
440 WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
441 WEALTHCAP MANAGEMENT SERVICES GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
442 WEALTHCAP OBJEKT DRESDEN GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
443 WEALTHCAP OBJEKT ESSEN II GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
444 WEALTHCAP OBJEKT-VOHNEN 1 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
445 WEALTHCAP OBJEKT-VORRAT 25 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
446 WEALTHCAP OBJEKT-VORRAT 32 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	5.05	25.00
				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	5.05	25.00
				WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH	..	25.00
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	25.00
447 WEALTHCAP PEIA KOMPLEMENTAR GMBH Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
448 WEALTHCAP PEIA MANAGEMENT GMBH Issued capital EUR 1,023,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	6.00	
				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	94.00	
449 WEALTHCAP REAL ESTATE MANAGEMENT GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
450 WEALTHCAP VORRATS-2 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	100.00	
451 WEALTHCAP WOHNEN 1A GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
452 WEICKER S. A R.L. Issued capital EUR 20,658,840	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
453 WOEM GRUNDSTUECKSVORWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
454 Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
455 Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
456 Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
457 Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
458 Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
459 Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
460 Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
461 Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
462 Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
463 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	
464 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	
465 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	
466 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	
467 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	
468 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	
469 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	
470 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	
471 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	
472 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	
473 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	
474 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	
475 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	
476 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	
477 ZABA PARTNER D.O.O. ZA BROKERSKE POSLOVE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
478 ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 5,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
479 ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48	
480 ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	100.00	
481 ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
482 ZB INVEST D.O.O. ZA UPRAVLJANJE INVESTICIJSKIM FONDOVIMA Issued capital HRK 4,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	

## Part A - Accounting policies

### Notes to the table showing the investments in subsidiaries:

- (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= centralized management pursuant to paragraph 1 of Art.39 of "Legislative decree 136/2015";  
 6= centralized management pursuant to paragraph 2 of Art.39 of "Legislative decree 136/2015";
- (2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.
- (3) Companies consolidated line by line under IFRS10 as a result of the simultaneous availability of power to govern the relevant activities and exposures to variability of related returns.
- (4) In the Consolidated financial statements the Group's stake is 100% as the trust company does not share in the profits. The voting rights are held by the grantor, a Group company.
- (5) The equity investment in Cordusio SIM S.p.A. is consolidated at 100% by virtue of UniCredit S.p.A.'s 97.123% and its option on minority interests representing 2.877% of the share capital.

### 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 23 entities compared with 31 December 2018 (18 inclusions and 41 exclusions as a result of disposals, changes of the consolidation method and mergers), from 505 as at 31 December 2018 to 482 as at 31 December 2019.

### 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>505</b>
<b>B. Increased by</b>	<b>18</b>
B.1 Newly established companies	1
B.2 Change of the consolidation method	6
B.3 Entities consolidated for the first time in the year	11
<b>C. Reduced by</b>	<b>41</b>
C.1 Disposal/Liquidation	22
C.2 Change of the consolidation method	13
C.3 Absorption by other Group entities	6
<b>D. Closing balance</b>	<b>482</b>

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

### Increases

#### Newly established companies

During the period there was a newly established company named UniCredit Leased Asset Management S.p.A. based in Milan.

#### Change of the consolidation method

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

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

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

COMPANY NAME	MAIN OFFICE
UNICREDIT GUSTRA LEASING GMBH	VIENNA
WEALTHCAP WOHNEN 1A GMBH & CO. KG	MUNICH
WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH	MUNICH
WEALTHCAP OBJEKT ESSEN II GMBH & CO. KG	MUNICH
IMPRESA TWO SRL (CARTOLARIZZAZIONE : IMPRESA TWO)	CONEGLIANO
BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH

COMPANY NAME	MAIN OFFICE
ELEKTRA PURCHASE NO. 64 DAC	DUBLIN
ICE CREEK POOL No.1 DAC	DUBLIN
WEALTHCAP OBJEKT-VORRAT 32 GMBH & CO. KG	MUNICH
WEALTHCAP IMMOBILIEN DEUTSCHLAND 44 GMBH & CO. GESCHLOSSENE INVESTMENT KG	MUNICH
ELEKTRA PURCHASE NO. 71 DAC	DUBLIN

## Part A - Accounting policies

### Reductions

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

#### Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O.	LJUBLJANA
CORIT - CONCESSIONARIA RISCOSSIONE TRIBUTI S.P.A. IN LIQUIDAZIONE	ROME
UNICREDIT LEASING LUNA KFT	BUDAPEST
UNICREDIT LEASING MARS KFT	BUDAPEST
FINECO ASSET MANAGEMENT DESIGNATED ACTIVITY COMPANY	DUBLIN
WEALTHCAP LOS GATOS 131 ALBRIGHT WAY L.P.	WILMINGTON
ELEKTRA PURCHASE NO. 32 S.A. - COMPARTMENT 2	LUXEMBOURG
OCEAN BREEZE ASSET GMBH & CO. KG	BREMEN
WEALTHCAP PORTLAND PARK SQUARE, L.P.	WILMINGTON
OCEAN BREEZE ENERGY GMBH & CO. KG	BREMEN
BA IMMO GEWINNSCHEIN FONDS1	VIENNA

COMPANY NAME	MAIN OFFICE
SOCIETA' ITALIANA GESTIONE ED INCASSO CREDITI S.P.A. IN LIQUIDAZIONE	ROME
BACA LEASING CARMEN GMBH	VIENNA
UNICREDIT LEASING URANUS KFT	BUDAPEST
ELEKTRA PURCHASE NO. 48 DAC	DUBLIN
FINECOBANK SPA	MILAN
AGROB IMMOBILIEN AG	ISMANING
PERIKLES 20092 VERMOGENSVERWALTUNG GMBH	BREMEN
OCEAN BREEZE GMBH	BREMEN
FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG	BUDAPEST
OCEAN BREEZE FINANCE S.A. - COMPARTMENT 1	LUXEMBOURG
EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA

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

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

Before the abovementioned announcement, on the same day, UniCredit and Fineco announced a series of actions and procedures aimed at ensuring Fineco ability to operate independently, also in case of possible exit from the UniCredit group. In this context, the parties entered into a framework agreement concerning:

- the commitment undertaken by the UniCredit Board of Directors to: (i) renounce to any administrative right on the matters referred to in Art.2364 of the Italian Civil Code, relating to any residual portion held in Fineco, including the appointment or removal of the Board of Directors, the approval of Fineco annual financial statement, dividends distribution as well as other matters for which the ordinary shareholders' meeting is responsible; (ii) avoid subscribing any type of agreement aimed at pursuing the same objectives as in the previous point (i);
- a financial guarantee contract granted, for free, by UniCredit in favour of Fineco, in order to neutralise the credit risk exposure of Fineco against UniCredit (mainly deriving from UniCredit bonds subscribed by Fineco in periods prior the transactions);
- a contract that allows Fineco to continue to use, for free, certain names and trademarks containing the term "Fineco", owned by UniCredit, together with the provision of an American option in favour of Fineco to purchase the brand at an exercise price increasing over time until 2032;
- a Master Service Agreement for the supply, at market prices, of certain services for a specific period of time by UniCredit group in favour of Fineco to allow the latter to continue its usual operations (including access to UniCredit ATMs); these services are provided at market prices.

The actions outlined in the previous points, and in particular, the renounce to any administrative right by UniCredit with the result of not allowing to influence the strategic and investment choices of Fineco, led to assess that UniCredit had neither control nor significant influence over Fineco. As a result the stake maintained at 30 June 2019 (18.3%) was classified as a financial instrument in the category "other assets mandatorily at fair value".

In the Consolidated financial statements, following this transaction UniCredit proceeded to recognise, on 30 June 2019 a capital gain for a total amount of €1,287 million, net of transaction costs directly attributable to the sale and before tax impacts (at the same date UniCredit recognised a capital gain for €1,722 million net of transaction costs directly attributable to the sale and before tax impacts).

This capital gain included the effects deriving from the revaluation of the portion maintained at the opening price of the trade date (8 May 2019).

In addition to the above, at 30 June 2019 UniCredit proceeded to recognise in its Consolidated financial statements:

- a liability of €55 million deriving from the financial guarantee contract; the amount of this liability has been calculated by discounting the commissions that UniCredit would have received if it had given the same guarantee to third parties at market conditions, determining therefore the recognition of "other operating expenses" of the same amount;
- "Fineco" trademark cancellation, previously recognised for an amount of €93 million, as well as a credit versus Fineco for an amount of €22.5 million as a result of the trademark concession contract (equal to the expected amount to collect due to the exercise of the option to purchase the brand in the first useful period; taking into account an exercise price increasing over time until 2032).

## Part A - Accounting policies

On 8 July 2019 UniCredit completed the sale of the residual stake held in FinecoBank, equal to 18.3%, implemented through a new ABB procedure. This transaction allowed the transfer of No.111.6 million of Fineco's ordinary shares, at a price of €9.85 per share, with settlement occurred on 11 July 2019. With respect to the fair value of the stake held as at 30 June 2019 (equal to €1,090.9 million), the sale of 18.3% resulted in the recognition of a profit of €0.1 million on the UniCredit income statement, which was recognised in the third quarter of 2019.

By exercising the option provided by the contract stipulated with UniCredit S.p.A., in November 2019 Fineco purchased the brand "Fineco" at the price of €22.5 million. The change of ownership at the relevant trademark offices, where the brand "Fineco" is registered, is in progress.

### Change of the consolidation method

COMPANY NAME	MAIN OFFICE
LIFE MANAGEMENT ERSTE GMBH	MUNICH
UNICREDIT-LEASING NEPTUNUS KFT	BUDAPEST
PAISL ISRAEL LTD IN VOLUNTARY LIQUIDATION	RAMAT GAN
UNICREDIT-LEASING HOSPES KFT	BUDAPEST
RE-ST.MARX HOLDING GMBH	VIENNA
WEALTHCAP OBJEKTE GRASBRUNN UND ISMANING GMBH & CO. KG	MUNICH
WEALTHCAP OBJEKT-VORRAT 24 GMBH & CO. KG	MUNICH

COMPANY NAME	MAIN OFFICE
VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH	MUNICH
PAI (NEW YORK) LIMITED	DOVER
WEALTHCAP OBJEKT-VORRAT 20 GMBH & CO. KG	MUNICH
TRANSTERRA GESELLSCHAFT FÜR IMMOBILIENVERWALTUNG MBH	MUNICH
DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT BETA MANAGEMENT KG	MUNICH
WEALTHCAP IMMOBILIEN DEUTSCHLAND 44 GMBH & CO. GESCHLOSSENE INVESTMENT KG	MUNICH

### Absorption by other Group entities

COMPANY NAME OF THE MERGED ENTITY	MAIN OFFICE
HVB CAPITAL PARTNERS AG	MUNICH
HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST
HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST
KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H.	VIENNA
RIGEL IMMOBILIEN GMBH	VIENNA
SIRIUS IMMOBILIEN GMBH	VIENNA

COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
UNICREDIT BANK AG	MUNICH
UNICREDIT LEASING KFT	BUDAPEST
BAHBETA INGATLANHASZNOSITO KFT.	BUDAPEST
POLLUX IMMOBILIEN GMBH	VIENNA
POLLUX IMMOBILIEN GMBH	VIENNA
POLLUX IMMOBILIEN GMBH	VIENNA

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

COMPANY NAME	MAIN OFFICE
ZABA PARTNER D.O.O. ZA BROKERSKE POSLOVE U OSIGURANJU I REOSIGURANJU (ex. ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU)	ZAGREB
OOO UNICREDIT GARANT (ex. AO LOCAT LEASING RUSSIA)	MOSCOW
ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA (ex. ZAGREB NEKRETNINE DOO)	ZAGREB
PAISL ISRAEL LTD IN VOLUNTARY LIQUIDATION (ex. PIONEER ALTERNATIVE INVESTMENTS (ISRAEL) LIMITED IN VOLUNTARY LIQUIDATION)	RAMAT GAN

COMPANY NAME	MAIN OFFICE
UNICREDIT HAMRED LEASING GMBH (ex. HAMZO PROJECT DEVELOPMENT I GMBH)	VIENNA
WEALTHCAP OBJEKTE GRASBRUNN UND ISMANING GMBH & CO. KG (ex. WEALTHCAP OBJEKT-VORRAT 21 GMBH & CO. KG)	MUNICH
BAHBETA INGATLANHASZNOSITO KFT. (ex. BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG)	BUDAPEST
WEALTHCAP OBJEKT ESSEN II GMBH & CO. KG (ex. WEALTHCAP OBJEKT-VORRAT 31 GMBH & CO. KG)	MUNICH

## Part A - Accounting policies

### 2. Significant assumptions and assessment in determining the consolidation scope

The Group determines the existence of control and, consequently, the consolidation scope, checking, with reference to the entities in which it holds exposures:

- 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.

The factors that have been considered for the purposes of this assessment depend on the entity's governance methods, purposes and equity structure. On this point, the Group differentiates between entities governed through voting rights, i.e. operating entities, and entities not governed through voting rights, which comprise special purpose entities (SPEs) and investment funds.

In the case of operating entities, the following factors provide evidence of control:

- more than half of the company's voting rights are held directly or indirectly through subsidiaries (also when they act as trustee companies) unless, exceptionally, it can be clearly demonstrated that this ownership does not originate control;
- half, or a lower proportion, of the votes exercisable in the shareholders' meeting are held and it is possible to govern the relevant activities unilaterally through:
  - the control of more than half of the voting rights based on an agreement with other investors;
  - the power to determine the entity's financial and operating policies based on a contract or a statutory clause;
  - the power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, and that board or body is responsible for managing the company;
  - the power to exercise the majority of voting rights in meetings of the Board of Directors or the equivalent governing body, and that board or body is responsible for managing the company.

The existence and effect of potential voting rights, including those incorporated in options, way-out clauses, or instruments convertible into shares, are taken into consideration when assessing the existence of control, in case they are substantial.

In particular, potential voting rights are considered substantial if all the following conditions are met:

- they can be exercised either immediately or at least in good time for the company's shareholders' meeting;
- there are no legal or economic barriers to exercise them;
- exercising them is economically convenient.

As at 31 December 2019 the Group holds the majority of the voting rights in all the operating entities subject to consolidation, with the exception of two companies for which the Group, although not holding the majority of voting rights, (i) has signed shareholders' agreements which enable it to appoint the majority of members of the governing body, or contractual agreements which determine the possibility of managing the company's business unilaterally, and (ii) is exposed to the variability of the said company's returns.

It should also be noted that there are no cases in which control derives from holding potential voting rights.

Special purpose entities are considered controlled if the Group is, at one and the same time:

- exposed to a significant extent to the variability of returns, as a result of exposures in securities, of disbursing loans or of providing guarantees. In this regard it is assumed as a rebuttable presumption that the exposure to variability of returns is significant if the Group has at least 30% of the most subordinated exposure, and
- able to govern the relevant activities, also in a de facto manner. Examples of the power to govern on this point are performing the role of sponsor or servicer appointed to recover underlying receivables, or managing the company's business.

In particular, consolidated special purpose entities include:

- Conduits in which the Group plays the role of sponsor and is exposed to the variability of returns, as a result of subscribing Asset Backed Commercial Paper issued by them and/or of providing guarantees in the form of letters of credit or liquidity lines;
- vehicles used to carry out securitisation transactions in which the Group is the originator as a result of subscribing the subordinated tranches;
- vehicles financed by the Group and established for the sole purpose of performing financial or operating leasing in favour of customers which are financed by the Group;
- vehicles in which, as a result of deteriorating market conditions, the Group has found itself holding the majority of the financial exposure and, at the same time, managing the underlying assets or the related collections.

It should be noted that, in the case of special purpose entities set up as part of securitisation transactions pursuant to Italian Law 130/99, the segregated assets are analysed separately with respect to the analysis of the SPE. For the latter, control is assessed on the basis of possession of the voting rights attributed to the company's shares.



## Part A - Accounting policies

Investment funds managed by Group companies are considered controlled if the Group is significantly exposed to the variability of returns and if the third-party investors have no rights to remove the management company.

In this regard it is assumed as a rebuttable presumption that the exposure to the variability of returns is significant if the Group has at least 30% as a result of subscription of the units and commissions received for the management of the fund's assets.

Funds managed by Group companies that are in seed/warehousing phases are not considered controlled.

In this phase, in fact, the aim of the fund is to invest, in accordance with fund's regulation, in financial and non financial assets with the aim of allotting the quotas to third party investors. Consequently it has been evaluated that the management company is not able to exercise power due to its limited decision power

Investment funds managed by third-party companies are considered controlled if the Group is significantly exposed to the variability of returns and at the same time, has the unilateral right to remove the management company.

In this regard it is assumed as a rebuttable presumption that the exposure to the variability of returns is significant if the Group has subscribed at least 30% of the fund's units.

With reference to 31 December 2019, it should be noted that 198 controlled entities (of which 14 belonging to the Banking Group) were not consolidated pursuant to IFRS10, of which 190 for materiality threshold and/or liquidation procedures.

Among the 8 remaining non consolidated entities it should be noted:

- 1 investment fund whose the majority of quotas are subscribed by the Group and for which consolidation would not determine neither a significant increase in Group consolidated assets;
- 6 operating entities deriving from restructuring procedures or work-out, whose risks are measured as part of the overall credit exposures;
- 1 entity with total assets less than €10 million, which does not have an operating structure that may allow them to prepare IAS/IFRS Financial Statements and that the Group has decided not to consolidate on a cost/benefits basis.

Based on available information, it should be considered that their consolidation would not have impacted significantly the Group shareholders' equity.

### 3. Equity investments in wholly-owned subsidiaries with significant non-controlling interests

#### 3.1 Non-controlling interests, availability of votes of NCIs and dividends distributed to NCIs

COMPANY NAME	MINORITIES EQUITY RATIOS (%)	MINORITIES VOTING RIGHTS (%)	DIVIDENDS TO MINORITIES (€ million)
ZAGREBACKA BANKA D.D.	15.53	15.53	39

### 3. Equity investments in wholly-owned subsidiaries with significant non-controlling interests

#### 3.2 Equity investments with significant non-controlling interests: accounting information

(€ million)							
COMPANY NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	TANGIBLE AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	NET EQUITY	NET INTEREST MARGIN
ZAGREBACKA BANKA D.D.	15,822	2,899	12,701	164	13,285	2,226	370

continued: 3.2 Equity investments with significant non-controlling interests: accounting information

COMPANY NAME	OPERATING INCOME	OPERATING COSTS	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	PROFIT (LOSS) (1)	OTHER COMPREHENSIVE INCOME AFTER TAX (2)	OTHER COMPREHENSIVE INCOME (3) = (1) + (2)
ZAGREBACKA BANKA D.D.	623	(309)	241	206	-	206	59	265

The exposures above refer to the amounts of individual accounts of subsidiary as at 31 December 2019.

## Part A - Accounting policies

### 4. Significant restrictions

Shareholder agreements, regulatory requirements and contractual agreements can limit the ability of the Group to access the assets or settle the liabilities of its subsidiaries or restrict the latter from distribution of capital and/or dividends.

With reference to shareholder agreements, it should be noted that to the consolidated entities UniCredit BPC Mortgages S.r.l. and UniCredit OBG S.r.l. companies established according to Law 130/99 for the execution of securitisation transactions or the issuance of covered bonds, shareholders' agreements allow the distribution of dividends only when the credit claims of guaranteed lenders and bearer of covered bonds are satisfied.

In the course of the demerger of the CEE Banking Business from UniCredit Bank Austria AG to UniCredit S.p.A. effected in 2016, UniCredit S.p.A. undertook vis-a-vis its co-shareholders in UniCredit Bank Austria AG and UniCredit Bank Austria AG that until 30 June 2024: (i) it will restrict itself, as shareholder of UniCredit Bank Austria AG, from resolving on any dividend distributions of the latter in case UniCredit Bank Austria AG's consolidated and solo CET1 ratios, as a consequence thereof, fall below (a) 14% or (b) the higher minimum CET1 ratio required at the time by the applicable regulatory framework, plus any required buffers, and (ii) support any management decision and board resolution of UCBA aimed at safeguarding such CET1 ratios.

With reference to regulatory requirements, it should be noted that UniCredit group is a banking group subject to the rules provided by Directive 2013/36/EU on the "access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (CRD IV) and by Regulation (EU) No.575/2013 on "prudential requirements for credit institutions and investment firms" (CRR) and which controls financial institutions subject to the same regulation.

The ability of the controlled banks to distribute capital or dividends may be restricted to the fulfilment of these requirements in terms of both capital ratios and "Maximum Distributable Amount" as well as further recommendation by competent authorities provided time by time (e.g. Recommendation of the European Central Bank on dividend distribution policy - ECB/2019/01).

For the disclosure on UniCredit group Capital Requirements and on the outcome of mentioned SREP, process held in 2017 and applicable for 2018, refer to the chapter "Capital and value management" of the Consolidated report on operations.

With reference to subsidiaries, it should be noted that in some jurisdictions and for some foreign entities of the Group, commitments to maintain local supervisory capital higher than regulatory thresholds may exist also as a result of SREP performed at local level.

With reference to contractual agreements, UniCredit group has also issued financial liabilities whose callability, redemption, repurchase or repayment prior to the date of their contractual maturity is subordinated to the consent by the authorisation of competent authority. The value of these instruments as at 31 December 2019 is equal to €17,979 million.

### 5. Other information

For information on jointly-controlled companies and companies subject to significant influence that have not been consolidated in accordance with IFRS10 as at 31 December 2019, in addition to the controlled ones disclosed in previous paragraph 2. Significant assumptions and assessment in determining the consolidation scope, reference is made to Part B - Assets - Section 7 - Equity investments - Item 70 - paragraph 7.6 Valuation and significant assumptions to establish the existence of joint control or significant influence of this Notes to the consolidated accounts.

## Section 4 - Subsequent events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated financial statements as at 31 December 2019.

For a description of the significant events after year-end refer to the information below.

On 8 January 2020 the parent company UniCredit S.p.A. launched a Tier 2 subordinated benchmark with 12 year maturity, callable after 7 years. The amount issued is equal to €1.25 billion and represents the first Tier 2 issuance in 2020, reaffirming UniCredit's solid fixed income investors base and its market access in different formats.

The bond pays a fixed coupon of 2.731% during the first 7 years, and has an issue price of 100%, equivalent to a spread of 280 bps over the 7 year swap rate. If the issuer does not call the bonds after 7 years, the coupon for the subsequent period until maturity will be reset on the base of the 5 year swap rate at the end of the seventh year, increased by the initial spread.

Barclays, BBVA, Credit Agricole CIB, Mediobanca, Morgan Stanley and UniCredit Bank AG have managed the placement acting as joint bookrunners.

On 13 January 2020 the parent company UniCredit S.p.A. launched €1.25 billion Senior Non-Preferred with 6 year maturity, callable after 5 years, and €750 million Senior Non-Preferred with 10 years maturity. The combined amount represents the largest EUR institutional unsecured issuance ever done by UniCredit.

## Part A - Accounting policies

The amount issued is part of the 2020 Funding Plan presented at the Capital Market Day last December 3 and will be computed in UniCredit's TLAC requirement. This further confirms UniCredit's ability to access the market in different formats.

BofA Securities, Commerzbank, HSBC, ING, JP Morgan, Société Générale and UniCredit Bank AG have managed the placement acting as joint bookrunners.

On 28 January 2020 the parent company UniCredit S.p.A. sold senior notes, related to the PRISMA securitisation transaction, for a nominal value of €100 million.

On 5 February 2020 the agreements whose signing was announced on 30 November 2019 were completed; such agreements envisaged: (i) the disposal of the entire UniCredit S.p.A.'s 50% stake in Koç Finansal Hizmetleri A.Ş. ("KFS") to the Koç Group, (ii) the disposal of shares of Yapi ve Kredi Bankası A.Ş. ("Yapi Kredi") by KFS to UniCredit S.p.A. and Koç Holding A.Ş., as a result of which UniCredit S.p.A. became a direct shareholder of Yapi Kredi with a stake equal to 31.93% of the share capital, and (iii) the termination of the shareholders agreement related to KFS. On the same date, UniCredit S.p.A. completed the Accelerated BookBuild offering for the disposal to institutional investors of the 11.93% of the share capital of Yapi Kredi; following such transaction UniCredit S.p.A. holds a direct stake in Yapi Kredi equal to 20% of the share capital, which is accounted among the participations under significant influence.

On 5 February 2020, the Italian Personal Data Protection Authority notified the parent company UniCredit S.p.A. of the start of sanctioning proceedings regarding a violation of customers' personal data following a Cyber-attack (data breach) occurred in October 2018, communicated through its Group website on 22 October 2018. As required by the "Italian personal data protection Code (Art.166, c.6 of Legislative Decree 196/03)" the Bank will present its statement of defence on the matter and will request a hearing with the Authority to explain its arguments. It is currently not possible to define the timeline and outcome of the proceedings.

For further details refer to Consolidated financial statements - Notes to the consolidated accounts - Part E - Information on risks and hedging policies - Section 2 - Risks on the prudential consolidated perimeter - 2.6 Other risks - Top end emerging risks - 3. Systemic threats - 3.1 Systemic threats associated with cybercrime.

### Section 5 - Other matters

In 2019 the following standards, amendments or interpretations of existing accounting standards came into force:

- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (Reg. UE 2019/237);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (Reg. UE 2019/402);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Reg. UE 2019/412);
- IFRS16 - Leasing (EU Regulation 2017/1986);
- IFRIC23 Uncertainty over Income Tax Treatments (Reg. UE 2018/1595);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

IFRS16, effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the previous set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the 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. After the initial recognition the right-of-use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

In this context, the Group has performed the activities aimed to ensure compliance with this accounting principle, in particular with reference to the calculation and accounting for Right of Use and Lease Liability that represent the main discontinuity compared to the current accounting model required by IAS17.

The activities aimed to the development of rules, principles and IT systems to be used for the proper evaluation of new assets and liabilities and the subsequent calculation of the related economic effects have been finalised.

For more details on the contents of the standard and on the main accounting choices taken by the Group, see section "A.2 - Main items of the accounts" of this document.

With reference to the First time adoption of IFRS16 the Group decided, as allowed by the standard, to calculate the lease liability as the present value of future lease payments as at 1 January 2019 and to determine the right of use on the basis of the value of the lease liability. This present value has been determined as at 1 January 2019 according to the methodologies reported in section "A.2 - Main items of the accounts" of this document. As a result comparative information has not been restated.

## Part A - Accounting policies

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

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

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

The impact accounted for in FTA Reserve amounts to -€6 million and it is mainly due to differences arising from sublease transactions if the terms of the head leases are not perfectly mirrored by the terms of the associated subleases.

The first application of the accounting standard has determined during the year the recognition of interest expenses on lease liabilities at an average interest rate of about 1.7%.

It should be finally noted that the Notes to the consolidated accounts - Part B - Consolidated balance sheet of the Consolidated financial statement as at 31 December 2018 showed future minimum non-cancellable lease payments amounting to €361 million relating to operating leases and lease payments for €187 million relating to finance lease.

It should be also noted that these amounts cannot be reconciled with the amount of the lease liability recognised on 1 January 2019 as they only comprise payments arising from leasing contract. Conversely the initial application of IFRS16 has led to recognise a lease liability for both contracts formally qualified as leases and rental contracts.

### Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40)

The UniCredit group, also following the several business combinations holds a significant real estate portfolio including land and buildings (4,250 items) whose book value as at 30 June 2019 amounted to €5,199 million of which €3,055 million for assets used in business (IAS16) and €2,144 million for assets held for investment (IAS40).

More specifically, on the same date, this real estate assets were divided as follows on a geographical basis:

- Italy (3,253 items): €2,643 million (IAS16 for €1,736 million and IAS40 for €907 million);
- Austria (119 items): €290 million (IAS16 for €115 million and IAS40 for €175 million);
- Germany (263 items): €1,853 million (IAS16 for €884 million and IAS40 for €969 million<sup>19</sup>);
- Central Europe (615 items): €413 million (IAS16 for €320 million and IAS40 for €93 million).

In the last years, following a constantly changing market scenario, the Group has launched a series of initiatives to enhance such this real estate assets through actions which constitute now an integral part of those contained in the strategic plan Team 23.

With reference to the properties used in business, these initiatives are aimed at a continuous enhancement of these properties through an "active management" of the portfolio even beyond the time horizon of Team 23, according to a corporate strategy mainly oriented to typical commercial banking activities, including also the possibility of disposal in case of suitable conditions.

These initiatives result however also influenced by the following strategic choices included in the recently approved strategic plan:

- progressive release of the physical workstations assigned to employees as a result of remote work, and this due to the stable use of flexible work compared to the previous occasional use;
- rationalisation of the spaces of the headquarters structures present in the major cities, to be carried out through the progressive merging into management centers with shared workstations;
- digitalisation and progressive focus on remote marketing channels;
- further transformation of the "physical" branches, consolidating them in their nature as centers oriented to customer advisory activities;
- rationalisation of labor costs also connected to the automation of business processes.

The actions mentioned above will allow a progressive reduction of the occupied areas and the subsequent sale of the vacated spaces.

With reference to properties held for investment, a gradual disposal of the properties in the portfolio is expected by 2025.

Based on the above, for the purposes of preparing the financial statements at 31 December 2019, the Group has decided to change - compared to the financial statements of previous year - the evaluation criterion of the Group's real estate portfolio, in particular:

- for the properties used in business (ruled by IAS16 "Property, plant and machinery") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition;
- for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

<sup>19</sup> The values shown include land and buildings classified at the date among "Non-current assets and groups of assets being disposed of" of approximately €773 million.

## Part A - Accounting policies

This decision was made by the UniCredit S.p.A. Board of Directors during the meeting held on 2 December 2019 which also approved the Team 23 strategic plan.

In this context, the Group has considered that the possibility of measuring real estate assets at current values (and no longer at cost) allows, in line with the provisions of IAS8 concerning changes in accounting principles, to provide reliable and more relevant information on the effects of business management as well as the Group's financial position and economic result.

More specifically, it is believed that the change in the valuation criterion of properties, consistently with the initiatives planned by the Team 23 strategic plan previously described, may allow:

- a more significant representation of the financial position since the expression at current values allows to represent the value, updated on the basis of the current appreciation of properties by the market, which the Group expects to achieve as a result of the enhancement and/or disposal of the properties, accounting for timely at assets and equity level (in the form of valuation reserves or profit of the year), the stock of value that will be created by the planned initiatives.

This circumstance is verified both in the case of properties to be disposed, for which the representation at current values allows to evidence their expected realisation values, and for the instrumental properties considering that a significant part of these properties is exposed in the financial statements at historical values that are less representative of current market conditions due to their not recent acquisition. In addition, the adoption of a valuation criterion at current values allows a more significant representation of the financial position since it allows to represent the value of the real estate assets assuming a single reference date (the date of preparation of the financial statements) thus overcoming the time lag due to the adoption of the cost model which implies the enhancement of the real estate assets at different times (the purchase dates) which are not homogeneous in terms of market conditions;

- a more relevant representation of the Group's economic dynamics since the adoption of a criterion at current values allows to represent the changes in value at the moment in which they arise, in compliance with the objectives of active management of the initiatives mentioned above. In this way, the recognition of capital gains and losses is not deferred at the time of sale of the real estate assets and is not influenced by the difference between market value (embedded in sale price) and cost which, as mentioned, may no longer be meaningful when the acquisition of real estate assets did not take place recently.

In substance, the change in the valuation criterion of properties determines both a higher alignment of the financial information with the strategies of the real estate asset management provided by the Team 23 strategic plan and a more reliable, relevant and immediate representation of the economic substance, and the related accounting impacts, of the actions that will be taken.

The representation of voluntary changes in accounting principles (accounting policies) is regulated by IAS8 which establishes, as a general rule, that these changes have to be represented retrospectively starting from the most remote date when this is feasible.

This means that, based on the general principle, at the date on which the change takes place, the opening balances of the comparative year and the data of that year shown in the financial statements and in the notes must be restated.

However, this general rule allows for exceptions. In fact IAS8 (paragraph 17) establishes that for the purposes of the valuation of the property, plant and machinery, regulated by IAS16, the transition from the cost model to the revaluation model must be represented as a normal application in continuity of the revaluation mode. As a result the revaluation model has been applied prospectively and not retrospectively as required by the general principle reported in IAS8 without making any adjustment of the opening balances of the comparative year and of the comparative data, nor of the interim financial statements prior to the date of the change.

Consequently, for the properties used in business, ruled by IAS16, the transition from a cost valuation to a valuation at current values, required the determination of the related fair value at 31 December 2019.

The differences between this value and the previous value determined by applying the "cost" criterion are recognised:

- if negative, in the income statement,
- if positive, in the other comprehensive income statement, and accumulated in equity under the item revaluation reserve, unless impairment was accounted for on that asset; in this case the positive differences between fair value and book value are recognised in the income statement.

As the change in the evaluation criterion took place at the end of the year, the calculation of the depreciation for the 2019 financial year was made with the previous cost model.

From 2020 on, properties used in business, measured according to IAS16 revaluation model, will continue to be depreciated over their useful life.

Unlike what is envisaged for used in business properties, IAS8 does not mention investments properties among the assets for which a deviation from the retroactive application rule for the change in standards is envisaged.

As a result, except for cases where it is not feasible to determine the related effects, it was decided to apply the change in accounting principle retrospectively.

## Part A - Accounting policies

This has determined:

- the book value of the land and properties held for investment as at 1 January 2018 adjusted to their fair value with the recognition of the difference in retained earnings (item Reserves), which can be used to cover losses and are included in the calculation of CET1 ratio;
- the measurement at fair value, in place of depreciation and impairment recognition, accounting for in the income statement of the positive and negative differences, both in 2018 and in 2019, a circumstance that led to the restatement of the comparative data as at 31 December 2018.

Starting from 2020, properties held for investment will continue to be measured at fair value with recognition of the differences in the income statement and will no longer be subject to depreciation and/or impairment.

With reference to the methods for determining the market value (fair value), it should be noted that this value was determined through the use of independent expert evaluators through the preparation of specific appraisals.

These appraisals, based on the relevance of the single real estate item, consisted of:

- "full/on site" appraisals based on a physical inspection of the property by the expert; or
- "desktop" appraisals based on an assessment conducted without carrying out a physical inspection of the real estate property and, therefore, based on reference market values.

For the preparation of the appraisals relating to the properties, the rents, the sale prices, the discount rates and the capitalisation rates of the properties that compose the Group's portfolio were estimated. More specifically, to determine fair value, the Group alternatively uses, depending on properties features and appraisal type, the so-called Market Comparable Approach taking into consideration the prices observable in the market for comparable transactions or the Income Approach based on the present value of the rent.

At the date of initial application of the change in the valuation criterion, 100% of the properties belonging to the Group were appraised with a percentage of coverage with "full/on site" appraisals of over 75% of their market value.

### Impacts deriving from the change in the valuation criterion for tangible assets

In the consolidated financial statements as at 31 December 2019, the change in the valuation criterion of the properties resulted in an overall positive balance sheet effect of €3.008 million gross of tax effect as detailed below:

- for properties used in business, the recognition of a revaluation of €2,090 million gross of tax effect (€1,445 million net of the tax effect). This value, net of deferred tax, equal to €645 million was attributed to a specific valuation reserve in the equity. In addition to this higher value, net losses for -€188 million were recognised in the income statement gross of the tax effect;
- for properties held for investment an overall revaluation in the equity equal to €837 million gross of the tax effect (€583 million net of the tax effect) composed as follows:
  - recognition of a revaluation of €511 million gross of tax effect (€352 million net of the tax effect) as a re-exposure of the opening balances of equity as at 1 January 2018 (as a reserve from the first application of the new accounting principle). This value, net of the related tax effect, was attributed to a specific reserve in the equity as at 1 January 2018;
  - restatement of retained earnings reserves relating to 31 December 2018 as a consequence of changes in the fair value of properties during the previous year and the fact that properties held for investment are no longer subject to depreciation, for an amount equal to €326 million gross of the tax effect (€231 million net of the tax effect);
- still with regard to properties held for investment, during 2019 it has been recognised an income statement result equal to €269 million gross of the tax effect.

This change in measurement criteria has determined an effect equal to +58bps in CET1.

It should be noted that the amounts exposed above take into account the activities aimed at rationalising and managing the real estate portfolio that determined an overall result in the Group's equity as at 31 December 2019 of €703 million (gross of the tax effect); for further information about the income statement effect of strategic deals, refer to Part C - Consolidated income statement - Section 20 - Gains (Losses) on disposals on investments - Items 280 of Consolidated income statement of the Notes to the consolidated accounts.



## Part A - Accounting policies

The following tables summarise the effects on the balance sheet assets and liabilities as at 1 January and 31 December 2018 as well as the changes in the income statement for the year ended at that date following the retrospective application of the change in the evaluation criterion of the properties held for investment:

### Consolidated balance sheet

ASSETS	01.01.2018 <sup>(*)</sup>	DELTA	01.01.2018 RECASTED
10. Cash and cash balances	64,493	-	64,493
20. Financial assets at fair value through profit or loss:	101,810	-	101,810
a) financial assets held for trading	74,666	-	74,666
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily at fair value	27,144	-	27,144
30. Financial assets at fair value through other comprehensive income	100,636	-	100,636
40. Financial assets at amortised cost:	519,901	-	519,901
a) loans and advances to banks	71,134	-	71,134
b) loans and advances to customers	448,766	-	448,766
50. Hedging derivatives	3,431	-	3,431
60. Changes in fair value of portfolio hedged items (+/-)	2,601	-	2,601
70. Equity investments	6,212	-	6,212
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	8,624	415	9,038
100. Intangible assets	3,385	-	3,385
of which: goodwill	1,484	-	1,484
110. Tax assets:	12,849	(88)	12,761
a) current	2,042	-	2,042
b) deferred	10,806	(88)	10,719
120. Non-current assets and disposal groups classified as held for sale	1,111	96	1,206
130. Other assets	8,800	-	8,800
<b>Total assets</b>	<b>833,853</b>	<b>422</b>	<b>834,276</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	01.01.2018 <sup>(*)</sup>	DELTA	01.01.2018 RECASTED
10. Financial liabilities at amortised cost:	684,190	-	684,190
a) deposits from banks	123,234	-	123,234
b) deposits from customers	462,895	-	462,895
c) debt securities in issue	98,061	-	98,061
20. Financial liabilities held for trading	51,100	-	51,100
30. Financial liabilities designated at fair value	8,302	-	8,302
40. Hedging derivatives	3,568	-	3,568
50. Value adjustment of hedged financial liabilities (+/-)	3,047	-	3,047
60. Tax liabilities:	1,108	71	1,179
a) current	644	-	644
b) deferred	464	71	535
70. Liabilities associated with assets classified as held for sale	185	-	185
80. Other liabilities	14,809	-	14,809
90. Provision for employee severance pay	917	-	917
100. Provisions for risks and charges:	9,741	-	9,741
a) commitments and guarantees given	1,090	-	1,090
b) post-retirement benefit obligations	4,522	-	4,522
c) other provisions for risks and charges	4,129	-	4,129
110. Technical reserves	-	-	-
120. Valuation reserves	(4,651)	-	(4,651)
130. Redeemable shares	-	-	-
140. Equity instruments	4,610	-	4,610
150. Reserves	16,293	334	16,627
160. Share premium	13,400	-	13,400
170. Share capital	20,881	-	20,881
180. Treasury shares (-)	(3)	-	(3)
190. Minority shareholders' equity (+/-)	884	18	902
200. Profit (Loss) of the year (+/-)	5,473	-	5,473
<b>Total liabilities and shareholders' equity</b>	<b>833,853</b>	<b>422</b>	<b>834,276</b>

Note:

(\*) It should be noted that amounts presented take into account effects coming from IFRS9 standard introduction.



## Part A - Accounting policies

## Consolidated balance sheet

(€ million)			
ASSETS	12.31.2018	DELTA	12.31.2018 RECASTED
10. Cash and cash balances	30,991	-	30,991
20. Financial assets at fair value through profit or loss:	86,137	-	86,137
a) financial assets held for trading	65,231	-	65,231
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily at fair value	20,906	-	20,906
30. Financial assets at fair value through other comprehensive income	88,280	-	88,280
40. Financial assets at amortised cost:	579,311	-	579,311
a) loans and advances to banks	73,643	-	73,643
b) loans and advances to customers	505,668	-	505,668
50. Hedging derivatives	4,682	-	4,682
60. Changes in fair value of portfolio hedged items (+/-)	2,439	-	2,439
70. Equity investments	5,502	-	5,502
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	8,408	396	8,804
100. Intangible assets	3,507	-	3,507
of which: goodwill	1,484	-	1,484
110. Tax assets:	13,078	(133)	12,944
a) current	1,032	-	1,032
b) deferred	12,046	(133)	11,912
120. Non-current assets and disposal groups classified as held for sale	1,800	441	2,241
130. Other assets	7,334	-	7,334
<b>Total assets</b>	<b>831,469</b>	<b>703</b>	<b>832,172</b>

(€ million)			
LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2018	DELTA	12.31.2018 RECASTED
10. Financial liabilities at amortised cost:	686,036	-	686,036
a) deposits from banks	125,895	-	125,895
b) deposits from customers	478,988	-	478,988
c) debt securities in issue	81,153	-	81,153
20. Financial liabilities held for trading	43,111	-	43,111
30. Financial liabilities designated at fair value	9,318	-	9,318
40. Hedging derivatives	6,032	-	6,032
50. Value adjustment of hedged financial liabilities (+/-)	3,230	-	3,230
60. Tax liabilities:	825	121	946
a) current	402	-	402
b) deferred	423	121	544
70. Liabilities associated with assets classified as held for sale	540	-	540
80. Other liabilities	13,950	-	13,950
90. Provision for employee severance pay	698	-	698
100. Provisions for risks and charges:	10,961	-	10,961
a) commitments and guarantees given	1,140	-	1,140
b) post-retirement benefit obligations	4,767	-	4,767
c) other provisions for risks and charges	5,054	-	5,054
110. Technical reserves	-	-	-
120. Valuation reserves	(7,488)	-	(7,488)
130. Redeemable shares	-	-	-
140. Equity instruments	4,610	-	4,610
150. Reserves	20,503	334	20,836
160. Share premium	13,393	-	13,393
170. Share capital	20,940	-	20,940
180. Treasury shares (-)	(9)	-	(9)
190. Minority shareholders' equity (+/-)	927	34	961
200. Profit (Loss) of the year (+/-)	3,892	215	4,107
<b>Total liabilities and shareholders' equity</b>	<b>831,469</b>	<b>703</b>	<b>832,172</b>

## Part A - Accounting policies

## Consolidated income statement

(€ million)			
ITEMS	12.31.2018	DELTA	12.31.2018 RECASTED(*)
10. Interest income and similar revenues	15,220	-	15,220
of which: interest income calculated with the effective interest method	12,989	-	12,989
20. Interest expenses and similar charges	(4,367)	-	(4,367)
<b>30. Net interest margin</b>	<b>10,853</b>	<b>-</b>	<b>10,853</b>
40. Fees and commissions income	8,165	-	8,165
50. Fees and commissions expenses	(1,295)	-	(1,295)
<b>60. Net fees and commissions</b>	<b>6,870</b>	<b>-</b>	<b>6,870</b>
70. Dividend income and similar revenues	413	-	413
80. Net gains (losses) on trading	417	-	417
90. Net gains (losses) on hedge accounting	17	-	17
100. Gains (Losses) on disposal and repurchase of:	308	-	308
a) financial assets at amortised cost	129	-	129
b) financial assets at fair value through other comprehensive income	176	-	176
c) financial liabilities	3	-	3
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	289	-	289
a) financial assets/liabilities designated at fair value	411	-	411
b) other financial assets mandatorily at fair value	(122)	-	(122)
<b>120. Operating income</b>	<b>19,167</b>	<b>-</b>	<b>19,167</b>
130. Net losses/recoveries on credit impairment relating to:	(2,681)	-	(2,681)
a) financial assets at amortised cost	(2,662)	-	(2,662)
b) financial assets at fair value through other comprehensive income	(19)	-	(19)
140. Gains/Losses from contractual changes with no cancellations	(3)	-	(3)
<b>150. Net profit from financial activities</b>	<b>16,483</b>	<b>-</b>	<b>16,483</b>
160. Net premiums	-	-	-
170. Other net insurance income/expenses	-	-	-
<b>180. Net profit from financial and insurance activities</b>	<b>16,483</b>	<b>-</b>	<b>16,483</b>
190. Administrative expenses:	(11,489)	-	(11,489)
a) staff costs	(6,437)	-	(6,437)
b) other administrative expenses	(5,052)	-	(5,052)
200. Net provisions for risks and charges:	(1,523)	-	(1,523)
a) commitments and financial guarantees given	(19)	-	(19)
b) other net provisions	(1,504)	-	(1,504)
210. Net value adjustments/write-backs on property, plant and equipment	(606)	(32)	(639)
220. Net value adjustments/write-backs on intangible assets	(425)	-	(425)
230. Other operating expenses/income	1,018	-	1,018
<b>240. Operating costs</b>	<b>(13,025)</b>	<b>(32)</b>	<b>(13,057)</b>
250. Gains (Losses) of equity investments	(97)	-	(97)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	1	416	417
270. Goodwill impairment	-	-	-
280. Gains (Losses) on disposals on investments	231	(58)	174
<b>290. Profit (Loss) before tax from continuing operations</b>	<b>3,593</b>	<b>326</b>	<b>3,920</b>
300. Tax expenses (income) of the year from continuing operations	502	(95)	407
<b>310. Profit (Loss) after tax from continuing operations</b>	<b>4,095</b>	<b>231</b>	<b>4,327</b>
320. Profit (Loss) after tax from discontinued operations	14	-	14
<b>330. Profit (Loss) of the year</b>	<b>4,109</b>	<b>231</b>	<b>4,340</b>
340. Minority profit (loss) of the year	(216)	(16)	(233)
<b>350. Parent Company's profit (loss) of the year</b>	<b>3,892</b>	<b>215</b>	<b>4,107</b>

## Note:

(\*) It should be noted that amounts presented do not take into account recasting of values coming from Fineco disposal and that, as a result, these amounts are different from those exposed in the Consolidated income statement as at 31 December 2018.

## Part A - Accounting policies

For sake of completeness, it should be noted that tangible assets other than real estate, real estate items accounted for in accordance with IAS2 (Inventories) and investment properties (IAS40) under construction have not been subject to modification of the evaluation criteria.

### Real estate risk and Sensitivity analysis

The change in the valuation criterion of properties at current values implies a possible risk of volatility as well as an increase of the so-called real estate risk (for the description of which see the Part E of the Notes to the consolidated accounts - Other risk included in the Economic Capital). By reference to the real estate units held as at 31 December 2019 and their corresponding market value overall equal to €5,973 million, has been estimated a sensitivity to the increase/decrease in real estate values of +/-1% equal to approximately €59.7 million corresponding to approximately +/-2 basis point of CET ratio.

As at 31 December 2019, the European Commission endorsed the following changes to the Accounting principles applicable to reporting, which entered into force on or after 1 January 2020:

- Amendments to references to the Conceptual Frameworks in IFRS standards (March 2018).

### Strengthening the rundown strategy for Non Core perimeter

It should be noted that, in line with the basis underlying the 2020-2023 Strategic Plan, in December 2019 the Boards of Directors of UniCredit S.p.A. and of the subsidiary UniCredit Leasing S.p.A. took important decisions by introducing a series of management initiatives and actions for the implementation and strengthening of the *rundown* strategy of the Non Core perimeter, with the aim of ensuring the complete runoff of the related credit exposures within the year 2021. This change led, at 31 December 2019, to a change in the parameters used to estimate the recovery values of credit exposures to customers, which, pursuant to IAS8, qualifies as "change in accounting estimate", since the measurement basis of the loans has not been modified.

Detailed information on the effects of this change is provided as required by IAS8 in Part E - Information on risks and hedging policies - Section 1 - Credit risk, under the table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)".

### Sustainability test for the booking of the Deferred Tax Assets for the carry-forward of unused tax losses - time length used to assess the future taxable incomes

With reference to the Italian Group Tax perimeter, the sustainability test for both IRES and IRAP has been developed on a 10 years-time length, lengthening the forecast interval compared to 5 years used in previous years, since it is considered more appropriate based on the following considerations:

- the implementation of 2019 Transform Plan, completed in line with expectations, through which UniCredit has demonstrated its forward-looking ability, also confirming the underlying assumption of the sustainability of positive long-term results (for a detailed description of the objectives achieved in the Transform 2019 can be found in the Consolidated report on operations - Group results - Main results and performance for the period);
- the approval of Team 23 on 2 December 2019, which including, among others, non-recurring elements such as the updating of the rundown strategy of the Non Core portfolio by 2021, as well as the completion of the operational reorganization (including extraordinary operations already carried out or planned in the plan horizon), allows to assume the stability of future operating results and the definition of a context of greater reliability of forecasts (for a detailed description of the objectives of Team 23, see the Consolidated report on operations - Group Results - Main Results and performance for the period).

In addition to the reasons outlined above, the choice relating to a 10 years-time length also derives: (i) from the presence of tax legislation that does not set time limits for recovery but on the other hand (ii) also by the need to limit the uncertainty deriving from an excessive lengthening of the time period; therefore, based on mentioned explanations, the 10 years-time length is appropriate for assessing the generation of future taxable income that will allow the recognition of unreported tax losses, which is expected to reduce future tax charges.

This time length includes also a period subsequent to the official forecasts contained in the new Strategic Plan Team 23, therefore, also considering ESMA recommendation issued on 15 July 2019, the new sustainability test for the determination of future taxable incomes envisages:

- a deterministic approach for the years for which official projections are available (i.e. the period 2020-2023);
- a statistical approach for the years beyond official projections (2024-2029).

For more information, refer to the Company Financial Statements - Notes to the Accounts - Part B - Information on the Balance sheet assets - Section 10 Tax assets and tax liabilities.

## Part A - Accounting policies

### Interbank Offered Rates (IBORs) transition

A comprehensive reference rates reform is currently taking place following the concerns raised in recent years about the integrity and reliability of major financial market benchmarks. In order to assess the relevant risks associated with the global benchmark reforms mandated by the Financial Stability Board (FSB), and taking appropriate actions to ensure an adequate transition to alternative or reformed benchmark rates ahead of the deadline of the end of 2021 specified in the revised EU Benchmark Regulation BMR, UniCredit Group launched in October 2018 a Group wide project in order to manage the IBORs discontinuation.

Accordingly, a multiyear roadmap has been defined based on both Group Exposure (mainly focused on Euro) and transition timeline. The project governance involves the main internal stakeholders, both at Group and at main Legal Entities level. The program is also monitored by ECB as Regulator for the Holding Company, and progresses are shared with the Group top management.

In 2019, UniCredit has ensured compliance, for EURIBOR and €STR/Eonia outstanding contracts, to the following main market changes:

- discontinuation of some EURIBOR tenors and basis, according to the deadline set by European Money Markets Institute - EMMI (3 December 2018 for tenors and 1 April 2019 for Act/365 and 30/360 basis decommissioning);
- changes requested by Euribor administrator (EMMI) on contribution process, following its new methodology;
- introduction of the new €STR overnight rate (EONIA substitute), which has been published for the first time on 2 October 2019.

Possible uncertainties, involving other IBORs, with timing and/or fallback rules applied to outstanding stock of assets, liability and derivatives however cannot be excluded.

On this regard, on **15 January 2020** the “**Amendments to IFRS9, IAS39 and IFRS7 Interest Rate Benchmark Reform**” (the Amendment) have been endorsed by the European Commission for use in the European Union (EU).

The Amendment solves a potential source of uncertainty on the effects of the Interbank offered rates (IBOR) reform on existing accounting hedge relationships that are affected by the IBOR reform, clarifying that the reform does not require to terminate such hedge relationships.

The EU effective start date for Amendment is the annual period beginning on or after 1 January 2020. As the earlier adoption is permitted, **UniCredit group has adopted the Amendment with reference to 2019 Financials** for its existing hedge accounting relationships involving other IBORs, whose volume is presented below:

#### Hedging contracts: notional amount<sup>(\*)</sup>

		INDEX				
HEDGING RELATIONSHIP	HEDGED ITEMS					
		LIBOR USD	LIBOR OTHER CURRENCIES	PRIBOR	OTHER CEE COUNTRIES IBORS	OTHERS
Fair value	Assets	1,429	2,037	178	3,013	-
	Liabilities	17,078	871	394	382	898
Cash flows	Assets	3,121	1,239	6,033	631	-
	Liabilities	3,796	-	2,650	133	1,313
<b>Total</b>		<b>25,424</b>	<b>4,147</b>	<b>9,255</b>	<b>4,159</b>	<b>2,211</b>

Note:

(\*) Double-entry method when relevant.

In order to closely follow the developments on IBORs and to proper manage the transition and the discontinuation impacts, UniCredit group will continuously monitor the market, also attending the European Working Groups, the industry working groups (e.g. International Swaps and Derivatives Association ISDA) and participating to the relevant public consultations.

As at 31 December 2019 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17: Insurance Contracts (May 2017);
- Amendments to IFRS3: Business combination (October 2018);
- Amendments to IAS1 and IAS8: Definition of Material (October 2018);
- Amendments to IFRS9, IAS39 e IFRS7: Interest Rate Benchmark Reform (September 2019).

## Part A - Accounting policies

Except for the IFRS9, IAS39 and IFRS7 amendments, the Group did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2019 was optional.

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The Company and the Consolidated financial statements of UniCredit as at 31 December 2019 are audited by Deloitte & Touche S.p.A. pursuant to Legislative Decree No.39 of 27 January 2010 and to the resolution passed by the Shareholders' Meeting on 11 May 2012.

UniCredit group prepared and published within the time limits set by law and pursuant to the requirements of Consob, the Consolidated first half financial report as at 30 June 2019, subject to limited scope audit, as well as the Consolidated interim reports as at 31 March and 30 September 2019, both as press releases.

The Company and the Consolidated Group financial statements as at 31 December 2019 have been approved by the Board of Directors' Meeting of 5 February 2020, which authorised its disclosure to the public, also pursuant to IAS10.

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

## A.2 - Main items of the accounts

### 1 - Financial assets at fair value through profit or loss

#### 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.

Like 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 income, which are recognised in profit and loss even when directly attributable to the financial assets. Held for Trading are recognised at trade date.

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 held for trading financial asset is recognised in income statement in item "80. Net gains (losses) on trading", including gains or losses related to derivative contracts that are linked to assets and/or liabilities designated at fair value and 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.

## Part A - Accounting policies

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.

### 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 income statement according to IFRS9.

### 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".

## 2 - Financial assets at fair value through other comprehensive income

A financial asset is classified at fair value through other 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" if positive, or in item "20. Interest expenses and similar charges" if negative.

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

These instruments are tested for impairment as illustrated in the specific section 16 - Other Information - Impairment.

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 other 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".

## Part A - Accounting policies

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 Income statement 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".

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

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.

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk (Company financial statements). Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognised in the Statement of other 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 Income statement within item "70. Dividend income and similar revenues".

### 3 - Financial assets at amortised cost

A financial asset, loan or debt securities, 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" if positive or in item "20. Interest expenses and similar charges" if negative.

The amount of financial assets at amortised cost is adjusted in order to take into account impairment losses arising from valuation process as illustrated in the specific section 16 - Other information - Impairment.

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 Income statement 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: a) financial assets at amortised cost".

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

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.

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk (Company financial statements). Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk.

Following the decisions taken in December 2019 by the respective Boards of Directors - referring to the introduction of a series of management initiatives and actions for the implementation and strengthening of the *run-down* strategy of the Non Core perimeter, with the aim of ensuring the complete runoff of the related credit exposures within the year 2021 - UniCredit S.p.A. and the subsidiary UniCredit Leasing S.p.A. modified the parameters used to estimate the recoverable amount of their credit exposures to customers. Accordingly with IAS8, this change qualifies as a "change in accounting estimates", since the measurement basis of the loans has not been modified.



## Part A - Accounting policies

Detailed information on the effects of this change is provided as required by IAS8 in Part E - Information on risks and hedging policies - Section 1 - Credit risk, under the table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)".

### 4 - Hedge accounting

Hedging instruments are created to hedge market (interest-rate, currency and price) and/or credit risk to which the hedged positions are exposed. They may be described as follows:

- **fair value hedge:** a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- **cash flow hedge:** a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- **hedge of a net investment in a foreign entity,** whose operations are based or conducted in a currency other than euro.

It should be noted that 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.

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Generally a hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80-125%. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date.

If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when (i) the hedging instrument expires or is sold, terminated or exercised, (ii) the hedged item is sold, expires or is repaid, (iii) it is no longer highly probable that the forecast transaction will occur.

Hedging instruments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:

- **fair value hedging**, an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting"; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the difference is recognised in profit or loss under item "90. Net gains (losses) on hedge accounting" at once. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in item "100. Gains (Losses) on disposal and repurchase";
- **cash flow hedging**, hedging instruments are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognised in equity item "120. Valuation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in revaluation reserves from the period when the hedge was effective remains separately recognised in revaluation reserves until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to item "90. Net gains (losses) on hedge accounting". The fair value changes are recorded in the Statement of Other Comprehensive Income and disclosed in item "120. Valuation reserves";
- **hedging a net investment in a foreign entity**, hedges of a net investment in a foreign entity whose activities are based or conducted in a country or currency other than those of the reporting entity are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the

## Part A - Accounting policies

foreign entity. The fair value changes are recorded in the Statement of comprehensive income and disclosed in item "120. Valuation reserves"; the ineffective portion of the gain or loss is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting";

- **macro-hedges of financial assets (liabilities)** - IAS39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro-hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro-hedging, macrohedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125%. Net changes, gains or losses, in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item "60. Changes in fair value of portfolio hedged items (+/-)" or liability item "50. Value adjustment of hedged financial liabilities (+/-)", respectively and offset the profit and loss item "90. Net gains (losses) on hedge accounting".

The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item "90. Net gains (losses) on hedge accounting".

If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items "60. Changes in fair value of portfolio hedged items (+/-)" or liability item "50. Value adjustment of hedged financial liabilities (+/-)" is recognised through profit or loss in items "10. Interest income and similar revenues" or "20. Interest expenses and similar charges", along the residual life of the hedged financial assets or liabilities.

If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item "100. Gains (Losses) on disposal and repurchase".

### 5 - Equity investments

The principles governing the recognition and measurement of equity investments under IFRS10 Consolidated financial statements, IAS27 Company financial statements, IAS28 Investments in associates and joint ventures and IFRS11 Joint Arrangements are provided in detail in Part A.1 -

Section 3 - Consolidation Procedures and Scope, where disclosure on the evaluation processes and key assumptions used to assess the existence of control, joint control or significant influence in accordance with IFRS12 (paragraphs 7-9) is provided.

The remaining interests other than subsidiaries, associates and joint ventures, and interests recognised in items "120. Non-current assets and disposal groups classified as held for sale" and "70. Liabilities associated with assets classified as held for sale" are classified as financial assets at fair value through other comprehensive income or other financial assets mandatorily at fair value and accordingly accounted.

### 6 - Property, plant and equipment (Tangible assets)

The item includes:

- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;

and is divided between:

- assets used in the business;
- assets held as investments;
- inventories in the scope of IAS2 standard.

This item also includes tangible assets arising from collection of collaterals.

#### Assets used in the business and Assets held as investments

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used for more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease.

The item "Property, plant and equipment" includes assets used by the Group as lessee under a lease contract (right of use), or let/hired out by the Group as lessor under an operating lease.

## Part A - Accounting policies

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants).

Leasehold improvements are usually borne in order to make leased premises fit for the expected use.

Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item "130. Other assets".

Assets held for investment purposes are properties covered by IAS40, i.e. properties held (owned or under a lease contract) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:

- "190. Administrative expenses: b) other administrative expenses", if they refer to assets used in the business; or
- "230. Other operating expenses/income", if they refer to property held for investment.

After being recognised as an asset:

- buildings and lands used in the business are measured according to revaluation model;
- tangible assets used in the business, different from lands and buildings, are measured according to cost model;
- buildings and lands held as investments are measured according to fair value model.

Revaluation model requires tangible assets to be exposed in Balance sheet at a value not significantly different from fair value. In this respect, UniCredit Group requests such assets to be revalued on a half year basis through "desktop" or "on site" appraisals, based on the asset relevance, performed by external appraisers.

Positive changes in Fair Value are booked in Other Comprehensive Income Statement, item "50. Tangible Assets", and cumulated in item "120. Valuation reserves", unless they offset previous negative changes accounted for in income statement in item "260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value".

Negative changes in Fair Value are booked in income statement in item "260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value", unless they offset previous positive changes accounted for in Other Comprehensive Income Statement, item "50. Tangible Assets", and cumulated in item "120. Valuation reserves".

When the tangible asset is revalued at its Fair Value it is required to adjust both gross carrying amount and cumulated depreciation on the basis of the net carrying amount revaluation.

Cost model requires the gross carrying amount to be depreciated across its useful life.

Both tangible assets measured according to revaluation model and cost model are subject to straight-line depreciation over their useful life to the extent they have a finite useful life.

Residual useful life is usually assessed as follows:

- |                          |                 |
|--------------------------|-----------------|
| • buildings              | up to 50 years; |
| • furniture and fixtures | up to 25 years; |
| • electronic equipment   | up to 15 years; |
| • other                  | up to 10 years; |
| • leasehold improvements | up to 25 years. |

Depreciations are accounted for, period by period, in item "210. Net value adjustments/write-backs on property, plant and equipment".

An item with an indefinite useful life is not depreciated.

Lands and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings have instead a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

## Part A - Accounting policies

If there is clear evidence that an asset measure according to cost model has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in profit and loss item "210. Net value adjustments/write-backs on property, plant and equipment".

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

Buildings and land held as investments, including right of use on land and buildings classified as held for investment, are measured according to fair value model which requires to account for in income statement in item "260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value", changes in fair value. Such assets are not subject to depreciation and impairment test.

An item of property, plant and equipment is derecognised (i) on disposal or (ii) when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in profit and loss item "280. Gains (losses) on disposals on investments", "260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value" or "210. Net value adjustments/write-backs on property, plant and equipment", respectively. For tangible assets measured according to revalued amount, any gain from disposal, including amounts cumulated in item "120. Valuation reserves", is reclassified to item "150 Reserves" with no impact in income statement.

### Inventories in the scope of IAS2 standard

Inventories are assets held for sale in the ordinary course of business. They are accounted for at the lower of their carrying amounts and net realizable value.

Any value adjustment arising from the application of the aforementioned criterion is recognised under item "210. Net value adjustments/write-backs on property, plant and equipment".

## 7 - Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance which is expected to be used for more than one period, controlled by the Group and from which future economic benefits are probable.

Intangible assets are principally goodwill, software, brands and patents.

This item also includes intangible assets used by the Group as lessee under finance leases or as lessor under operating leases (rental/hire).

Intangible assets other than goodwill are recognised at purchase cost, i.e. including cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.

In case of internally generated software the expenses incurred to develop the project are recognised under intangible assets only if the following elements are demonstrated: the technical feasibility of the project, the intention to complete the intangible asset, its future usefulness, the availability of adequate technical, financial and other resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- software up to 10 years;
- other intangible assets up to 20 years.

Intangible assets with an indefinite life are not amortised.

If there is clear evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling costs and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item "220. Net value adjustments/write-backs on intangible assets".

For an intangible asset with indefinite life even if there are no indications of impairment, the carrying amount is compared annually with its recoverable value. If the carrying amount is greater than the recoverable value, the difference is recognised in profit and loss item "220. Net value adjustments/write-backs on intangible assets".

## Part A - Accounting policies

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount can not exceed the net carrying amount it would have had if there were no losses recognised on the prior-years impairment.

An intangible asset is derecognised (i) on disposal or (ii) when no further future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item "280. Gains (Losses) on disposals on investments" or "220. Net value adjustments/write-backs on intangible assets", respectively.

### Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the interest acquired in the net fair value of the assets and liabilities acquired at the acquisition date.

Goodwill arising from the acquisitions of subsidiaries is recognised as an intangible asset, whereas goodwill arising from the acquisition of associates is included in the carrying amount of the investments in associates.

At a subsequent financial reporting date, goodwill is recognised net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually, as for other intangible assets with an indefinite useful life. To this end it is allocated to the Group's business areas identified as the Cash Generating Units (CGUs). Goodwill is monitored by the CGUs at the lowest level in the Group in line with its business model.

Impairment losses on goodwill are recognised in profit and loss item "270. Goodwill impairment". In respect of goodwill, no write-backs are allowed.

See Notes to the consolidated accounts - Part B - Section 10 Intangible Assets - 10.3 Other information for further information on intangibles, goodwill, the CGUs and impairment testing for these.

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

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the related liabilities, as required by IFRS5.

Individual assets (or groups of assets held for sale) are recognised in item "120. Non-current assets and disposal groups classified as held for sale" and item "70. Liabilities associated with assets classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to non-current assets classified as held for sale, which are recorded as a contra item to changes in value relevant for this purpose, are reported separately in the Statement of other comprehensive income (see Notes to the consolidated accounts - Part D - Consolidated other comprehensive income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to discontinued operations are recognised in the income statement under item "320. Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets or disposal groups, that do not constitute discontinued operations, held for disposal are recognised in the income statement under the appropriate item.

## 9 - Current and deferred tax

Tax assets and tax liabilities are recognised in the Consolidated balance sheet respectively in item "110. Tax assets" and item "60. Tax liabilities".

In compliance with the "balance sheet method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with local tax regulations;
- current tax liabilities, i.e. amount of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses; and
  - the carryforward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

## Part A - Accounting policies

Current and deferred tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognised in profit or loss on an accrual basis.

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

In addition, under the tax consolidation system adopted by the Bank deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be generated by the entity. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognised in profit and loss item "300. Tax expense (income) for the period from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on financial assets at fair value through other comprehensive income and those relating to changes in the fair value of cash flow hedging instruments, whose changes in value are recognised, net of tax, directly in the Statement of other comprehensive income - Revaluation reserves.

Current tax assets and liabilities are presented on the Balance sheet net of the related current tax liabilities if the following requirements are met:

- existence of a legally enforceable right to offset the amounts recognised; and
- the intention to extinguish for the remaining net, or realise the asset and at the same time extinguish the liability.

Deferred tax assets are presented on the Balance sheet net of the related deferred tax liabilities if the following requirements are met:

- existence of an enforceable right to offset current tax assets with current tax liabilities; and
- the deferred tax assets and liabilities must relate to income taxes applied to the same tax authority on the same taxable entity or on different taxable entities that intend to settle the current tax liabilities and assets on a net basis (normally in presence of a tax consolidation contract).

## 10 - Provisions for risks and charges

### Commitments and guarantees given

Provisions for risks and charges for commitments and guarantees given are recognised against all revocable and irrevocable commitments and guarantees whether they are in scope of IFRS9 or IAS37.

The item hosts the estimates of expected loss calculated on these instruments resulting from valuation process as described in Section 16 - Other Information - Impairment.

The provision of the period is accounted under item "200. Net provisions for risks and charges: a) commitments and financial guarantees given".

Note that all contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument are considered financial guarantees.

### Retirement payments and similar obligations

Retirement provisions, i.e. provisions for employee benefits payable after the completion of employment, are defined as contribution plans or defined-benefit plans according to the nature of the plan.

In detail:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company;
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefits to all employees.

Defined-benefit plans are present-valued by an external actuary using the Unit Credit Projection method.



## Part A - Accounting policies

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

More specifically, the amount recognised according to IAS19 Revised as a net liability/asset in item "100. Provisions for risks and charges: b) post-retirement benefit obligations" is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses are recorded in the Statement of other comprehensive income and disclosed in item "120. Valuation reserves".

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds (HQCB: High quality corporate bonds) with an average life in keeping with that of the relevant liability.

### Other provisions

Provisions for risks and charges are recognised when:

- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

In particular, where the effect of the time value of money is significant, the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised. Allocations made in the year are recognised in profit and loss item "200. Net provisions for risks and charges: b) other net provisions" and include increases due to the passage of time; they are also net of any reversals.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the Unit Credit Projection method (see previous paragraph Retirement Payments and Similar Obligations).

## 11 - 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" if negative or in item "10. Interest income and similar revenues" if positive.

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 income statement 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.



## Part A - Accounting policies

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.

Financial liabilities are derecognised in case of redemption, prepayment, significant amendments to contractual conditions that determine a change in their present value which exceeds the threshold defined by the accounting standard or in case of re-purchase. When derecognition arises from significant amendments or re-purchase, the difference between the carrying amount of the liability and the amount arising from the amendments or paid for the repurchase is recognised in profit or loss in item "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.

### 12 - 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 change in the fair value of a HfT financial liability is recognised in profit or loss in item "80. Net gains (losses) on trading".

Financial liabilities are derecognised in case of redemption, prepayment, significant amendments to contractual conditions that determine a change in their present value which exceeds the threshold defined by the accounting standard or in case of re-purchase. When derecognition arises from significant amendments or re-purchase, the difference between the carrying amount of the liability and the amount arising from the amendments or paid for the repurchase is recognised in profit or loss in item "80. Net gains (losses) on trading". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

### 13 - 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.

Financial liabilities are derecognised in case of redemption, prepayment, significant amendments to contractual conditions that determine a change in their present value which exceeds the threshold defined by the accounting standard or in case of re-purchase. When derecognition arises from significant amendments or re-purchase, the difference between the carrying amount of the liability and the amount arising from the amendments or paid for the repurchase is recognised in profit or loss in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss a) financial assets/liabilities designated at fair value" while the balance of cumulated changes in fair value due to own credit risk booked in item "120. Valuation reserves" is reclassified in item "150. Reserves". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

## Part A - Accounting policies

### 14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item "80. Net gains (losses) on trading".

Exchange rate differences arising on a monetary item that is part of an entity's net investment in a foreign operation whose activities are based or conducted in a country or currency other than those of the reporting entity are initially recognised in the entity's equity, and recognised in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. In this case the exchange differences are recognised:

- in profit and loss if the financial asset is classified in a portfolio measured at fair value through profit or loss; or
- in the Statement of other comprehensive income, and disclosed in the Revaluation reserves, if the financial asset is classified in "Financial assets at fair value through other comprehensive income".

Hedges of a net investment in a foreign operation are recognised similarly to cash flow hedges.

The assets and liabilities of fully consolidated foreign entities are translated at the closing exchange rate of each period. Gains and losses are translated at the average exchange rate for the period. Differences arising from the use of closing exchange rates and from the average exchange rates and from the remeasurement of the initial net amount of the assets of a foreign company at the closing rate are classified directly in item "120. Valuation reserves".

Any goodwill arising on the acquisition of a foreign operation realised after IAS First Time Adoption (i.e., 1 January 2004) whose assets are located or managed in a currency other than the euro, and any fair value adjustments of the carrying amounts of assets and liabilities are treated as assets and liabilities of the foreign operation, expressed in the functional currency of the foreign operation and translated at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences, classified in an equity reserve, is reclassified in profit or loss.

All exchange differences recorded under revaluation reserves in Shareholders' equity are also reported in the Statement of other comprehensive income.

### 15 - Insurance assets and liabilities

Note that the Group does not conduct such business.

### 16 - Other information

#### Impairment

Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures 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.

## Part A - Accounting policies

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 allocation of credit exposures in one of the abovementioned stages is done at initial recognition, when the exposures is classified at Stage 1 and it is periodically reviewed based on "stage allocation" rules as specified in Part E - Section 1 - Credit risk (Company financial statements). Same information is provided in Part E - Section 2 - Risks of prudential consolidated perimeter - 2.1 Credit risk.

In order to calculate the expected loss and the related loan loss provision, the Bank uses Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") parameters, used for regulatory purposes and adjusted in order to ensure that impairment measurement represents values which are "point in time", "forward looking" and inclusive of multiple scenarios. In this respect see Part E - Section 1 - Credit risk (Company financial statements) for further information on expected loss calculation methodologies. Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk.

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.

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

- Bad 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/instalments. 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 forborne 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 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).

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.

## Part A - Accounting policies

In particular, the amount of the loss on impaired exposures classified as bad loans and unlikely to pay, according to the categories specified above, 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. 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 the Bank's NPL strategy foresees the recovery through sale on the market according to what is specified in Part E - Section 1 - Credit risk (Company financial statements). Same information is provided in Part E - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk.

If there are no reasonable expectations to recover a financial assets in its entirety or a portion thereof, the gross exposure is subject to write-off. 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 to recover the credit exposure, are closed and doesn't imply the forfeiture of the legal right to recover. In this context the Group has developed a specific guideline that assess the need to recognise a write-off. For further information see Part E - Section 1 - Credit risk (Company financial statements). Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk.

### Renegotiations

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 income statement 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.

### Business combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree is a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:

- identifying an acquirer;
- measuring the cost of the business combination, and:
- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

## Part A - Accounting policies

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired.

This involves the revaluation at fair value, with the recognition of the effects in the income statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value.

Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

Positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and recognise immediately any excess remaining after that reassessment in profit or loss.

If the acquisition concerns a percentage less than 100% of the assets of the acquired company, minorities are recognised.

At the acquisition date, minorities are valued:

- at fair value, or
- as a proportion of minority interests in the assets, liabilities and identifiable contingent liabilities of the acquired company.

### Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity's balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset, or a group of assets, (e.g. interest cash flows from an asset);
- the part comprises a clearly identified percentage of the cash flows from a financial asset, (e.g. a 90% share of all cash flows from an asset);
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, (e.g. 90% share of interest cash flows from an asset).

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a non-Group counterparty.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Group is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset and expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitisations, repurchase (sell and buy-backs) and stock lending transactions.

## Part A - Accounting policies

In the case of securitisations the Group does not derecognise the financial asset on purchase of the equity tranche or provision of other types of support of the structure which result in the Group retaining the credit risk of the securitised portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Finally, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

### Repo transactions and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks among financial assets at amortised cost, or as an asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers among financial liabilities at amortised cost, or as an held for trading financial liability. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The income statement items connected with these transactions are booked respectively:

- in item Interest, with respect to the positive item (borrower) and the negative item (lender) relating to the return on cash paid to the lender;
- in item Fees and commissions, with respect to the negative item (borrower) and the positive item (lender) relating to the service provided by the lender by making the security available.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role, lender or borrower, respectively, played in the transaction. Counterparty risk relating to the latter securities lending or borrowing transactions is shown under the off-balance sheet exposures in the tables of Notes consolidated accounts - Part E - Section 2 - Risks of prudential consolidated perimeter - 2.1 Credit risk - Quantitative information - A. Credit quality.

### Equity instruments

Equity instruments are instruments that represent a residual interest in Group's assets net of its liabilities.

Classification of an issued instrument as equity is possible only if there are no contractual obligation to make payments in form of capital redemptions, interest or other kinds of returns.

In particular, instruments having the following features are classified as equity instruments:

- the instrument is perpetual or has a maturity equal to duration of the entity;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Additional Tier 1 instruments are included in this category, in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, if, additionally to the characteristics described above:

- maintain within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- do not incorporate outlook that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Equity instruments, different from common or saving shares, are presented in item "140. Equity instruments" for the consideration received including transaction costs directly attributable to the instruments.

Any coupon paid, net of related taxes, reduces item "150. Reserves".

Any difference between the amounts paid for the redemption or repurchase of these instruments and their carrying value is recognised in item "150. Reserves".

### Treasury Shares

Changes in treasury shares are reported as a direct contra item to shareholders' equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax repurchase cost is recognised entirely as a contra item to shareholders' equity.



## Part A - Accounting policies

### Leases

Lease contracts shall be classified by the lessor in finance leases and operating leases.

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee. The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

Operating leases do not transfer all the risks and benefits of ownership of an asset to the lessee which are therefore retained by the lessor.

In case of operating leases, the lessor recognises in the income statement the leases payments on an accrual basis.

The lessee recognises an asset representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

It should be noted that as allowed by the standard, the Group has decided not to recognise any right of use nor lease liability with reference to the following lease contracts:

- leases of intangible assets;
- short term leases, lower than 12 months; and
- low value assets leases. For this purpose an asset is considered as "low value" when its fair value as new is equal to or lower than €5 thousand. This category mainly comprises office equipment (PC, monitors, tablets, etc.) and fixed and mobile phones.

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

With reference to contracts different from those mentioned above, the lease liability, recognised in Item "10. Financial liabilities at amortised cost", is determined by discounting the future lease payments to be due over the lease term at the proper discount rate.

Future lease payments subject to discounting are determined based on contractual provisions and net of VAT, when applicable, as the obligation to pay this tax starts when the invoice is issued by the lessor and not at the starting date of the lease contract.

In addition, if the lease payments foreseen by the contracts include additional services beside the mere rental of the asset, the right of use and the associated lease liability are calculated considering also these components.

To perform the mentioned calculation, lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The key assumption followed to calculate this rate is that the lessee incurs a loan, senior secured, having the same maturity of the lease contract in order to acquire the assets underlying the contract itself. The resulting rate, where necessary, is adjusted in order to consider the specific features of the lease contract.

In order to determine the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset taking also into account potential renewal options if the lessee is reasonably certain to renew.

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

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

Subsequent to the initial recognition, interests accrue on the lease liability at the interest rate implicit in the contract and are recognised in item "20. Interest expenses and similar charges".

The amount of the lease liability is reassessed in case of changes in the lease term, also arising from a change in the assessment of an option to purchase the leased asset, or in the lease payments, either coming from a change in an index or rate used to determine these payments or as a result of the amount expected to be payable under a residual value guarantees.

In these cases, the carrying value of the lease liability is calculated by discounting lease payments over the lease term using the original or a revised discount rate as applicable.

Changes in the amount of the lease liability resulting from the reassessment are recognised as an adjustment of the right of use.

In case of modification of a lease contracts, the lessee recognises an additional separate lease if the modification increases the scope of the lease adding to the right of use one or more assets and the consideration to be paid for such increase is commensurate with the stand-alone price of the increase.

For other types of modifications the lease liability is recalculated by discounting the lease payments for the revised lease term using a revised discount rate.



## Part A - Accounting policies

Changes in the Lease liabilities also adjust the carrying value of the corresponding right of use with the exception of gains/losses relating to the partial or full termination of the lease that are recognised in the income statement.

Subsequent to the initial recognition the right of use is depreciated over the lease term and subject to impairment if applicable. Depreciation and impairment, determined using the same criteria used for tangible assets and also considering the actual usage of the leased assets, are recognised in item "210. Net value adjustments/write-backs on property, plant and equipment". The useful life used for calculating the depreciation of leasehold improvements shall not exceed the useful life attributed to the right of use.

### Factoring

Loans acquired in factoring transactions with recourse are recognised to the extent of the advances granted to customers on their consideration. Loans acquired without recourse are recognised as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

### Share-based payments

Equity-settled payments made to employees or other staff in consideration of goods received or services rendered, using equity instruments comprise:

- stock options;
- performance shares (i.e. awarded on attainment of certain objectives);
- restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services rendered against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

This fair value is recognised as cost in profit and loss item "190. Administrative expenses: a) staff costs" offsetting the Shareholders' equity item "150. Reserves", on an accruals basis over the period in which the services are rendered.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in item "80. Other liabilities". The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognised in profit and loss item "190. Administrative expenses: a) staff costs".

### Other long-term employee benefits

Long-term employee benefits e.g. long-service bonuses, paid on reaching a predefined number of years' service are recognised in item "80. Other liabilities" on the basis of the measurement of the liability at the balance sheet date, also in this case determined by an external actuary using the unit credit projection method (see previous paragraph 10 - Provisions for risks and charges). Actuarial gains (losses) on this type of benefit are recognised immediately in the income statement.

### Guarantees and credit derivatives in the same class

Guarantees and credit derivatives in the same class measured under IFRS9 (i.e. contracts under which the issuer make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument) are initially and subsequently (on remeasurement following impairment losses) recognised in item "100. Provisions for risks and charges: a) commitments and guarantees given".

On initial recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued.

After the initial recognition, guarantees given are recognised at the higher of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation.

The effects of valuation, relating to any impairment of the underlying, are recognised in the same balance-sheet item contra item "200. Net provisions for risks and charges: a) commitments and financial guarantees given" in the income statement.

### Offsetting financial assets and liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS32, assessing the fulfillment of the following requirements:

- current legally enforceable right to set off the recognised amounts;
- intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS7, further information have been included in the table of Note to the consolidated accounts, in Part B - Other information.

## Part A - Accounting policies

In these tables, in particular the following information have to be reported:

- balance-sheet values, before and after the accounting offsetting effects, relating to the assets and liabilities which meet the criteria for applying those effects;
- values of the exposures which do not meet the above-mentioned criteria, but are included in Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances (e.g. default events);
- amounts of related collaterals.

### Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at the initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include financing costs or internal administrative or holding costs.

### Recognition of income and expenses

#### Interest income and expenses

Interest income and expenses and similar income and expense items relate to monetary items, i.e. liquidity and debt financial instruments (i) held for trading, (ii) designated at fair value (iii) mandatorily at fair value (iv) at fair value through other comprehensive income (v) at amortised cost and financial liabilities at amortised cost.

Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:

- hedging interest-bearing assets and liabilities;
- HFT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HFT assets and liabilities paying differentials or margins on different maturities.

#### Fees and commissions income and other operating income

Fees and commissions income and other operating income are accounted for in income statement as the entity satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognised in income statement when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognised in income statement in order to reflect the progress of satisfaction of such obligation.

Due to the above mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognised during the term of the contract (input method).

## Part A - Accounting policies

For this second type of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions. If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Group expects to receive.

Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognised will not be significantly reversed.

Note, nevertheless, that for the services provided by the Group such a variability is not usually foreseen.

Finally, if a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in income statement on the basis of the timing of satisfaction of each obligation.

This circumstance, which is not significant, might happen in case of customer loyalty programs that require to provide goods or services for free, or by cashing-in a price not at market condition, if the client reaches a specific volume of fees, or in case of programs to acquire new customers that assign a bonus to the target (in the form of a product or a service) when it becomes a new client.

### Dividends

Dividends are recognised in profit and loss in the financial year in which their distribution has been approved.

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

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

## A.4 - Information on fair value

### Qualitative information

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

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

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

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

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

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).

## Part A - Accounting policies

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

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile. Indeed, these prices/quotations are relevant for determining significant parameters in terms of credit, liquidity and price risk of the instrument being valued.

Reference to these market parameters allows to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified. If, for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations derived from valuation models, the Group employs:

- independent price verifications (IPVs);
- fair value adjustments (FVAs).

Independent price verification requires that the prices are verified at least monthly by Risk Management units that are independent from the units that assume the risk exposure.

This verification calls for comparing and adjusting the price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued.

This valuation can include the possible execution 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>20</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 respectively; Level 3 is applied in case credit spread curves used are significantly unobservable. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.

In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

##### *Structured financial products*

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

##### *Asset Backed Securities*

UniCredit Group valuation process relies on internal policies centred on two pillars

- extension and implementation across all the Group's Legal Entities of an Independent Price Verification (IPV) process suited to the changed market conditions for Structured credit bonds;
- integration of current Fair Value Adjustments Policy.

<sup>20</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.

## Part A - Accounting policies

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

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

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

### *Derivatives*

Fair value of derivatives not traded in an active market is determined using a mark-to-model valuation technique.

Where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts. Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use significant unobservable inputs are referred to as Level 3 valuations.

### *Equity instruments*

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

For equity instruments measured at cost an impairment is given, if the carrying amount exceeds the recoverable amount significantly and/or over a prolonged period of time.

### *Investment funds*

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

### *Real estate funds*

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

### *Other funds*

The Group holds investments also in mutual funds, hedge funds and private equity funds.

Funds are usually assigned to Level 1 when a quoted price is available on an active market.

Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues relating to position write-off.

### *Property, plant and equipment measured at fair value*

The Group owns property, plant and equipment held for investment purposes, which are valued according to the fair value model for Real Estate investments linked to liabilities that generate a return on investments themselves.

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. Given the current portfolio composition, most of the positions are at Level 3.

### **Fair Value Adjustments (FVA)**

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

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 group own credit quality respectively.

## Part A - Accounting policies

UniCredit group 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 31 December 2019, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €141.5 million negative the part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €51 million positive.

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

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

UniCredit group 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.

As at 31 December 2019 the Fair Value Adjustment component (FundVA) reflect into P&L amounts to €160.4 million negative.

### *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 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".

## Part A - Accounting policies

On the other hands, fair value for performing loans to banks and customers is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

### *Property, plant and equipment held for investment purposes*

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

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique.

### *Financial liabilities at amortised cost*

Fair value for debt securities in issue is determined using the discounted cash flow model adjusted for UniCredit group 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 group credit risk.

The Credit Spread is determined using UCG's senior and subordinated risk curves.

### **Description of the valuation techniques**

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

#### *Option Pricing Model*

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

#### *Discounted cash flow*

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

#### *Hazard Rate Model*

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

#### *Market Approach*

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

#### *Gordon Growth Model*

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

#### *Dividend Discount Model*

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



## Part A - Accounting policies

### *Adjusted NAV*

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

### **Description of the inputs used to measure the fair value of items categorised in Level 2 and 3**

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

#### *Volatility*

Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.

There are different types of volatility:

- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices.

#### *Correlation*

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

## Part A - Accounting policies

### *Loss Given Default (LGD)/Recovery Rate*

LGD also known as loss severity (the inverse concept is the recovery rate) represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relating to the outstanding balance. An increase in the loss severity, in isolation, would result in a decrease in a fair value measure. Loss given default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination.

### *Price*

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

### *Prepayment Rate (PR)*

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

### *Probability of Default (PD)*

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

### *Early conversion*

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

### *EBITDA*

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

### *Ke*

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

### *Growth rate*

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

## Part A - Accounting policies

### Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorised as Level 3

The following table shows the relevant unobservable parameters for the valuation of financial instruments classified at fair value level 3 according to the IFRS13 definition.

							(€ million)					
PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	UNCERTAINTY RANGES						
Derivatives	Financial	Equity & Commodities	151.29	299.99	Option Pricing Model	Volatility	2%	11%				
						Correlation	2%	20%				
					Option Pricing Model/ Discounted Cash Flows	Dividends Yield	0%	20%				
		Foreign Exchange	58.38	38.91	Option Pricing Model	Volatility	0%	7%				
					Discounted Cash Flows	Interest rate (bps)	0.3	37.6				
		Interest Rate	248.47	129.75	Discounted Cash Flows	Swap Rate (bps)	0.3	37.6				
						Inflation Swap Rate (bps)	2.9	6.3				
					Option Pricing Model	Inflation Volatility	0%	2%				
						Interest Rate Volatility	2%	35%				
						Correlation	0%	20%				
		Credit	2.71	6.51	Hazard Rate Model	Credit Spread (bps)	1.3	329.3				
						Recovery rate	0%	5%				
						Debt Securities and Loans	Corporate/ Government/Other	1,947.53	811.73	Market Approach	Credit Spread (bps)	0.7
	Mortgage & Asset Backed Securities										1,510.50	-
		LGD	0%	28%								
		Default Rate	0%	1%								
	Prepayment Rate	0%	9%									
Equity Securities	Unlisted Equity & Holdings	1,241.61	-	Market Approach	Price (% of used value)	0%	37%					
				Gordon Growth Model	Ke	7%	16%					
					Growth Rate	2%	3%					
Units in Investment Funds	Real Estate & Other Funds	1,074.50	-	Adjusted Nav		1%	11%					

#### A.4.2 Valuations processes and sensitivities

The Group verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as *discounted cash flow* and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.

When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and *benchmarking*. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the *bid/ask* spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily *mark-to-market* or *mark-to-model* valuation, the *Independent Price Verification* (IPV) is applied by from *Market Risk* function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.

## Part A - Accounting policies

### **Fair value sensitivity to variations in unobservable input used in the fair value computation for instruments categorised as Level 3**

The sensitivities to change in the unobservable parameter for the different financial instrument categories of level 3 valued at fair value are presented in the table below where: for derivatives on equities, commodities and foreign exchanges is shown the change in value for a 1% shift of underlying volatility; for interest rate derivatives is indicated the change in value for a 1 basis point shift of underlying curves; for credit derivatives is reported either the change in value to a 1 basis point shift of credit spread or the CVA impact of a 5% shift of the recovery rate, for debt securities is presented the change in value to a 1 basis point shift in credit spread, for equities is shown the change in value to a 1% shift in the underlying, for CIU quotes is indicated the change in value to a 1% shift in NAV.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE MOVEMENTS	
<b>Derivatives</b>	Financial	Equities & Commodities	+/- 18.59
		Foreign Exchange	+/- 0.02
		Interest Rate	+/- 0.13
			+/- 11.52
	Credit		
<b>Debt Securities and Loans</b>		Corporate/Government/Other	+/- 0.46
		Mortgage & Asset Backed Securities	+/- 0.47
<b>Equity Securities</b>		Unlisted Equity & Holdings	+/- 12.45
<b>Units in Investment Funds</b>		Real Estate & Other Funds	+/- 0.26

Within the unlisted Level 3 Units in Investment Funds, measured using a model, the shares in Atlante and Italian Recovery Fund, former Atlante II, (€352 million at 31 December 2019) are classified and, within Equity Securities, the investments in the Voluntary Scheme (as at 31 December 2019 equal to €16,3 million). For further information, refer to Part B - Section 2 - Financial assets at fair value through profit or loss: c) other financial assets mandatorily at fair value.

Amongst the financial instruments subject of valuation methods and sensitivity analysis, there are also included ABS issued by securitisation vehicles as per Italian law 130/99 where the Bank is both originator and underwriter of some issues and quotes of open investment funds acquired through credit disposal.

#### **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).

## Part A - Accounting policies

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

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

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

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

### ***Transfers between hierarchy levels***

The main drivers to transfers in and out the fair value levels (both between L1 and L2 and in/out L3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.

Quantitative and qualitative details about transfers between fair value levels occurred in the period is presented in Part A.4.5 - Fair Value Hierarchy.

### **A.4.4 Other information**

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

## Part A - Accounting policies

### Quantitative information

#### A.4.5 Fair value hierarchy

The following tables show the portfolios breakdown in terms of (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 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	30,864	47,005	4,011	32,823	48,509	4,805
a) Financial assets held for trading	23,040	39,034	1,206	25,215	37,940	2,076
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	7,824	7,971	2,805	7,608	10,569	2,729
2. Financial assets at fair value through other comprehensive income	64,341	13,124	2,237	76,844	10,392	1,044
3. Hedging derivatives	146	5,785	3	99	4,579	4
4. Property, plant and equipment	-	-	5,983	-	-	1,413
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>95,351</b>	<b>65,914</b>	<b>12,234</b>	<b>109,766</b>	<b>63,480</b>	<b>7,266</b>
1. Financial liabilities held for trading	11,937	28,740	806	13,515	28,236	1,360
2. Financial liabilities designated at fair value	-	9,197	481	427	8,664	227
3. Hedging derivatives	166	7,020	-	100	5,907	25
<b>Total</b>	<b>12,103</b>	<b>44,957</b>	<b>1,287</b>	<b>14,042</b>	<b>42,807</b>	<b>1,612</b>

The item "1. c) Financial assets mandatorily at fair value" at Level 3 as at 31 December 2019 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €352 million) and in "Schema Volontario" (carrying value €16 million).

Since no market valuations or prices of comparable securities are available for "Schema Volontario", at 31 December 2019 the fair value of such instrument was determined using internal models (Discounted Cash Flow and Market Multiples) also having as reference the valuation of the financial assets of the "Schema Volontario" (supported by the advisor in charge) contained in the Rendiconto 2019 of the "Schema Volontario" itself, while concerning Atlante and Italian Recovery Fund, former Atlante II, the Fair Value was determined having as reference the valuation of the financial assets provided from the fund itself, supplemented, if appropriate, using internal models (Discounted Cash Flow and Market Multiples). See Part B - Section 2.5 - Financial assets mandatorily at fair value income for further information.

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

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

- from Level 1 to Level 2 owing to a worsening of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €653 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 or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €2,230 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for approximately €2,051 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designed at fair value) for approximately €2 million.

## Part A - Accounting policies

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

(€ million)

	CHANGES IN 2019						
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT
	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			
1. Opening balances	4,806	2,077	-	2,729	1,043	4	1,413
2. Increases	1,997	743	-	1,254	1,437	5	5,623
2.1 Purchases	1,195	397	-	798	1,268	-	94
2.2 Profits recognised in	485	263	-	222	95	-	2,398
2.2.1 Income statement	485	263	-	222	2	-	147
- of which unrealised gains	201	65	-	136	-	-	26
2.2.2 Equity	X	X	X	X	93	-	2,251
2.3 Transfers from other levels	59	20	-	39	-	-	-
2.4 Other increases	258	63	-	195	74	5	3,131
3. Decreases	2,792	1,614	-	1,178	243	6	1,053
3.1 Sales	914	854	-	60	17	-	58
3.2 Redemptions	612	-	-	612	52	-	-
3.3 Losses recognised in	664	518	-	146	131	1	451
3.3.1 Income statement	664	518	-	146	27	1	415
- of which unrealised losses	263	202	-	61	-	-	141
3.3.2 Equity	X	X	X	X	104	-	36
3.4 Transfers to other levels	554	226	-	328	-	4	-
3.5 Other decreases	48	16	-	32	43	1	544
of which: business combinations	-	-	-	-	-	-	-
4. Closing balances	4,011	1,206	-	2,805	2,237	3	5,983

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

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

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

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



## Part A - Accounting policies

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

(€ million)

	CHANGES IN 2019		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>1,360</b>	<b>226</b>	<b>25</b>
<b>2. Increases</b>	<b>914</b>	<b>620</b>	<b>25</b>
2.1 Issuance	517	485	-
2.2 Losses recognised in	313	34	-
2.2.1 Income statement	313	13	-
- of which unrealised losses	101	5	-
2.2.2 Equity	X	21	-
2.3 Transfers from other levels	48	97	-
2.4 Other increases	36	4	25
<b>3. Decreases</b>	<b>1,468</b>	<b>365</b>	<b>50</b>
3.1 Redemptions	791	9	-
3.2 Purchases	24	197	-
3.3 Profits recognised in	273	26	16
3.3.1 Income statement	273	6	16
- of which unrealised gains	156	6	-
3.3.2 Equity	X	20	-
3.4 Transfers to other levels	352	127	12
3.5 Other decreases	28	6	22
of which: business combinations	-	-	-
<b>4. Closing balances</b>	<b>806</b>	<b>481</b>	<b>-</b>

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

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

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

## A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

(€ million)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at amortised cost	626,463	35,334	247,226	353,830	579,311	30,468	204,524	350,140
2. Property, plant and equipment held for investment	324	-	-	324	524	-	-	524
3. Non-current assets and disposal groups classified as held for sale	2,512	-	1,143	177	2,241	9	478	883
<b>Total</b>	<b>629,299</b>	<b>35,334</b>	<b>248,369</b>	<b>354,331</b>	<b>582,076</b>	<b>30,477</b>	<b>205,002</b>	<b>351,547</b>
1. Financial liabilities at amortised cost	704,840	45,688	303,979	361,403	686,036	39,645	269,214	379,395
2. Liabilities associated with assets classified as held for sale	725	-	151	44	540	-	-	35
<b>Total</b>	<b>705,565</b>	<b>45,688</b>	<b>304,130</b>	<b>361,447</b>	<b>686,576</b>	<b>39,645</b>	<b>269,214</b>	<b>379,430</b>

The changes occurred between 31 December 2018 and 31 December 2019 in the ratio between fair value and book value for financial assets at amortised cost reflect the enhancement of the methodology and the parameters adopted for the fair value calculation for disclosure and the evolution in the benchmark interest rate, in the risk premium and in the probability of default depending on or deriving from markets trend.

## Part A - Accounting policies

These events together with the evolution of the approach to identify the significance of non-observable inputs have been reflected in fair value hierarchy level distribution.

The book value of items "3. Non-current assets and disposal groups classified as held for sale" (Assets) and "2. Liabilities associated with assets classified as held for sale" (Liabilities) includes amounts referred to assets and liabilities measured on Balance Sheet on the basis of their cost, respectively for €1,192 million and €530 million. For further details on these two sub-items see Part B - Section 12 - table 12.1.

### A.5 - Information on "day one profit/loss"

The value at which financial instruments are recognised is equal to their fair value on the same date.

The fair value of financial instruments, different from those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading (see Sections 1.a) and 12 of Part A.2 above) and instruments designated at fair value (see Sections 1.b) and 13 of Part A.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

The use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk ensure that the amount recognised in the income statement is not derived from the use of valuation parameters that cannot be observed.

More specifically, the calculation of fair value adjustments to reflect model risk ensures that the fair value portion of these instruments relating to the use of subjective parameters is not recognised in the profit and loss account, but changes the balance sheet value of these instruments.

The presence of further "day one profit" leads to the recognition of a distinct asset component that is the object of linear competition.

Recognition of these portions in the profit and loss account is then made only when objective parameters are applied and therefore the adjustments are derecognised.

The overall fair value adjustments to reflect these adjustments (amount not recognised in the Income Statement) amounts to +€52 million at 31 December 2019 (+€45 million in 2018).

## Part B - Consolidated balance sheet - Assets

### Assets

#### Section 1 - Cash and cash balances - Item 10

##### 1.1 Cash and cash balances: breakdown

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
a) Cash	9,163	9,006
b) Demand deposits with Central Banks	8,142	21,985
<b>Total</b>	<b>17,305</b>	<b>30,991</b>

(€ million)

#### 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	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial assets (non-derivatives)</b>						
<b>1. Debt securities</b>	<b>11,034</b>	<b>2,643</b>	<b>713</b>	<b>12,375</b>	<b>2,553</b>	<b>651</b>
1.1 Structured securities	1	1,752	-	85	1,585	1
1.2 Other debt securities	11,033	891	713	12,290	968	650
<b>2. Equity instruments</b>	<b>5,618</b>	<b>15</b>	<b>-</b>	<b>7,490</b>	<b>27</b>	<b>1</b>
<b>3. Units in investment funds</b>	<b>1,568</b>	<b>1,177</b>	<b>35</b>	<b>1,340</b>	<b>486</b>	<b>47</b>
<b>4. Loans</b>	<b>2,346</b>	<b>3,780</b>	<b>-</b>	<b>1,759</b>	<b>6,311</b>	<b>39</b>
4.1 Reverse Repos	-	1,469	-	-	2,659	-
4.2 Other	2,346	2,311	-	1,759	3,652	39
<b>Total (A)</b>	<b>20,566</b>	<b>7,615</b>	<b>748</b>	<b>22,964</b>	<b>9,377</b>	<b>738</b>
<b>B. Derivative instruments</b>						
<b>1. Financial derivatives</b>	<b>2,470</b>	<b>31,355</b>	<b>429</b>	<b>2,237</b>	<b>28,376</b>	<b>1,328</b>
1.1 Trading	2,470	31,289	429	2,237	27,016	1,326
1.2 Linked to fair value option	-	32	-	-	35	-
1.3 Other	-	34	-	-	1,325	2
<b>2. Credit derivatives</b>	<b>4</b>	<b>64</b>	<b>29</b>	<b>14</b>	<b>187</b>	<b>10</b>
2.1 Trading	4	64	29	14	185	10
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	2	-
<b>Total (B)</b>	<b>2,474</b>	<b>31,419</b>	<b>458</b>	<b>2,251</b>	<b>28,563</b>	<b>1,338</b>
<b>Total (A+B)</b>	<b>23,040</b>	<b>39,034</b>	<b>1,206</b>	<b>25,215</b>	<b>37,940</b>	<b>2,076</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>63,280</b>			<b>65,231</b>		

(€ million)

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

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

The offset effect as at 31 December 2019, already included in the net presentation of these transactions, totaled €25,101 million (€13,533 million as at 31 December 2018).

Item "1. Debt securities" includes securities related to securitisation transactions shown in the following table.

## Part B - Consolidated balance sheet - Assets

## Exposures to securities related to Securitisation transactions

(€ million)

TRANCHING	AMOUNTS AS AT 12.31.2019
Senior	73
Mezzanine	-
Junior	-
<b>Total</b>	<b>73</b>

## 2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>A. Financial assets (non-derivatives)</b>		
<b>1. Debt securities</b>	<b>14,390</b>	<b>15,579</b>
a) Central Banks	-	-
b) Governments and other Public Sector Entities	8,914	9,841
c) Banks	2,629	3,201
d) Other financial companies	1,935	1,512
<i>of which: insurance companies</i>	4	11
e) Non-financial companies	912	1,025
<b>2. Equity instruments</b>	<b>5,633</b>	<b>7,518</b>
a) Banks	620	707
b) Other financial companies	370	507
<i>of which: insurance companies</i>	156	279
c) Non-financial companies	4,643	6,304
d) Other issuers	-	-
<b>3. Units in investment funds</b>	<b>2,780</b>	<b>1,873</b>
<b>4. Loans</b>	<b>6,126</b>	<b>8,109</b>
a) Central Banks	50	590
b) Governments and other Public Sector Entities	2,047	1,485
c) Banks	153	536
d) Other financial companies	1,308	1,505
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	2,568	3,993
f) Households	-	-
<b>Total A</b>	<b>28,929</b>	<b>33,079</b>
<b>B. Derivative instruments</b>		
a) Central counterparties	2,724	2,220
d) Other	31,627	29,932
<b>Total B</b>	<b>34,351</b>	<b>32,152</b>
<b>Total (A+B)</b>	<b>63,280</b>	<b>65,231</b>

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

No data to be disclosed.

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 of the Notes to the consolidated accounts.

## 2.4 Financial assets designated at fair value: breakdown by borrowers/issuers

No data to be disclosed.

## Part B - Consolidated balance sheet - Assets

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>7,719</b>	<b>5,971</b>	<b>259</b>	<b>7,154</b>	<b>8,762</b>	<b>640</b>
1.1 Structured securities	-	-	-	-	5	29
1.2 Other debt securities	7,719	5,971	259	7,154	8,757	611
<b>2. Equity instruments</b>	<b>76</b>	<b>16</b>	<b>450</b>	<b>417</b>	<b>44</b>	<b>398</b>
<b>3. Units in investment funds</b>	<b>29</b>	<b>51</b>	<b>1,055</b>	<b>37</b>	<b>30</b>	<b>903</b>
<b>4. Loans</b>	<b>-</b>	<b>1,933</b>	<b>1,041</b>	<b>-</b>	<b>1,733</b>	<b>788</b>
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,933	1,041	-	1,733	788
<b>Total</b>	<b>7,824</b>	<b>7,971</b>	<b>2,805</b>	<b>7,608</b>	<b>10,569</b>	<b>2,729</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>18,600</b>			<b>20,906</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 in FINO Project's Mezzanine and Junior Notes with a value of €51 million as at 31 December 2019 and Mezzanine and Junior bonds of Prisma securitisation for €3 million.

The item "2. Equity instruments" includes the investment in a "Schema Volontario" (presented among Level 3 instruments) with a value of about €16 million. In 2018 the item included also the residual shares of Bank Pekao S.A. with a value of €416 million, reclassified into such category after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. (with subsequent loss of control) occurred in first half of 2017 and the IFRS9 adoption starting from 2018.

The item "3. Units in investment funds" includes the investments in Atlante and Italian Recovery Fund, former Atlante II, presented among Level 3 instruments, with a value of €352 million as at 31 December 2019.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input.

For further information see Part A - Accounting Policies - A.4 Information on fair value of the notes to the consolidated accounts.

## Exposures to securities related to Securitisation transactions

(€ million)

TRANCHING	AMOUNTS AS AT 12.31.2019
Senior	17
Mezzanine	86
Junior	63
<b>Total</b>	<b>166</b>

## Information about the units of Atlante Fund and Italian Recovery Fund

Refer to Part B Balance sheet - Assets - Section 2 Financial assets at fair value through profit and loss - Item 20 - Information about the units of Atlante Fund and Italian Recovery Fund of the Company financial statements' Notes to the accounts that here are intended as completely reported.

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

Following FincoBank S.p.A. exit from UniCredit group occurred in May 2019, the disclosure of participation in "Schema Volontario" at 31 December 2019 only referred to UniCredit S.p.A.

Refer to Part B Balance sheet - Assets - Section 2 Financial assets at fair value through profit and loss - Item 20 - Information about investment in the Schema Volontario of the Company financial statements' Notes to the accounts that here are intended as completely reported.

## Part B - Consolidated balance sheet - Assets

## 2.6 Other Financial assets mandatorily at fair value: breakdown by borrowers/issuers

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Equity instruments</b>	<b>542</b>	<b>859</b>
of which: banks	23	440
of which: other financial companies	308	317
of which: non-financial companies	210	102
<b>2. Debt securities</b>	<b>13,949</b>	<b>16,556</b>
a) Central banks	3	-
b) Governments and other Public Sector Entities	8,221	10,547
c) Banks	5,008	4,862
d) Other financial companies	656	1,018
of which: insurance companies	58	419
e) Non-financial companies	61	129
<b>3. Units in investment funds</b>	<b>1,135</b>	<b>970</b>
<b>4. Loans and advances</b>	<b>2,974</b>	<b>2,521</b>
a) Central banks	-	-
b) Governments and other Public Sector Entities	1,130	994
c) Banks	45	47
d) Other financial companies	495	3
of which: insurance companies	-	-
e) Non-financial companies	923	1,039
f) Households	381	438
<b>Total</b>	<b>18,600</b>	<b>20,906</b>

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

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>64,340</b>	<b>12,164</b>	<b>1,445</b>	<b>76,843</b>	<b>9,337</b>	<b>269</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	64,340	12,164	1,445	76,843	9,337	269
<b>2. Equity instruments</b>	<b>1</b>	<b>960</b>	<b>792</b>	<b>1</b>	<b>1,055</b>	<b>775</b>
<b>3. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>64,341</b>	<b>13,124</b>	<b>2,237</b>	<b>76,844</b>	<b>10,392</b>	<b>1,044</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>79,702</b>			<b>88,280</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 of the Notes to the consolidated accounts.

The Item "1. Debt Securities" includes investments FINO Project's in instrument Senior and in one part of instrument Mezzanine notes with a value of €164 million and Senior bonds of Prisma securitisation for €1,215 million.

The Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among Level 2 instruments), with a value of €913 million and (ii) ABH Holding SA investments (presented among Level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsothbank to Alfa Group, with a value of €316 million at 31 December 2019.

## Part B - Consolidated balance sheet - Assets

## Exposures to securities related to Securitisation transactions

(€ million)

TRANCHING	AMOUNTS AS AT 12.31.2019
Senior	1,366
Mezzanine	13
Junior	-
<b>Total</b>	<b>1,379</b>

## Information about the shareholding in Banca d'Italia

Reference is made to the paragraph "Information about the shareholding in Banca d'Italia" - Part B - Balance sheet - Assets - Section 3 - Financial assets at fair value through other comprehensive income of the parent company UniCredit S.p.A.'s Notes to the accounts, which is herewith quoted entirely.

## 3.2 Financial assets at fair value through other comprehensive income: breakdown by borrowers/issuers

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Debt securities</b>	<b>77,949</b>	<b>86,449</b>
a) Central Banks	1,366	-
b) Governments and other Public Sector Entities	62,692	78,170
c) Banks	10,098	5,830
d) Other financial companies	2,267	792
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	1,526	1,657
<b>2. Equity instruments</b>	<b>1,753</b>	<b>1,831</b>
a) Banks	1,000	1,116
b) Other issuers	753	715
- Other financial companies	546	519
<i>of which: insurance companies</i>	24	20
- Non-financial companies	205	194
- Other	2	2
<b>3. Loans and advances</b>	<b>-</b>	<b>-</b>
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>79,702</b>	<b>88,280</b>

The item "2. Equity instruments a) Banks" includes Banca d'Italia stake with a value of €913 million.

## 3.3 Financial assets at fair value through other comprehensive income: gross value and total accumulated impairments

(€ million)

		GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			(€ million)
		STAGE 1	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	PARTIAL ACCUMULATED WRITE-OFFS <sup>(1)</sup>
Debt securities		77,592	75,306	403	-	41	5	-	-
Loans and advances		-	-	-	-	-	-	-	-
Total	12.31.2019	77,592	75,306	403	-	41	5	-	-
of which: purchased or originated credit-impaired financial assets									
		-	-	-	-	-	-	-	-
Total	12.31.2018	86,054	66,031	436	-	33	8	-	-
of which: purchased or originated credit-impaired financial assets									
		X	X	-	-	X	-	-	-

Note:

(\*) Value shown for information purposes.



## Part B - Consolidated balance sheet - Assets

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

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019						AMOUNTS AS AT 12.31.2018					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans and advances to Central Banks</b>	<b>46,583</b>	-	-	-	9,185	37,268	<b>19,274</b>	-	-	-	804	18,490
1. Time deposits	835	-	-	X	X	X	120	-	-	X	X	X
2. Compulsory reserves	37,363	-	-	X	X	X	10,877	-	-	X	X	X
3. Reverse repos	7,471	-	-	X	X	X	7,741	-	-	X	X	X
4. Other	914	-	-	X	X	X	536	-	-	X	X	X
<b>B. Loans and advances to banks</b>	<b>55,086</b>	-	-	<b>2,148</b>	<b>43,936</b>	<b>8,931</b>	<b>54,369</b>	-	-	<b>1,983</b>	<b>42,752</b>	<b>10,012</b>
1. Loans	51,262	-	-	16	42,168	8,922	50,529	-	-	123	40,588	10,003
1.1 Current accounts and demand deposits	13,539	-	-	X	X	X	11,669	-	-	X	X	X
1.2 Time deposits	9,091	-	-	X	X	X	8,741	-	-	X	X	X
1.3 Other loans	28,632	-	-	X	X	X	30,119	-	-	X	X	X
- Reverse repos	22,799	-	-	X	X	X	22,869	-	-	X	X	X
- Lease Loans	3	-	-	X	X	X	1	-	-	X	X	X
- Other	5,830	-	-	X	X	X	7,249	-	-	X	X	X
2. Debt securities	3,824	-	-	2,132	1,768	9	3,840	-	-	1,860	2,164	9
2.1 Structured	1	-	-	-	-	-	2	-	-	-	-	-
2.2 Other	3,823	-	-	2,132	1,768	9	3,838	-	-	1,860	2,164	9
<b>Total</b>	<b>101,669</b>	-	-	<b>2,148</b>	<b>53,121</b>	<b>46,199</b>	<b>73,643</b>	-	-	<b>1,983</b>	<b>43,556</b>	<b>28,502</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>101,468</b>						<b>74,041</b>					

Increase in item "A. Loans and advance to Central Banks" is mostly due to the Compulsory Reserve held toward Central Bank as result of the need to minimise the effects of negative interest rate.

Loans and advances to banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the observability of the inputs used in the measurements. For further information see Part A - Accounting Policies - A.4 Information on fair value of the Notes to the consolidated accounts.

This table do not include security lending transactions collateralized by securities or not collateralized. These transactions were classified under "off-balance sheet" exposures of table A.1.4 of Part E - Section 2.1 - Risks of the prudential consolidated perimeter - Quantitative information - A. Credit Quality. See also the section "Other Information" of Part B of these Consolidated notes to the accounts.

## Part B - Consolidated balance sheet - Assets

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019						AMOUNTS AS AT 12.31.2018					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Loans</b>	<b>470,947</b>	<b>8,754</b>	<b>18</b>	<b>156</b>	<b>182,040</b>	<b>306,539</b>	<b>454,500</b>	<b>14,865</b>	<b>17</b>	<b>182</b>	<b>152,256</b>	<b>320,590</b>
1.1 Current accounts	31,857	1,073	5	X	X	X	32,763	1,555	8	X	X	X
1.2 Reverse repos	58,222	-	-	X	X	X	38,263	-	-	X	X	X
1.3 Mortgages	166,004	3,099	4	X	X	X	162,155	5,890	7	X	X	X
1.4 Credit cards and personal loans, including wage assignment	17,824	307	-	X	X	X	17,653	281	-	X	X	X
1.5 Lease loans	17,314	1,320	-	X	X	X	18,453	2,275	-	X	X	X
1.6 Factoring	13,554	176	-	X	X	X	14,001	188	-	X	X	X
1.7 Other loans	166,172	2,779	9	X	X	X	171,212	4,676	2	X	X	X
<b>2. Debt securities</b>	<b>45,054</b>	<b>39</b>	<b>-</b>	<b>33,030</b>	<b>12,065</b>	<b>1,092</b>	<b>36,258</b>	<b>45</b>	<b>-</b>	<b>28,303</b>	<b>8,712</b>	<b>1,048</b>
2.1 Structured securities	19	-	-	13	-	7	21	-	-	13	-	9
2.2 Other debt securities	45,035	39	-	33,017	12,065	1,085	36,237	45	-	28,290	8,712	1,039
<b>Total</b>	<b>516,001</b>	<b>8,793</b>	<b>18</b>	<b>33,186</b>	<b>194,105</b>	<b>307,631</b>	<b>490,758</b>	<b>14,910</b>	<b>17</b>	<b>28,485</b>	<b>160,968</b>	<b>321,638</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>534,922</b>						<b>511,091</b>		

The column "of which: purchased or originated credit-impaired financial assets" includes impaired loans purchased as part of transactions other than business combinations.

The sub-items "1.2. Reverse repos" and "1.7 Other loans" do not include security lending transactions collateralized by securities or not collateralized. These transactions were classified under "off-balance sheet" exposures of table A.1.5 of Part E - Section 2.1 - Risks of the prudential consolidated perimeter - Quantitative information - A. Credit Quality. See also the section "Other Information" of Part B.

The sub-item "1.7 Other loans" includes:

- €7,321 million for trade receivables;
- €31,926 million for other non-current account loans;
- €23,822 million for pooled transactions;
- €17,818 million advances to customers for import/export;
- €16,223 million for loans with amortised plan.

The increase in item 2. Debt securities - 2.2. Other debt securities is mainly due to the adoption, from second half of 2018, of a business model held to collect for new purchases of Italian Government securities that have been consequently classified in item 40. Financial assets at amortized cost. It should be noted that during the period the sales performed financial assets classified in item "40. Financial assets at amortised cost" have been non significant being below the threshold established internally.

Loans to customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the observability of the inputs used in the measurements. For further information see Part A - Accounting Policies - A.4 Information on fair value of the Notes to the consolidated accounts.

The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as Level 3 in the fair value hierarchy.

The fair value of impaired loans was estimated by considering that the realizable value expressed by the net book value is the best estimate of the future expected cash flows discounted at the valuation date, further adjusted to incorporate, when available, a premium derived from significant market's transaction for similar instruments. According to this assumption, impaired loans were classified as Level 3 in the fair value hierarchy.

## Part B - Consolidated balance sheet - Assets

It should be noted that the decreases in loans and advances to customers impaired (Stage 3) is mainly attributable to the disposal transactions (among which Prisma transaction) performed during the period and the strengthening of the rundown of the Non Core perimeter. With regard to the latter, it should be noted that, in line with the bases underlying the 2020-2023 Strategic Plan, in December 2019 the Boards of Directors of UniCredit S.p.A. and of the subsidiary UniCredit Leasing S.p.A. took important decisions by introducing a series of management initiatives and actions for the implementation and strengthening of the rundown strategy of the Non Core perimeter, with the aim of ensuring the complete runoff of the related credit exposures within the year 2021. This change led, at 31 December 2019, to a change in the parameters used to estimate the recovery values of credit exposures to customers, which, pursuant to IAS8, qualifies as "change in accounting estimate", since the measurement basis of the loans has not been modified.

Detailed information on the effects of this change is provided as required by IAS8 in Part E - Information on risks and hedging policies - Section 1 - Credit risk, under the table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values).

For further details see also the Consolidated report on operations and the chapter "Credit quality" in Part E - Information on risks and hedging policies.

The item "2.2 Other debt securities" include securities related to securitisation transactions shown in the following table.

### Exposures to securities related to Securitisation transactions

(€ million)

TRANCHING	AMOUNTS AS AT 12.31.2019
Senior	8,414
Mezzanine	82
Junior	-
<b>Total</b>	<b>8,496</b>

### 4.3 Financial assets at amortised cost: breakdown by borrowers/issuers of loans and advances to customers

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	STAGE 1 OR STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	STAGE 1 OR STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS
<b>1. Debt securities</b>	<b>45,054</b>	<b>39</b>	<b>-</b>	<b>36,258</b>	<b>45</b>	<b>-</b>
a) Governments and other Public Sector Entities	34,120	-	-	27,620	7	-
b) Other financial companies	9,097	39	-	7,452	38	-
of which: insurance companies	51	-	-	52	-	-
c) Non-financial companies	1,837	-	-	1,186	-	-
<b>2. Loans</b>	<b>470,947</b>	<b>8,754</b>	<b>18</b>	<b>454,500</b>	<b>14,865</b>	<b>17</b>
a) Governments and other Public Sector Entities	20,835	163	-	21,771	260	-
b) Other financial companies	89,878	412	-	70,573	769	-
of which: insurance companies	2,615	3	-	3,131	6	-
c) Non-financial companies	236,152	6,350	13	239,662	10,205	12
d) Households	124,082	1,829	5	122,494	3,631	5
<b>Total</b>	<b>516,001</b>	<b>8,793</b>	<b>18</b>	<b>490,758</b>	<b>14,910</b>	<b>17</b>

### 4.4 Financial assets at amortised cost: gross value and total accumulated impairments

(€ million)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
1. Debt securities	48,339	33,987	570	51	8	22	12	-
2. Loans	527,231	-	44,143	25,154	1,000	1,583	16,400	2,353
<b>Total 12.31.2019</b>	<b>575,570</b>	<b>33,987</b>	<b>44,713</b>	<b>25,205</b>	<b>1,008</b>	<b>1,605</b>	<b>16,412</b>	<b>2,353</b>
of which: purchased or originated credit-impaired financial assets	X	X	19	37	X	-	19	26
<b>Total 12.31.2018</b>	<b>521,631</b>	<b>25,833</b>	<b>45,374</b>	<b>38,163</b>	<b>1,029</b>	<b>1,575</b>	<b>23,253</b>	<b>2,768</b>
of which: purchased or originated credit-impaired financial assets	X	X	22	43	X	-	26	25

Note:

(\*) Value shown for information purposes.

## Part B - Consolidated balance sheet - Assets

## Section 5 - Hedging derivatives - Item 50

## 5.1 Hedging derivatives: breakdown by hedged risk and fair value hierarchy

(€ million)

	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	<b>146</b>	<b>5,785</b>	<b>3</b>	<b>198,909</b>	<b>99</b>	<b>4,579</b>	<b>4</b>	<b>199,826</b>
1) Fair value	146	5,657	3	193,335	99	4,433	4	191,898
2) Cash flows	-	128	-	5,574	-	146	-	7,928
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>146</b>	<b>5,785</b>	<b>3</b>	<b>198,909</b>	<b>99</b>	<b>4,579</b>	<b>4</b>	<b>199,826</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>5,934</b>				<b>4,682</b>			

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the inputs used in the measurement. For further information see Part A - Accounting policies - A.4 Information on fair value of the notes to the consolidated account.

## 5.2 Hedging derivatives: composition for covered portfolios and by type of hedging

(€ million)

(€ million)

TRANSACTIONS/TYPE OF HEDGES	AMOUNTS AS AT 12.31.2019								CASH FLOW		
	FAIR VALUE										
	MICRO-HEDGE								MICRO-HEDGE	MACRO-HEDGE	FOREIGN INVESTMENTS
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHERS	MACRO-HEDGE				
1. Financial assets at fair value through other comprehensive income	7	-	-	-	X	X	X	-	X	X	
2. Financial assets at amortised cost	4	X	-	-	X	X	X	-	X	X	
3. Portfolio	X	X	X	X	X	X	22	X	117	X	
4. Other transactions	-	-	-	-	-	-	X	-	X	-	
<b>Total assets</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>117</b>	<b>-</b>	
1. Financial liabilities	2,550	X	4	-	-	-	X	11	X	X	
2. Portfolio	X	X	X	X	X	X	152	X	-	X	
<b>Total liabilities</b>	<b>2,550</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>11</b>	<b>-</b>	<b>-</b>	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	3 067	X	-	-	

## Part B - Consolidated balance sheet - Assets

## Section 6 - Changes in fair value of portfolio hedged items - Item 60

## 6.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

(€ million)

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Positive changes</b>	<b>5,219</b>	<b>4,304</b>
1.1 Of specific portfolios	1,931	1,396
a) Financial assets at amortised cost	1,931	1,396
b) Financial assets at fair value through other comprehensive income	-	-
1.2 Overall	3,288	2,908
<b>2. Negative changes</b>	<b>1,923</b>	<b>1,865</b>
2.1 Of specific portfolios	724	645
a) Financial assets at amortised cost	724	645
b) Financial assets at fair value through other comprehensive income	-	-
2.2 Overall	1,199	1,220
<b>Total</b>	<b>3,296</b>	<b>2,439</b>

## Section 7 - Equity investments - Item 70

## 7.1 Equity investments: information on shareholders' equity

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (2)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS %(2)
					HELD BY	HOLDING %	
VALUED AT EQUITY METHOD							
A.2 INVESTMENTS IN JOINT VENTURES							
1	FIDES LEASING GMBH Issued capital EUR 36,000	VIENNA	VIENNA	7	2	CALG ANLAGEN LEASING GMBH	50.00
2	HETA BA LEASING SÜED GMBH  Issued capital EUR 36,500	KLAGENFURT	KLAGENFURT	7	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00
3	KOC FINANSAL HIZMETLER AS Issued capital TRY 6,483,066,144	ISTANBUL	ISTANBUL	7	2	UNICREDIT SPA	50.00
4	PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00
5	STICHTING CUSTODY SERVICES YKB Issued capital EUR 125,000	AMSTERDAM	AMSTERDAM	7	2	YAPI KREDİ BANK NEDERLAND N.V.	40.95
6	YAPI KREDİ BANK MALTA LTD. Issued capital EUR 60,000,000	ST. JULIAN'S	ST. JULIAN'S	7	1	KOC FINANSAL HIZMETLER AS	..
7	YAPI KREDİ BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY Issued capital AZN 55,895,904	BAKU	BAKU	7	1	YAPI KREDİ HOLDING BV	40.95
						YAPI KREDİ FINANSAL KIRALAMA AO	0.04
						YAPI KREDİ YATIRIM MENKUL DEGERLER AS	0.04
						YAPI VE KREDİ BANKASI AS	40.87
8	YAPI KREDİ BANK NEDERLAND N.V. Issued capital EUR 48,589,110	AMSTERDAM	AMSTERDAM	7	1	YAPI KREDİ HOLDING BV	13.42
9	YAPI KREDİ DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY Issued capital USD 1,000	GEORGE TOWN	GEORGE TOWN	7	2	YAPI VE KREDİ BANKASI AS	27.53
						YAPI VE KREDİ BANKASI AS	40.95
10	YAPI KREDİ FAKTORING AS  Issued capital TRY 75,183,837	ISTANBUL	ISTANBUL	7	2	ENTERNASYONAL TURİZM YATIRIM A.Ş.	..
						YAPI KREDİ FINANSAL KIRALAMA AO	..
						YAPI VE KREDİ BANKASI AS	40.93
11	YAPI KREDİ FINANSAL KIRALAMA AO Issued capital TRY 389,927,705	ISTANBUL	ISTANBUL	7	2	YAPI VE KREDİ BANKASI AS	40.95
12	YAPI KREDİ HOLDING BV Issued capital EUR 102,000,000	AMSTERDAM	AMSTERDAM	7	2	YAPI VE KREDİ BANKASI AS	40.95
13	YAPI KREDİ PORTFOEY YOENETİMİ AS  Issued capital TRY 8,510,688	ISTANBUL	ISTANBUL	7	2	YAPI KREDİ YATIRIM MENKUL DEGERLER AS	35.76
						YAPI VE KREDİ BANKASI AS	5.18
14	YAPI KREDİ YATIRIM MENKUL DEGERLER AS  Issued capital TRY 197,682,787	ISTANBUL	ISTANBUL	7	2	YAPI KREDİ FINANSAL KIRALAMA AO	..
						YAPI VE KREDİ BANKASI AS	40.94

## Part B - Consolidated balance sheet - Assets

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (2)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
					HELD BY	HOLDING %	
15 YAPI VE KREDİ BANKASI AS Issued capital TRY 8,398,165,828	ISTANBUL	ISTANBUL	7	1	KOC FİNANSAL HİZMETLER AS	40.95	
<b>A.3 COMPANIES UNDER SIGNIFICANT INFLUENCE</b>							
16 ADLER FUNDING LLC Issued capital USD 2,142,857	DOVER	NEW YORK	8	5	UNICREDIT BANK AG	32.81	
17 ALLIANZ YASAM VE EMEKLİLİK AS Issued capital TRY 139,037,203	ISTANBUL	ISTANBUL	8	2	YAPI KREDİ FAKTORİNG AS	0.04	
					YAPI KREDİ FİNANSAL KİRALAMA AO	19.93	
					YAPI KREDİ YATIRIM MENKUL DEĞERLER AS	0.04	
					YAPI VE KREDİ BANKASI AS	..	
18 ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM I DOBROVOLJNIM MIROVINSKIM FONDOVIMA Issued capital HRK 105,000,000	ZAGREB	ZAGREB	8	5	ZAGREBACKA BANKA D.D.	49.00	
19 ARWAG HOLDING-AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	8	5	IMMOBILIEN HOLDING GMBH	34.38	
20 ASSET BANCARI II Issued capital EUR 25,050,203	MILAN	MILAN	8	2	UNICREDIT SPA	21.55	
21 AVIVA SPA Issued capital EUR 247,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
22 BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 68,062,500	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.53	40.51
					UNICREDIT BANK AUSTRIA AG	9.85	6.34
23 BANQUE DE COMMERCE ET DE PLACEMENTS SA Issued capital CHF 75,000,000	GENEVA	GENEVA	8	1	YAPI VE KREDİ BANKASI AS	30.67	
24 BARN BV Issued capital EUR 237,890,000	AMSTERDAM	AMSTERDAM	8	2	AO UNICREDIT BANK	40.00	
25 BKS BANK AG Issued capital EUR 85,886,000	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.15	24.16
					UNICREDIT BANK AUSTRIA AG	6.63	6.14
26 CAMFIN S.P.A. Issued capital EUR 1,080,000	MILAN	MILAN	8	5	UNICREDIT SPA	12.70	19.84
27 CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	25.00	
28 CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
29 CNP UNICREDIT VITA S.P.A. Issued capital EUR 381,698,529	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
30 COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 352,940	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	36.59	
31 COMTRADE GROUP B.V. Issued capital EUR 4,522,000	ROTTERDAM	AMSTERDAM	8	5	UNICREDIT BANK AG	21.05	
32 CREDITRAS ASSICURAZIONI SPA Issued capital EUR 52,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
33 CREDITRAS VITA SPA Issued capital EUR 112,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
34 DA VINCI S.R.L. Issued capital EUR 100,000	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	37.50	
35 INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
36 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
37 NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
38 OBERBANK AG Issued capital EUR 105,768,000	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.76	25.97
					UNICREDIT BANK AUSTRIA AG	3.41	1.32
					CABOT-HOLDING GMBH	24.75	
					SCHOELLERBANK AKTIENGESELLSCHAFT	8.26	
39 OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130,000,000	VIENNA	VIENNA	8	1	UNICREDIT BANK AUSTRIA AG	16.14	
					UNICREDIT BANK AUSTRIA AG	29.30	
40 OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 100,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
41 PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	24.00	

## Part B - Consolidated balance sheet - Assets

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (6)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
42 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
43 RISANAMENTO SPA Issued capital EUR 197,951,784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	
44 TORRE SGR S.P.A. Issued capital EUR 3,200,000	ROME	ROME	8	2	UNICREDIT SPA	37.50	
45 UNI GEBAEUEDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
46 WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,550,309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
47 YAPI KREDİ KORAY GAYRİMENKUL YATIRIM ORTAKLIĞI AS Issued capital TRY 40,000,000	ISTANBUL	ISTANBUL	8	2	YAPI VE KREDİ BANKASI AS	30.45	

**Notes:**

- (1) Type of relationship:  
7 = joint control;  
8 = associates.
- (2) Voting rights available at the general meeting. Voting rights are disclosed only if different from the percentage of ownership;
- (3) Company owned by an entity fully consolidated under IFRS10;
- (4) SPV consolidated IFRS11;
- (5) Nature of relationship:  
1= Banks;  
2= Financial entities  
3= Ancillary banking entities services;  
4= Insurance enterprises;  
5= Non-financial enterprises;  
6= Other equity investments.

See Section 3 of Part A - Accounting Policies for a description of the consolidation procedures and scope.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, decreased from 54 as at 31 December 2018 to 47 as at 31 December 2019 due to 7 disposals, changes of the consolidation method and mergers.

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.

The following table shows changes in equity investments in Joint Ventures and in companies under significant influence (consolidated at Net Equity).

**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>54</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>7</b>
C.1 Disposal/Liquidation	5
C.2 Change of the consolidation method	2
C.3 Absorption by other entities	-
C.4 Other changes	-
<b>D. Closing balance</b>	<b>47</b>

**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.



## Part B - Consolidated balance sheet - Assets

### Reductions

#### Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
OESTERREICHISCHE HOTEL - UND TOURISMUSBANK GESELLSCHAFT M.B.H.	VIENNA
NAUTILUS TANKERS LIMITED	LA VALLETTA
MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA	MILAN

COMPANY NAME	MAIN OFFICE
SWANCAP PARTNERS GMBH	MUNICH
PURGE GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. IN LIQ.	VIENNA

#### Change of the consolidation method

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

COMPANY NAME	MAIN OFFICE
PAYDIREKT BETEILIGUNGSGESELLSCHAFT PRIVATER BANKEN MBH	BERLIN

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

COMPANY NAME	MAIN OFFICE
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM I DOBROVOLJNIM MIROVINSKIM FONDOVIMA (ex. ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM MIROVINSKIM FONDOM)	ZAGREB

The following table shows the breakdown of item "70.Equity investments", reporting the adopted accounting method, held either directly or through consolidated subsidiaries.

	NUMBER OF ENTITY	CARRYING VALUE
		(€ million)
Joint ventures accounted for under equity method	14	1,003
Associates accounted for under equity method	31	3,698
Entities controlled either directly or through consolidated subsidiaries held at cost	196	81
Joint Venture held either directly or through consolidated subsidiaries held at cost	8	-
Associates held either directly or through consolidated subsidiaries held at cost	14	5
<b>Total</b>	<b>263</b>	<b>4,787</b>

### Reduction of UniCredit stake in Yapi Kredi Bank below 32%

On 30 November 2019, UniCredit S.p.A. and Koç Group entered into a set of agreements related to certain shares transfers (as better described below) and to the termination of the existing shareholders agreement related to Koç Finansal Hizmetleri A.Ş. ("KFS"), the Turkish joint venture vehicle through which Koç Group and UniCredit have run a commercial banking operation in Turkey since 2002 and which currently owns a controlling stake in Yapı ve Kredi Bankası A.Ş. ("YKB"), listed on the Istanbul Stock Exchange.

In particular, the agreements envisage that upon completion of the transaction, which is subject to regulatory approvals:

- Koç Group will acquire UniCredit's entire 50% shareholding in KFS, thereby becoming the sole owner of KFS,
- KFS will simultaneously sell 31.93% and 9.02% stakes in YKB to UniCredit and Koç Holding A.Ş. ("Koç Holding"), respectively, and
- simultaneously, the shareholders agreement related to KFS will be terminated.

As a result, at closing of transaction, UniCredit will own a direct 31.93% stake in YKB, reducing the current participation by 9.02% (from an indirect 40.95% stake, to a direct 31.93% stake) also losing Joint Control on YKB but keeping significant influence.

The completion of the transaction is subject to regulatory approvals in all relevant jurisdictions and is expected to take place in the first half 2020.

In consolidated financial statements as of 31 December 2019 the 9.02% stake in YKB has been reclassified in item "120. Non current assets and disposal groups classified as held for sale", as, at the same date, disposal is highly probable.

## Part B - Consolidated balance sheet - Assets

The classification in item "120. Non current assets and disposal groups classified as held for sale" of 9.02% stake in YKB, rather than the full 50% of the stake directly held in KFS stems from:

- IAS28 which requires that the change from joint control to significance influence shall be accounted for by derecognizing the pro-rata share of the net equity (i.e. 9.02%), corresponding to the investment being sold without re-measuring at fair value the retained portion;
- the observation that, being KFS the purpose entity for holding Yapi stake, and considering that at UniCredit consolidated level the 50% stake in KFS is substantially represented as 40.95% stake in Yapi, the application of the equity method to KFS effectively results in recognizing the pro-rata share of the net equity of Yapi; therefore the current transaction, should be accounted for through the proportional derecognition of the stake sold (9.02%).

Consistently with such classification, the 9.02% stake in YKB has been measured at its fair value less costs to sell being this value below its carrying amount.

Thus, in consolidated financial statements as of 31 December 2019 the re-measurement process of the stake (from 40.95% to 31.93%) determined the recognition of a loss equal to -€314 million.

With reference to the remaining 31.93% stake, no change is envisaged in its accounting treatment, still continuing to be accounted for through equity method and subject to impairment test. With reference to the latter please note that the recoverable amount has been assumed to be equal to fair value resulting from Yapi market quotation, in light of the stated non-strategic nature of the investment, as well as the expectation about its gradual disposal; as a result, an impairment for -€51 million has been recognized on the retained 31.93% investment as of 31 December 2019.

Finally please note that the valuation reserves, also including the Foreign exchange Reserve, recognized for such investments, (i.e. both the 9.02% component being classified as "Held for sale" and the retained component of 31.93%) will be derecognized and recycled in Income statement or retained earnings, as per type of reserve, at closing.

In light of the circumstance that the transaction foresees the full disposal of the stake held in KFS, in separate financial statements of UniCredit S.p.A. the overall investment held has been classified in item "110. Non current assets and disposal groups classified as held for sale" and measured at fair value less costs of disposal. Therefore on 31 December 2019 the transaction generates a negative Profit & Loss effect equal to approx. €510 million related to the need to adjust the carrying value to the sale price of KFS.

### Accelerated bookbuilding of 8.4% of Mediobanca

As at 31 December 2018, UniCredit S.p.A. was the major shareholder of Mediobanca Banca di Credito Finanziario S.p.A. ("Mediobanca") with a stake of 8.4% in its shareholders equity. Despite the previous shareholders agreement ceased at the end of 2018, the subscription of a new agreement, starting from 1 January 2019, allowed the Group to continue to exercise a significant influence on Mediobanca and, as a result, to carry on classifying the stake owned as an investment in associates. In particular the new agreement allowed UniCredit to be still represented in the Board of Director and to participate to financial and managerial decisions of Mediobanca.

On 6 November 2019, UniCredit S.p.A. announced the launch of a placement of its total stake held in Mediobanca - Banca di Credito Finanziario S.p.A., equal to 8.4% of the issued share capital. On the same day, the successful completion of the operation was announced, following the placement to institutional investors of No.74.5 million of ordinary shares at a price of €10.53 per share. The price represents a discount of 2.3% to the last pre-announcement closing price of Mediobanca. Gross proceeds of the placement amount to €785 million determining a loss for €16mn in consolidated financial statements (gain of €31 million for UniCredit S.p.A.).

The shares sold represented UniCredit S.p.A.'s entire shareholdings in Mediobanca.

## Part B - Consolidated balance sheet - Assets

## 7.2 Significant Shareholdings: book value, fair value and dividends received

(€ million)				
COMPANY NAME	BALANCE SHEET VALUE	FAIR VALUE <sup>(*)</sup>	DIVIDENDS RECEIVED <sup>(**)</sup>	NOTE <sup>(***)</sup>
<b>A. Companies under joint control</b>				
YAPI VE KREDİ BANKASI AS	1,001	1,001	-	(1)
<b>B. Companies subject to significant influence</b>				
AVIVA S.P.A.	220	-	-	(2)
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	754	464	5	(1)
BKS BANK AG	350	204	3	(1)
CNP UNICREDIT VITA S.P.A.	352	-	-	(2)
CREDITRAS VITA S.P.A.	490	-	-	(2)
OBERBANK AG	786	914	11	(1)
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	401	-	16	(2)
<b>Total</b>	<b>4,354</b>	<b>2,583</b>	<b>35</b>	

**Notes:**

(\*) It should be noted that all investments in listed associates show a fair value at Level 1 (L1).

(\*\*) Dividends received by the investor company.

(\*\*\*) In the present table and in the following relating to significant shareholdings the values of Yapi Ve Kredi Bankasi AS are referred to 2019 financial statements approved; for the other companies the values are in line with IAS28 requirements.

(1) It should be noted that on the basis of the international accounting standards, equity investments in associates listed on regulated markets with a fair value (quotation) lower than consolidated book value are impairment tested by calculating recoverable value, stated as the greater of fair value net of costs to sell and value in use, and an impairment loss is recognised when the recoverable value is lower than the book value.

As at 31 December 2019 for Bank Fuer Tirol un Vorarlberg Aktiengesellschaft the recoverable value of the equity investments in associates listed on regulated markets was higher than the book value and it was recognised a write-back; for Bks Bank AG for which the recoverable value was lower a write-down was recognised (for further details see the information provided in Part C - Section 17).

It should be noted that Koc Finansal Hizmetler AS and 9.02% of the shareholding in the subsidiary Yapi Ve Kredi Bankasi AS has been reclassified in item "Non-current assets and disposal groups classified as held for sale"; for more details see Section 7.1. The residual stake of 31.93% remained in this item has a fair value (quotation) pro rata equal to €1,001 million; please note that a write-down was recognised (for more details see Part C - Section 17).

For Oberbank AG no write-downs or write-back were recognized during the year.

(2) Note that on the basis of the international accounting standards, equity investments in associates for which there is clear evidence of occurrence of events that may reduce their value, are impairment tested by calculating recoverable value, stated as the greater of fair value net of costs to sell and value in use, and an impairment loss is recognised when the said recoverable value is lower than the book value. Note that none additional write-downs were recognised for these companies.

Financial information of the investee companies used for the purposes of measurement with the net equity method is presented below. These figures include any adjustments made in line with IFRS12 requirements. As regards the Yapi Ve Kredi Bankasi AS equity investment the figures refer to the data of the related sub-group for the stake of 31.93% held in the equity.

## Part B - Consolidated balance sheet - Assets

## 7.3 Significant Shareholdings: accounting information

(€ million)

COMPANY NAME	CASH AND LIQUID ASSETS	FINANCIAL ASSET	NON- FINANCIAL ASSET	FINANCIAL LIABILITIES	NON- FINANCIAL LIABILITIES	TOTAL REVENUES	THE INTEREST MARGIN
<b>A. Companies under joint control</b>							
YAPI VE KREDİ BANKASI AS	254	18,363	899	16,555	1,128	2,418	650
<b>B. Companies subject to significant influence</b>							
AVIVA S.P.A.	X	13,888	504	-	14,162	4,342	X
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	X	10,618	480	10,100	356	393	X
BKS BANK AG	X	8,058	148	7,328	242	275	X
CNP UNICREDIT VITA S.P.A.	X	14,765	1,053	491	14,419	3,225	X
CREDITRAS VITA S.P.A.	X	29,237	1,635	20,490	9,511	775	X
OBERBANK AG	X	21,799	451	19,334	696	733	X
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	X	32,191	128	30,082	1,616	442	X

continued: 7.3 Significant Shareholdings: accounting information

COMPANY NAME	ADJUSTMENTS TO THE BACKS ON TANGIBLE AND INTANGIBLE ASSETS	PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	PROFIT (LOSS) FROM CONTINUING OPERATIONS NET OF TAX	PROFIT (LOSS) FROM GROUP OF ASSETS HELD FOR SALE NET OF TAX	NET PROFIT (LOSS) (1)	OTHER COMPREHENSIVE INCOME, NET OF TAX (2)	OTHER COMPREHENSIVE INCOME (3)=(1)+(2)
<b>A. Companies under joint control</b>							
YAPI VE KREDİ BANKASI AS	(29)	216	172	-	172	(77)	95
<b>B. Companies subject to significant influence</b>							
AVIVA S.P.A.	X	112	82	-	82	-	82
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	X	151	118	-	118	(8)	110
BKS BANK AG	X	95	85	-	85	(3)	82
CNP UNICREDIT VITA S.P.A.	X	75	50	-	50	14	65
CREDITRAS VITA S.P.A.	X	147	102	-	102	147	249
OBERBANK AG	X	293	236	-	236	(13)	223
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	X	62	48	-	48	(12)	35

For each significant equity investments the reconciliation between the book value of the equity investment and summarised financial information of the companies is reported below.

(€ million)

COMPANY NAME	BALANCE SHEET VALUE	EQUITY PROQUOTA	GOODWILL ON CONSOLIDATION
<b>A. Companies under joint control</b>			
YAPI VE KREDİ BANKASI AS	1,001	1,832	-
<b>B. Companies subject to significant influence</b>			
AVIVA S.P.A.	220	220	-
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	754	797	-
BKS BANK AG	350	365	-
CNP UNICREDIT VITA S.P.A.	352	352	-
CREDITRAS VITA S.P.A.	490	490	-
OBERBANK AG	786	786	-
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	401	401	-

With reference to the nature of the relationships see Section 7.1.

The carrying amount of the investments in Yapi Ve Kredi Bankasi AS, in Bank Fuer Tirol und Vorarlberg Aktiengesellschaft and in Bks Bank AG is affected by write-downs and the related exchange rate effect made in previous and current years.

## Part B - Consolidated balance sheet - Assets

Summarised financial information are disclosed for the related stake in the equity held.

### 7.4 Non-significant equity investments: accounting information

(€ million)

	BALANCE SHEET VALUE OF SHAREHOLDING	TOTAL ASSET	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM CONTINUING OPERATIONS NET OF TAX	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	NET PROFIT (LOSS) (1)	OTHER COMPREHENSIVE INCOME, NET OF TAX (2)	COMPREHENSIVE INCOME (3) = (1) + (2)
Companies under joint control	2	21	19	0	0	-	0	-	0
Companies subject to significant influence	343	2,919	2,472	273	55	-	55	37	92

**Notes:**

For the following the companies Compagnia Aerea Italiana S.p.A. and Risanamento S.p.A. included in Companies subject to significant influence the book value in the consolidated financial statements reflects the results of a valuation at individual level made by UniCredit S.p.A.

Note that on the basis of the international accounting standards, equity investments in associates for which there is objective evidence of occurrence of events that may reduce their value, are impairment tested by calculating recoverable value, understood as the greater of fair value net of costs to sell and value in use, and an impairment loss is recognised when the said recoverable value is lower than the book value. Note that a write-back was recognised for Risanamento S.p.A. and Camfin S.p.A. (for more details see Part C - Section 17).

### 7.5 Equity investments: annual changes

(€ million)

	CHANGES IN	
	2019	2018
<b>A. Opening balance</b>	<b>5,502</b>	<b>6,212</b>
<b>B. Increases</b>	<b>828</b>	<b>1,324</b>
<i>of which: business combinations</i>	-	1
B.1 Purchases	20	485
B.2 Write-backs	25	27
B.3 Revaluation	-	-
B.4 Other changes	783	812
<b>C. Decreases</b>	<b>1,543</b>	<b>2,034</b>
<i>of which: business combinations</i>	790	-
C.1 Sales	790	2
C.2 Write-downs	382	897
C.3 Impairment	-	-
C.4 Other changes	371	1,135
<b>D. Closing balance</b>	<b>4,787</b>	<b>5,502</b>
<b>E. Total revaluation</b>	-	-
<b>F. Total write-downs</b>	<b>2,455</b>	<b>2,205</b>

### 7.6 Valuation and significant assumptions to establish the existence of joint control or significant influence

The Group has classified among associates the entities governed through voting rights with reference to which it can participate in defining the operating or financial policies through possession of at least 20% of the voting rights or the possibility of appointing members of the governing body. In particular, as shown in Table "7.1 Equity investments: information on shareholding relationships", it should be noted that the investee CAMFIN S.p.A. is classified among associates, although the Group does not have more than 20% of the voting rights, in virtue of the possibility of appointing members of the governing body.

The Group has classified its investees among jointly-controlled equity investments in the presence of agreements that state that decisions on significant activities are taken with the unanimous consent of all parties that share control.

These agreements, in particular, attribute to the Group rights related only to the net assets and not rights to the assets and obligations on the liabilities of the investee.

As at 31 December 2019 the following were carried at cost:

- 14 equity investments (all held either directly or through consolidated subsidiaries) in associates;
- 8 equity investments (of which 2 held either directly or through consolidated subsidiaries) in jointly-controlled companies.

Based on available information, it should be considered that their consolidation at equity would not have impacted significantly the Group Shareholders' equity.

## Part B - Consolidated balance sheet - Assets

### 7.7 Commitments related to equity investments in jointly-controlled companies

There are no commitments related to jointly-controlled companies.

### 7.8 Commitments related to equity investments in companies subject to significant influence

There are no commitments related to companies subject to significant influence.

### 7.9 Significant restrictions

As at 31 December 2019, we note, with reference to Value Transformation Services S.p.A., the existence of a shareholders' agreement which limits the Group's possibility to participate in the profits, in the form of dividend distribution, and in the losses to a maximum amount of €300,000.

Even though not directly concluded by UniCredit S.p.A. or one of its subsidiaries, we disclose the existence of contractual agreements between Compagnia Area Italiana (CAI) and its subsidiary Alitalia SAI, company that is into special administration, that limit the ability of the latter to distribute dividends to the achievement of certain parameters in terms of liquidity and income margins.

Finally the ability to receive dividends or capital distributions from associates is subordinated to the majority, also qualified, or unanimous decision of the relevant corporate body as provided by the law or by specific shareholder agreements.

### 7.10 Other information

With reference to significant equity investments in associates and jointly-controlled companies, the net equity method was applied starting from the 2019 draft financial statements approved by the competent corporate bodies or from the reports approved in the three previous months.

With reference to non-significant equity investments in associates and jointly-controlled companies, in limited cases financial statements or reports with a date prior to 3 months from 31 December 2019 were used, if no more up-to-date reports were available.

However, if financial statements or reports with a date other than 31 December 2019 were used, no subsequent transactions or events emerged such as to require an adjustment of the results contained therein.

It should be noted that for the associated companies Risanamento S.p.A. and Compagnia Aerea Italiana S.p.A., the book value in the consolidated financial statements reflects the valuation of the investments, carried out by UniCredit S.p.A. at individual level.

## Section 8 - Insurance reserves charged to reinsurers - Item 80

No data to be disclosed.

## Section 9 - Property, plant and equipment - Item 90

Property, plant and equipment, which include land, buildings used in the business, real estate investments, technical furniture and fittings, inventories of tangibles assets ruled by IAS2 amount to €11,097 million at the end of 2019, compared to €8,804 million at the end of 2018.

It should be noted that as result of the retrospective application, starting from 1 January 2018, of the change in measurement criteria of real estate held for investment, the amounts presented for 31 December 2018 are different from those published.

Furthermore, starting from 1 January 2019, IFRS16 has become effective; therefore the tables below have been modified in compliance with the 6<sup>th</sup> update to the Circular 262 of Banca d'Italia with the introduction of specific items dedicated to the right of use.

Refer to Part A - Section 5 - Other Matters, for further details on these topics.

## Part B - Consolidated balance sheet - Assets

## 9.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

(€ million)

ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Owned assets</b>	<b>1,590</b>	<b>6,207</b>
a) Land	-	1,238
b) Buildings	-	2,161
c) Office furniture and fitting	216	232
d) Electronic systems	468	464
e) Other	906	2,112
<b>2. Right of use of Leased Assets</b>	<b>2,167</b>	<b>-</b>
a) Land	1	-
b) Buildings	2,125	-
c) Office furniture and fitting	1	-
d) Electronic systems	1	-
e) Other	39	-
<b>Total</b>	<b>3,757</b>	<b>6,207</b>
<i>of which: obtained by the enforcement of collateral</i>	-	1

The decrease in item 1. Owned assets - e) Other is mainly due to the sale of Ocean Breeze Energy GmbH and the consequent derecognition of the associated windmill park. These assets were classified as non current assets held for sale in June 2019 and disposed in December determining a write-down equal to -€315 million. It should be noted that the overall effect of the disposal of Ocean Breeze Energy GmbH was a loss of -€339 million; this amount includes the loss on disposal recognized at the time of the sale.

## 9.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	<b>324</b>	-	-	<b>324</b>	<b>524</b>	-	-	<b>524</b>
a) Land	289	-	-	289	288	-	-	288
b) Buildings	35	-	-	35	236	-	-	236
<b>2. Right of use of Leased Assets</b>	-	-	-	-	-	-	-	-
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>324</b>	-	-	<b>324</b>	<b>524</b>	-	-	<b>524</b>
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>				<b>324</b>				<b>524</b>

Fair value measurements solely for the purpose of fulfilling disclosure requirements were classified according to a hierarchy of levels reflecting the significance of the valuation inputs. For further information see Part A - Accounting Policies - A.4 Information on fair value.

It should be noted that the amount presented for land and buildings refers to asset under construction out of scope of the change in measurement criteria.

As at 31 December 2019, a write-down equal to €228 million has been recognized, in compliance with IAS36 requirements and with reference to item "1. Owned assets - b) Building", on real estate held by Capital Dev S.p.A. and its subsidiaries, fully consolidated by UniCredit group; this write-down has been recognized in order to align their carrying amount value to the economic conditions defined in the pre-agreements, closed with a counterparty external to the Group, that foresee, inter alia, the sale by UniCredit of (i) the shares of Capital Dev S.p.A.; (ii) the credit exposures toward Capital Dev S.p.A. and its subsidiaries.



## Part B - Consolidated balance sheet - Assets

## 9.3 Property, plant and equipment used in the business: breakdown of revalued assets

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>5,003</b>	-	-	-
a) Land	-	-	1,921	-	-	-
b) Buildings	-	-	3,082	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
<b>2. Right of use of Leased Assets</b>	-	-	-	-	-	-
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
<b>Total</b>	-	-	<b>5,003</b>	-	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>	<b>5,003</b>			<b>-</b>		

## 9.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>919</b>	-	-	<b>1,413</b>
a) Land	-	-	413	-	-	603
b) Buildings	-	-	506	-	-	810
<b>2. Right of use of Leased Assets</b>	-	-	<b>61</b>	-	-	-
a) Land	-	-	39	-	-	-
b) Buildings	-	-	22	-	-	-
<b>Total</b>	-	-	<b>980</b>	-	-	<b>1,413</b>
<i>of which: obtained by the enforcement of collateral</i>	-	-	11	-	-	18
<b>Total Level 1, Level 2 and Level 3</b>	<b>980</b>			<b>1,413</b>		

## 9.5 Inventories of property, plant and equipment regulated by IAS2: breakdown

(€ million)

ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Inventories of property, plant and equipment obtained through the enforcement of guarantees received</b>	<b>625</b>	<b>334</b>
a) Land	40	43
b) Buildings	572	273
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	13	18
<b>2. Other inventories of property, plant and equipment</b>	<b>408</b>	<b>326</b>
<b>Total</b>	<b>1,033</b>	<b>660</b>
<i>of which: measured at fair value less costs to sell</i>	12	12

It should be noted that the increase of €299 million in item "1. Inventories of property, plant and equipment - b) Buildings" is attributable to the enforcement of guarantees underlying credit exposure.

## Part B - Consolidated balance sheet - Assets

## 9.6 Property, plant and equipment used in the business: annual changes

(€ million)

	CHANGES IN 2019					TOTAL
	LANDS	BUILDINGS	OFFICE FURNITURE	ELECTRONIC SYSTEMS	OTHER	
<b>A. Gross opening balance</b>	<b>1,238</b>	<b>4,315</b>	<b>1,295</b>	<b>2,713</b>	<b>3,422</b>	<b>12,983</b>
A.1 Total net reduction in value	-	(2,154)	(1,063)	(2,249)	(1,310)	(6,776)
A.2 Net opening balance	1,238	2,161	232	464	2,112	6,207
<b>B. Increases</b>	<b>953</b>	<b>4,150</b>	<b>35</b>	<b>180</b>	<b>488</b>	<b>5,806</b>
B.1 Purchases	51	390	31	166	373	1,011
of which: business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	70	-	-	-	70
B.3 Write-backs	2	26	-	-	4	32
B.4 Increases in fair value:	889	1,201	-	-	-	2,090
a) In equity	889	1,199	-	-	-	2,088
b) Through profit or loss	-	2	-	-	-	2
B.5 Positive exchange differences	-	10	-	2	1	13
B.6 Transfer from properties held for investment	5	-	X	X	X	5
B.7 Other changes	6	2,453	4	12	110	2,585
<b>C. Reductions</b>	<b>269</b>	<b>1,104</b>	<b>50</b>	<b>175</b>	<b>1,655</b>	<b>3,253</b>
C.1 Disposals	28	271	5	12	134	450
of which: business combinations	24	99	2	11	2	138
C.2 Depreciation	2	412	39	151	251	855
C.3 Impairment losses:	3	27	4	5	260	299
a) In equity	-	-	-	-	-	-
b) Through profit or loss	3	27	4	5	260	299
C.4 Reduction of fair value:	95	115	-	-	-	210
a) In equity	-	1	-	-	-	1
b) Through profit or loss	95	114	-	-	-	209
C.5 Negative exchange differences	1	4	-	-	4	9
C.6 Transfer to:	124	221	-	1	943	1,289
a) Property, plant and equipment held for investment	2	33	X	X	X	35
b) Non-current assets and disposal groups classified as held for sale	122	188	-	1	943	1,254
C.7 Other changes	16	54	2	6	63	141
<b>D. Net final balance</b>	<b>1,922</b>	<b>5,207</b>	<b>217</b>	<b>469</b>	<b>945</b>	<b>8,760</b>
D.1 Total net reduction in value	-	(229)	(1,008)	(2,260)	(848)	(4,345)
D.2 Gross closing balance	1,922	5,436	1,225	2,729	1,793	13,105
<b>E. Carried at cost</b>	<b>1,128</b>	<b>1,996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,124</b>

It should be noted that the amount reported under item "B. Increases - B.7 Other changes" also include the opening balances of the right of use recognized as a result of IFRS16 introduction. For additional information, refer to Part A - Section 5 - Other matters of the Notes to the consolidated accounts.

Furthermore, Item "E. Carried at cost" also include the carrying amount of right of use measured according to the cost model.

## Part B - Consolidated balance sheet - Assets

### 9.7 Property, plant and equipment held for investment: annual changes

	CHANGES IN 2019			(€ million)
	LANDS	BUILDINGS	TOTAL	
<b>A. Opening balances</b>	<b>891</b>	<b>1,046</b>	<b>1,937</b>	
<b>B. Increases</b>	<b>134</b>	<b>223</b>	<b>357</b>	
B.1 Purchases	1	1	2	
of which: business combinations	-	-	-	
B.2 Capitalised expenditure on improvements	-	61	61	
B.3 Increases in fair value	106	58	164	
B.4 Write-backs	-	-	-	
B.5 Positive exchange differences	-	1	1	
B.6 Transfer from properties used in the business	2	33	35	
B.7 Other changes	25	69	94	
<b>C. Reductions</b>	<b>284</b>	<b>706</b>	<b>990</b>	
C.1 Disposals	19	218	237	
of which: business combinations	-	181	181	
C.2 Depreciation	-	-	-	
C.3 Reductions in fair value	99	150	249	
C.4 Impairment losses	4	228	232	
C.5 Negative exchange differences	-	1	1	
C.6 Transfer to:	129	34	163	
a) Properties used in the business	5	-	5	
b) Non-current assets and disposal groups classified as held for sale	124	34	158	
C.7 Other changes	33	75	108	
<b>D. Closing balances</b>	<b>741</b>	<b>563</b>	<b>1,304</b>	
<b>E. Measured at fair value</b>	<b>289</b>	<b>35</b>	<b>324</b>	

It should be noted that the amount reported under item "B. Increases - B.7 Other changes" also include the opening balances of the right of use recognized as a result of IFRS16 introduction. For additional information, refer to Part A - Section 5 - Other matters.

### 9.8 Inventories of property, plant and equipment regulated by IAS2: annual changes

	CHANGES IN 2019						(€ million)
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL					OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER		TOTAL
A. Opening balances	43	273	-	-	18	326	660
B. Increases	3	372	-	-	54	405	834
B.1 Purchases	-	6	-	-	-	391	397
of which: business combinations	-	-	-	-	-	239	239
B.2 Write-backs	-	-	-	-	-	3	3
B.3 Positive exchange differences	-	2	-	-	-	3	5
B.4 Other changes	3	364	-	-	54	8	429
C. Reductions	6	73	-	-	59	323	461
C.1 Disposals	2	42	-	-	57	317	418
of which: business combinations	-	-	-	-	-	-	-
C.2 Impairment losses	-	8	-	-	-	2	10
C.3 Negative exchange differences	-	-	-	-	-	-	-
C.4 Other changes	4	23	-	-	2	4	33
D. Closing balances	40	572	-	-	13	408	1,033

## Part B - Consolidated balance sheet - Assets

### 9.9 Commitments to purchase property, plant and equipment

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
A. Contractual commitments	2	3

Outstanding commitments refer to the purchase of property, plant and equipment.

## 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 31 December 2019 intangible assets amounted to €2,800 million, decreased in comparison to €3,507 million as at 31 December 2018.

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

### 10.1 Intangible assets: breakdown by asset type

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019		AMOUNTS AS AT 12.31.2018	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>886</b>	<b>X</b>	<b>1,484</b>
A.1.1 Attributable to the Group	X	886	X	1,484
A.1.2 Attributable to minorities	X	-	X	-
<b>A.2 Other intangible assets</b>	<b>1,914</b>	<b>-</b>	<b>1,930</b>	<b>93</b>
A.2.1 Assets carried at cost	1,914	-	1,930	93
a) Intangible assets generated internally	1,455	-	1,499	-
b) Other assets	459	-	431	93
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>1,914</b>	<b>886</b>	<b>1,930</b>	<b>1,577</b>
<b>Total finite and indefinite life</b>		<b>2,800</b>		<b>3,507</b>

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

Other intangible assets - finite life mainly includes Software.

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

## Part B - Consolidated balance sheet - Assets

## 10.2 Intangible assets: annual changes

(€ million)

(€ million)

	CHANGES IN 2019					TOTAL
	OTHER INTANGIBLE ASSETS					
	GENERATED INTERNALLY			OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
A. Gross opening balance	16,791	3,678	-	5,115	995	26,579
A.1 Total net reduction in value	(15,307)	(2,179)	-	(4,684)	(902)	(23,072)
A.2 Net opening balance	1,484	1,499	-	431	93	3,507
B. Increases	-	503	-	180	-	683
B.1 Purchases	-	45	-	155	-	200
B.2 Increases in intangible assets generated internally	X	439	-	-	-	439
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	6	-	14	-	20
B.6 Other changes	-	13	-	11	-	24
of which: business combinations	-	-	-	-	-	-
C. Reduction	598	547	-	152	93	1,390
C.1 Disposals	598	-	-	10	-	608
C.2 Write-downs	-	526	-	127	93	746
- Amortisation	X	319	-	126	-	445
- Write-downs	-	207	-	1	93	301
+ In equity	X	-	-	-	-	-
+ Through profit or loss	-	207	-	1	93	301
C.3 Reduction in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	1	-	1
C.5 Negative exchange differences	-	1	-	6	-	7
C.6 Other changes	-	20	-	8	-	28
of which: business combinations	598	-	-	8	-	606
D. Net closing balance	886	1,455	-	459	-	2,800
D.1 Total net write-down	(14,932)	(2,698)	-	(4,675)	(902)	(23,207)
E. Gross closing balance	15,818	4,153	-	5,134	902	26,007
F. Carried at cost	-	-	-	-	-	-

The net book value of goodwill as at 31 December 2019, equal to €886 million, decreased by €598 million in comparison to 31 December 2018 due to the deconsolidation of FinecoBank S.p.A.

The goodwill refers to subsidiaries belonging to the Euro area. In addition to the deconsolidation of FinecoBank S.p.A., the annual changes in gross closing balance and total net write-down, compared to the values as at 31 December 2018, are due to goodwill of legal entities which reporting currency is different to Euro, completely impaired in the previous periods.

For further details of impairment test on goodwill and other intangible assets, recognised during business combinations, refer to the following pages.

The decrease in amount of €93 million in the item Other intangible assets - Other assets - Indefinite life is due to the impairment of the trademarks (brands) referring to FinecoBank S.p.A.

As at 31 December 2019, UniCredit Services Scpa and its subsidiary UniCredit Services GmbH booked write-downs and value adjustments an overall amount of €195 million on intangible assets, referred: (i) for €187 million to intangible assets produced internally; (ii) for €8 million to the review of the useful life of some assets.

Specifically, with the new 2020-2023 multiyear plan approval and the new ICT strategies, UniCredit Services Scpa and its subsidiary UniCredit Services GmbH assessed the existence of a significant impact on landscape of banking business applications, as well as and on ICT Platforms technology. Consequently, the companies executed an extraordinary impairment test campaign on self-created software, in order to verify the existence of benefits associated to the assets in production from some years; as a result, the afore mentioned write-backs were recognised, especially with reference to projects started before 2016 and ICT applications and platforms which turned into obsolescence.

## Part B - Consolidated balance sheet - Assets

### 10.3 Intangible assets: other information

#### Information on intangible assets noted during business combinations

The application of IFRS3 to the accounting for business combinations revealed in the course of time significant amounts of intangible assets and goodwill. The following table shows the change in the values posted for the various intangible assets identified during the period, including the valuation effects described below.

(€ million)

INTANGIBLE ASSETS (EXCEPT SOFTWARE)	TOTAL 12.31.2018	AMORTISATION	IMPAIRMENT	OTHER CHANGES <sup>(*)</sup>	TOTAL 12.31.2019
Trademarks	93	-	(93)	-	-
Core deposits and customer relationships	1	(1)	-	-	-
Goodwill	1,484	-	-	(598)	886
<b>TOTAL</b>	<b>1,578</b>	<b>(1)</b>	<b>(93)</b>	<b>(598)</b>	<b>886</b>

Note:

(\*)The variation in the item Other changes refers to the sale of FinecoBank S.p.A.

Trademarks and goodwill are considered indefinite-life intangible assets. They are expected to contribute indefinitely to income flows.

The other intangible assets have finite useful lives, originally valued by discounting the financial flows over the residual lifetime of the relationships in place on the date of the business combination from which they derive. Finite-life intangible assets are subject to amortisation based on the associated useful life.

The types of intangible assets noted as a result of business combinations still present at 31 December 2019 is entirely related to Goodwill; the Customer Relationship was completely amortised during the year and the trademark of FinecoBank S.p.A. was impaired.

The Group does not hold intangible assets acquired through public grants or intangible assets pledged against liabilities.

#### Impairment test of intangible assets noted during business combinations

In accordance with IAS36, impairment testing of all indefinite-useful-life intangible assets, including goodwill must be performed at least annually and, in any case, whenever there is objective evidence of the occurrence of events that may have reduced their value (trigger events). For UniCredit the trigger event is a market capitalisation lower than Shareholders' Equity.

Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, less costs to sell.

The recoverable value of intangible assets subject to impairment testing must be determined for the individual assets, unless both the following conditions exist:

- the value in use of the asset is not estimated to be close to the fair value, net of sales costs;
- the asset does not generate incoming cash flows largely independent of those coming from other assets.

If these conditions exist, the impairment test is conducted at the level of the Cash Generating Unit (CGU), as required by the cited accounting principle.

It should be noted that the impairment testing performed by the UniCredit group by way of the determination of the value in use of the Cash Generating Units (CGU), as described below, includes as at 31 December 2019 only goodwill because Trademarks are completely write off during the period and Customer Relationship is completely amortized.

It should be noted that intangible assets and Cash Generating Units are subjected to impairment testing with reference to their current state, without taking account of the effects of restructuring plans/programmes not yet approved by the competent bodies.

For the purposes of the impairment testing the value in use of the so-called Cash Generating Units (CGUs) to which these intangible assets are allocated must be calculated taking into account the cash flows for all assets and liabilities included in the CGUs and not only those for which goodwill and/or the intangible asset were recorded when applying IFRS3.

Finally, impairment test performed by the UniCredit group is made by the comparison of the carrying value and the recoverable amount of each single CGU on which was allocated the value contributed by the Corporate Centre.

## Part B - Consolidated balance sheet - Assets

### Definition of Cash Generating Units (CGU)

Estimating the value in use for the purposes of any impairment testing of intangible assets, including goodwill, which does not generate cash flows except in conjunction with other business assets, requires that these assets are first attributed to operating units that are relatively autonomous in the business context (from the points of view of independent cash flows generated and of internal planning and reporting). These operating units are defined as Cash Generating Units (CGU).

In accordance with the provisions of IFRS3 and IAS36, for the purposes of impairment testing, goodwill has been allocated to the following operational Divisions of the Group, identified as CGUs.

The CGU is the lowest level at which goodwill is monitored at Group level. The CGUs identified correspond to the organisational business units through which the Group develops its activity.

For a detailed description of the Group's CGU refer to Part L - Segment Reporting of this Notes to the consolidated accounts.

### The book value of the CGUs

The book value of the CGUs is determined in accordance with the criterion used to determine their recoverable value. The recoverable value of the CGUs includes flows from their respective assets and liabilities, so the book value must also include the assets and liabilities generating those flows. Since it would be excessively complex to determine the carrying amount of the CGUs on the basis of book values, it was necessary to use operational factors to break them down correctly. Specifically, the operational driver that is used is allocated capital, which is based on the Risk-Weighted Assets absorption of the single CGU. In any case, intangible assets are attributed to the CGUs in accordance with the available accounting information.

The carrying amounts of the CGUs as at 31 December 2019, determined as described above, and the portions of goodwill and other intangible assets allocated to each of them are shown below.

CASH GENERATING UNIT (CGU)	VALUE AS AT 12.31.2019	OF WHICH GOODWILL (GROUP SHARE)
Commercial Banking Italy	12,137	8
Commercial Banking Germany	4,386	-
Commercial Banking Austria	2,982	-
CIB	11,898	878
CEE	8,462	-
Group Corporate Centre	4,751	-
Non Core	1,339	-
<b>Total</b>	<b>45,955</b>	<b>886</b>

**Note:**

The Goodwill teste in the impairment test process is reported as 100% and it is equal to €887 million.

### Estimating cash flows to determine the value in use of the CGUs

In accordance with IAS36, the impairment test for indefinite-life intangible assets must be performed at least annually and whenever there is any indication that their value may be impaired. The referenced accounting principle requires the impairment test to be carried out by comparing the book value of each CGU with its recoverable value. When the recoverable value of a CGU proves to be lower than its book value, a write-down must be recorded in the financial statement. The recoverable amount of the CGU is the greater of its fair value (net of costs to sell) and the related value in use.

### Projections

The impairment test as at 31 December 2019 was performed on the basis of the financial projections (Net Profit and RWA) included in the Strategic Plan "Team 23" approved by UniCredit S.p.A. Board of Directors on 2 December 2019.

The scope of the impairment test mirrors the organisational structure of the Cash Generating Units and excludes from CEE CGU the contribution of Baltics (following IFRS5 classification of the legal entity Sia UniCredit Leasing and therefore autonomously measured at the lower between costs and Fair Value) and of Turkey (already tested for impairment purposes at equity participation level due to the transaction signed with Koç Group for further details refer to Part B - Consolidated balance sheets - Assets - Section 7 - Equity investments of the these Notes to the consolidated accounts).



## Part B - Consolidated balance sheet - Assets

### Macroeconomic scenario

The following table shows the forecasts concerning the main macroeconomic indicators, related to the markets in which the Group operates, which are underlying the projections considered in the impairment test.

Interest rates and yield environment, EoP, %	2019	2020	2023
Euribor 3M	-0.5	-0.5	-0.4
Mid Swap 10Y	-0.1	0.1	0.5
Real GDP growth y/y, %			
Western Europe <sup>(*)</sup>	0.5	0.6	1.2
CEE (excluding Turkey)	2.0	1.4	2.1

Note:

(\*) Western Europe calculated as weighted average considering Nominal GDP of relevant countries for UniCredit (Italy, Germany and Austria)

### Impairment test model

The calculation of the value in use for impairment testing purposes was conducted using a Discounted Cash Flow model (DCF). The free cash flows to equity were determined by subtracting from Net Profit (gross of minority interests) the annual capital requirement generated by changes in risk-weighted assets (RWA). The capital requirement is defined as the level of capitalisation that the Group aims to achieve in the long term, also in light of the minimum regulatory capital requirements.

The Discounted Cash Flow model used by the Group is based on three stages:

- first period from 2020 to 2023, which relies on the Strategic Plan "Team 23" approved by the UniCredit S.p.A. Board of Directors on 02 December 2019;
- intermediate period from 2024 to 2028, for which the cash-flow projections are extrapolated by applying, from the explicit forecast period (2023), growth rates decreasing to that of the "terminal value";
- "terminal value" determined with a nominal growth rate of 2%. The average growth rate of real GDP in the Eurozone from 1998 to 2018 was 1.5%. The nominal rate of 2%, corresponding to approximately 0% in real terms, was chosen for prudential reasons.

The application of an intermediate period is aimed to allow a normalisation in the nominal growth rate of Net Profit and RWA before the terminal value definition, since the Group operates in different regions and business segments characterised by different risk profiles and growth prospects; for the Western Europe CGUs the growth rates for the intermediated period are defined considering a conservative cap.

Group assets or shared assets (corporate assets) are allocated to the CGUs to which they refer, where applicable. For the portion not allocable of these assets, the recoverable amount is assessed at overall Group level (so-called "corporate centre").

### Strategic Plan 2020-2023 "Team 23"

The Strategic Plan "Team 23", approved by the UniCredit S.p.A. Board of Directors on 2 December 2019 and subsequently presented to the financial community, is based on four pillars:

1. Grow and strengthen client franchise;
2. Transform and maximize productivity;
3. Disciplined risk management & controls;
4. Capital and balance sheet management.

#### 1. Grow and strengthen client franchise

The Strategic Plan Team 23's key priority is to grow and strengthen the pan European franchise, both by widening and deepening relationships with customers. Examples of initiatives underway include: i) building on UniCredit's position as the "go-to" bank for European SMEs, thanks to local presence in its markets, a single group-wide service model across the Group's unique pan European network, and the full range of corporate products and services delivered by a fully plugged-in CIB; ii) redesigning the product and service offering for individuals through enhancements to the service and distribution models, including a continued migration of transactions towards direct channels; iii) fully exploiting the CEE leadership position and economic potential with a strengthened commercial strategy, driven by a clear customer focus and leveraging on the enhanced digital processes and international franchise; iv) delivering the fully plugged-in CIB's complete product offering to all customers across the Group's pan European network including SMEs, Corporates, Private Banking, Wealth Management and Financial Institutions. Complementing this clear commitment is a strong focus on improving the customer experience including: digitalisation to streamline processes and simplify the customer journey, leverage on customer insights (via net promoter scores) to better prioritise initiatives to enhance dedicated customer journeys and new flexible ways of working to reduce the time to market.

## Part B - Consolidated balance sheet - Assets

### 2. Transform and maximise productivity

Controlling costs, combined with improving the customer experience, remains a key commitment of Team 23. The bank is launching a permanent optimisation of work processes across six customer journeys: current accounts, investment products, residential mortgages, consumer finance, cards and SME banking. Teams drawn from different functions within the Group, including business, IT and support, will work together in so called “end-to-end rooms” in order to deliver new products and services to our customers in a faster and leaner manner. Through this continuous transformation and simplification of processes, the Group will achieve three key objectives: i) enhanced customer experience; ii) improved productivity across the value chain; iii) reduced operational risks. Paperless retail bank to be rolled out in Italy in mid 2020, Germany and Austria in 2021 and CEE by 2023.

### 3. Disciplined risk management & controls

A strict focus on credit risk and asset quality remains a strategic goal of Team 23. The Group will maintain its discipline in origination, targeting the best rated clients. The monitoring and management of credit risk will be further strengthened through the use of new technologies and data sources. Automatic risk approval will be used for selected segments and products using enhanced data analytics during the pre-evaluation phase. The bank will continue to manage NPEs proactively to optimise value and capital. The full rundown of the Non Core by end 2021 is confirmed. Operational risk remains a key priority for the Group, with reinforced controls of business and governance processes across all legal entities. An enhanced focus on Anti Financial Crime controls and KYC includes improving oversight through strengthened, centralised compliance requirements, as well as rotating people between business and control functions.

### 4. Capital and balance sheet management

A CET1 MDA buffer of 200-250bps will be maintained in every year of the Team 23 plan, independently from the external environment while the TLAC/MREL MDA buffers are targeted at the upper end of the 50-100bps range. Capital allocation is an important enabler of the management of the Group balance sheet and is proactively performed based on financial performance at a country and segment (in terms of Return On Allocated Capital versus Cost of equity) and individual client level (in terms of Economic Value Added). The strengthening of the balance sheet will continue with the ongoing, gradual alignment of the domestic sovereign bond portfolio with those of Italian and European peers, and the reduction in intragroup exposures. With a significantly strengthened balance sheet and continued disciplined risk management, the new plan will deliver enhanced capital returns for shareholders.

### Discount rates of cash flows and regulatory capital targets

The following main discount rates were used in the calculation of the CGUs' recoverable amount.

CGU	INITIAL DISCOUNT RATE NET OF TAX (KE)	FINAL DISCOUNT RATE NET OF TAX (KE)	NOMINAL GROWTH RATE USED TO CALCULATE TERMINAL VALUE
Commercial Banking Italy	9.7%	8.9%	2.0%
Commercial Banking Germany	8.0%	7.3%	2.0%
Commercial Banking Austria	8.2%	7.5%	2.0%
CIB	9.8%	9.1%	2.0%
CEE <sup>(1)</sup>	13.4%	12.8%	2.0%
Group Corporate Centre	10.4%	9.7%	0.0%
Non Core	9.7%	n.m.	2.0%

**Note:**

(1) The discount rate presented for CEE CGUs are the weighted average of the discount rates in local currency used for individual countries.

## Part B - Consolidated balance sheet - Assets

As shown in the above table, future financial flows were discounted using a conservative estimate of the discount rate, incorporating the various risk factors linked to the business sector into the cost of equity. The discount rate is a nominal rate, net of taxes.

In particular, the cost of equity for the CGUs is assessed on a through the cycle approach (i.e. six years average) as the sum of the following:

- Risk Free Rate: set equal to the yield of benchmark government bond of the reference Country (local currency approach, maturity: 10 years);
- Equity Risk Premium: calculated using the Capital Asset Pricing Model according to which the Equity Risk Premium is equal to the product of:
  - UniCredit Beta ( $\beta$ ): the measure of the sensitivity of UniCredit share's return to variation in the market return;
  - Market Risk Premium: the price of risk in equity markets, estimated by Professor Damodaran as the difference of the return of US stock vs. bond market since 1928 (geometric mean).

It is worth mentioning that the  $\beta$  used for CIB division has been conservatively increased (based on peers' analysis) to reflect the higher intrinsic risk of the CIB business vis à vis the standard commercial banking activity.

Another parameter used in the model to determine the initial allocated capital and its evolution over time is the Common Equity Tier 1 ratio target. For all the CGUs the target Common Equity Tier 1 ratio is 12.25% consistently with the CET 1 MDA Buffer of 200-250bps set in the Strategic Plan Team 23.

### Results of the impairment test

The impairment test as at 31 December 2019 confirms the sustainability of the goodwill with no need for an impairment on the consolidated accounts of the UniCredit group.

It must be underlined that the parameters and information used to verify the recoverability of goodwill (in particular the expected cash flows for the various CGU, and the discount rates applied) are significantly influenced by the macroeconomic and market situation, which may be subject to changes currently unpredictable. In the coming reporting periods, the effect of such changes, and of those in the corporate strategies, could therefore lead to a review of the estimated cash flows of the various CGUs and of the assumptions about the main financial variables (discount rates, expected growth rates, Common Equity Tier 1 ratio, etc.) that could impact the results of the future impairment tests.

### Sensitivity analysis

Since the valuation exercise is affected by the macroeconomic and market environment and given the intrinsic complexity of forecasting future long-term profitability, sensitivity analyses were conducted, assuming changes to the main parameters used in the impairment test.

The table below summarises for the CGUs which still have goodwill, the percentage deviations of the initial assumptions (cost of equity, capital ratio, long-term growth rate and streams of income used for the estimation of cash flows) adopted for the different CGUs, that drive the recoverable amount of each CGU equal to its book value.

CGUs %	PARALLEL SHIFT IN THE DISCOUNT RATE AFTER TAX (KE) <sup>(1)</sup>	INCREASE IN THE CET 1 RATIO TARGET <sup>(2)</sup>	DECREASE IN THE NOMINAL GROWTH RATE FOR THE CALCULATION OF TERMINAL VALUE <sup>(2)</sup>	DECREASE IN ANNUAL EARNINGS <sup>(3)</sup>
CIB	1.0%	4.7%	-14.2%	-9.5%
Commercial Banking Italy	0.3%	2.0%	-2.3%	-4.1%

#### Notes:

(1) The increase of 1% in the discount rate is applied to the whole stream from 2019 to Terminal Value.

(2) Delta expressed in absolute amount.

(3) Delta expressed in percentage terms.

The table below shows the change of the total value in use of the Group resulting from a variation of the main parameters used in the valuation model.

GROUP LEVEL %	PARALLEL SHIFT IN THE DISCOUNT RATE AFTER TAX (KE) <sup>(1)</sup>	INCREASE IN THE CET 1 RATIO TARGET <sup>(2)</sup>	DECREASE IN THE NOMINAL GROWTH RATE FOR THE CALCULATION OF TERMINAL VALUE <sup>(2)</sup>	DECREASE IN ANNUAL EARNINGS <sup>(3)</sup>
SENSITIVITY FACTOR [%]	1%	1%	1%	1%
Change of Group value in use	-13%	-9%	-3%	-6%

#### Notes:

(1) The increase of 1% in the discount rate is applied to the whole stream from 2019 to Terminal Value.

(2) Delta expressed in absolute amount.

(3) Delta expressed in percentage terms.

## Part B - Consolidated balance sheet - Assets

The parameters and information used to verify the sustainability of goodwill (in particular the financial projections used) are significantly influenced by the macroeconomic environment and the market conditions. Should the macroeconomic environment deteriorate in the future, the results of the next sustainability tests on goodwill could show a recoverable amount lower than the carrying value and therefore highlight the need to perform a goodwill impairment.

### Comparison with market capitalisation

The Group's total value in use resulting from the impairment test is higher than the current market capitalisation of the Parent company.

The difference could be largely explained by: i) the upside potential embedded in Analysts' consensus; ii) the cost of equity used in the impairment test and iii) market expectations on long term return and its distribution.

## Section 11 - Tax assets and tax liabilities - Item 110 (Assets) and Item 60 (Liabilities)

It should be noted that as result of the retrospective application, starting from 1 January 2018, of the change in measurement criteria of real estate held for investment, the amounts presented for 31 December 2018 for tax assets and tax liabilities are different from those published.

### 11.1 Deferred tax assets: breakdown

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>Deferred tax assets arising from Italian law 214/2011</b>	<b>8,302</b>	<b>8,310</b>
<b>Deferred tax assets arising from tax losses</b>	<b>907</b>	<b>387</b>
<b>Deferred tax assets arising from temporary differences</b>	<b>4,546</b>	<b>4,624</b>
Financial assets and liabilities (different from loans and deposits)	354	536
Loans and deposits to/from banks and customers	992	1,071
Hedging and hedged item revaluation	445	511
Property, plant and equipment and intangible assets different from goodwill	246	153
Goodwill and equity investments	1	1
Current assets and liabilities held for sale	-	-
Other assets and Other liabilities	414	363
Provisions, pension funds and similar	2,094	1,989
Other	-	-
<b>Accounting offsetting</b>	<b>(1,626)</b>	<b>(1,409)</b>
<b>Total</b>	<b>12,129</b>	<b>11,912</b>

### 11.2 Deferred tax liabilities: breakdown

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>Deferred tax liabilities arising from temporary differences</b>	<b>2,316</b>	<b>1,953</b>
Financial assets and liabilities (different from loans and deposits)	595	545
Loans and deposits to/from banks and customers	101	136
Hedging and hedged item revaluation	438	461
Property, plant and equipment and intangible assets different from goodwill	1,011	566
Goodwill and equity investments	-	24
Assets and liabilities held for sale	-	-
Other assets and Other liabilities	164	186
Other	7	35
<b>Accounting offsetting</b>	<b>(1,623)</b>	<b>(1,409)</b>
<b>Total</b>	<b>693</b>	<b>544</b>

Deferred Tax Assets (DTAs) totally amount to €12,129 million (compared with €11,912 million as at 31 December 2018), of which €8,302 million (compared with €8,310 million as at 31 December 2018) can be, under certain circumstances, converted into tax credits pursuant to Law No.214/2011 (i.e., DTA convertible into tax credits). The remaining Deferred Tax Assets (i.e., DTAs non-convertible into tax credits) are related to costs and write-offs deductible in future years, for €2,920 million (net of related deferred tax liabilities), and to tax losses carried forward (TLCF) for €907 million. DTAs are mainly related to UniCredit S.p.A., also as Italian Tax Group parent company, for €546 million, to UniCredit Bank Austria AG for €210 million, and to UniCredit Bank AG for €108 million.

## Part B - Consolidated balance sheet - Assets

The above mentioned amounts are the ones resulting from the sustainability test provided for by IAS12, that takes into account the economic projections foreseeable for future years and the peculiarities of the fiscal legislations of each country, in order to check whether there are future taxable incomes against which TILCF can be offset. UniCredit Bank Austria AG has considered the official projections contained in the new Strategic Plan Team 23 (i.e. the period 2020-2023), approved on 2 December 2019 (MYP), as the basis for determining future taxable incomes, usable for the recognition of TILCF. This determined the recognition of DTA TILCF for €210 million equal to the amount previously highlighted.

At Group level total not recognised DTAs TILCF are equal to €3,786 mainly referred to UniCredit S.p.A., also as Italian Tax Group parent company for €3,129 million, to sub-group UniCredit Bank AG for €349 million and to UniCredit Bank Austria for €213 million.

For deferred tax assets and liabilities of UniCredit S.p.A., also as Italian Tax Group parent company, refer to paragraph of Part B - Notes to the accounts of UniCredit S.p.A. - Section 10 Tax assets and liabilities - Item 100 (Assets) and Item 60 (Liabilities) which is herewith quoted entirely.

### 11.3 Deferred tax assets: annual changes (balancing P&L)

			(€ million)
		CHANGES IN	
		2019	2018
<b>1. Opening balance</b>		<b>10,487</b>	<b>9,542</b>
<b>2. Increases</b>		<b>2,454</b>	<b>3,627</b>
2.1 Deferred tax assets arisen during the year		1,050	2,227
a) Relating to previous years		199	83
b) Due to change in accounting criteria		-	-
c) Write-backs		40	561
d) Other		811	1,583
2.2 New taxes or increases in tax rates		-	1
2.3 Other increases		1,404	1,399
<b>3. Decreases</b>		<b>2,763</b>	<b>2,682</b>
3.1 Deferred tax assets derecognised during the year		1,195	1,252
a) Reversals of temporary differences		293	984
b) Write-downs of non-recoverable items		348	62
c) Change in accounting criteria		-	-
d) Other		554	206
3.2 Reduction in tax rates		4	-
3.3 Other decreases		1,564	1,430
a) Conversion into tax credit under Italian Law 214/2011		-	-
b) Other		1,564	1,430
<b>4. Closing balance</b>		<b>10,178</b>	<b>10,487</b>

### 11.4 Deferred tax assets (Italian Law 214/2011): annual changes

			(€ million)
		CHANGES IN	
		2019	2018
<b>1. Opening balance</b>		<b>8,310</b>	<b>8,316</b>
<b>2. Increases</b>		<b>3</b>	<b>-</b>
<b>3. Decreases</b>		<b>11</b>	<b>6</b>
3.1 Reversals of temporary differences		1	-
3.2 Conversion into tax credits		-	-
a) Due to loss positions arisen from P&L		-	-
b) Due to tax losses		-	-
3.3 Other decreases		10	6
<b>4. Closing balance</b>		<b>8,302</b>	<b>8,310</b>

## Part B - Consolidated balance sheet - Assets

## 11.5 Deferred tax liabilities: annual changes (balancing P&amp;L)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	<b>533</b>	<b>518</b>
<b>2. Increases</b>	<b>1,273</b>	<b>1,605</b>
2.1 Deferred tax liabilities arisen during the year	121	382
a) Relating to previous years	(5)	2
b) Due to change in accounting criteria	1	2
c) Other	125	378
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1,152	1,223
<b>3. Decreases</b>	<b>1,486</b>	<b>1,590</b>
3.1 Deferred tax liabilities derecognised during the year	440	333
a) Reversals of temporary differences	296	304
b) Due to change in accounting criteria	-	1
c) Other	144	28
3.2 Reduction in tax rates	3	-
3.3 Other decreases	1,043	1,257
<b>4. Closing balance</b>	<b>320</b>	<b>533</b>

## 11.6 Deferred tax assets: annual changes (balancing Net Equity)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	<b>1,425</b>	<b>1,177</b>
<b>2. Increases</b>	<b>1,022</b>	<b>812</b>
2.1 Deferred tax assets arisen during the year	383	437
a) Relating to previous years	4	-
b) Due to change in accounting criteria	-	2
c) Other	379	435
2.2 New taxes or increase in tax rates	-	29
2.3 Other increases	639	346
<b>3. Decreases</b>	<b>496</b>	<b>564</b>
3.1 Deferred tax assets derecognised during the year	245	346
a) Reversals of temporary differences	237	152
b) Write-downs of non-recoverable items	2	169
c) Due to change in accounting criteria	-	-
d) Other	6	25
3.2 Reduction in tax rates	-	-
3.3 Other decreases	251	218
<b>4. Closing balance</b>	<b>1,951</b>	<b>1,425</b>

## Part B - Consolidated balance sheet - Assets

## 11.7 Deferred tax liabilities: annual changes (balancing Net Equity)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	<b>11</b>	<b>17</b>
<b>2. Increases</b>	<b>1,111</b>	<b>684</b>
2.1 Deferred tax liabilities arisen during the year	806	129
a) Relating to previous years	5	-
b) Due to change in accounting criteria	280	-
c) Other	521	129
2.2 New taxes or increase in tax rates	1	-
2.3 Other increases	304	555
<b>3. Decreases</b>	<b>749</b>	<b>690</b>
3.1 Deferred tax liabilities derecognised during the year	44	385
a) Reversal of temporary differences	44	144
b) Due to change in accounting criteria	-	4
c) Other	-	237
3.2 Reduction in tax rates	-	-
3.3 Other decreases	705	305
<b>4. Closing balance</b>	<b>373</b>	<b>11</b>

## 11.8 Other informations

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

## Section 12 - Non-current assets and disposal groups classified as held for sale and Liabilities associated with assets 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 31 December 2019, compared with 31 December 2018, the associated companies Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H. and Swancap Partners GmbH have been sold and the following has been attributed to the non-current assets and asset disposal groups pursuant to IFRS5: the subsidiary Cards & Systems EDV-Dienstleistungs GmbH, the companies of SIA UniCredit Leasing groups, the 9.02% of Yapi ve Kredi Bankasi A.S., the joint venture KOC Finansal Hizmetler AS and the non-performing loans related to sale initiatives of portfolios.

As at 31 December 2019 in the same item are also included the tangible assets and real-estate properties held by some Group's companies, mainly in Germany.

As regards the data for asset related to discontinued operations, and associated liabilities, the figure at 31 December 2019 refers to 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	
	12.31.2019	12.31.2018
(€ million)		
<b>A. Assets held for sale</b>		
A.1 Financial assets	1,736	711
A.2 Equity investments	-	25
A.3 Property, plant and equipment	673	1,381
<i>of which: obtained by the enforcement of collateral</i>	12	1
A.4 Intangible assets	10	7
A.5 Other non-current assets	64	78
<b>Total (A)</b>	<b>2,483</b>	<b>2,202</b>
<i>of which: carried at cost</i>	1,192	871
<i>of which: designated at fair value - level 1</i>	-	9
<i>of which: designated at fair value - level 2</i>	1,143	478
<i>of which: designated at fair value - level 3</i>	148	844
<b>B. Discontinued operations</b>		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	23	23
B.5 Property, plant and equipment	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	6	16
<b>Total (B)</b>	<b>29</b>	<b>39</b>
<i>of which: carried at cost</i>	-	-
<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>	29	39
<b>C. Liabilities associated with assets classified as held for sale</b>		
C.1 Deposits	274	158
C.2 Securities	-	-
C.3 Other liabilities	433	347
<b>Total (C)</b>	<b>707</b>	<b>505</b>
<i>of which: carried at cost</i>	530	505
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	151	-
<i>of which: designated at fair value - level 3</i>	26	-
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	18	35
<b>Total (D)</b>	<b>18</b>	<b>35</b>
<i>of which: carried at cost</i>	-	-
<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>	18	35

## Part B - Consolidated balance sheet - Assets

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 31 December 2019 among Level 3 assets and liabilities (the same as at 31 December 2018) reflecting their measurement using a valuation model.

### 12.2 Other information

There is no significant information to be reported.

## Section 13 - Other assets - Item 130

### 13.1 Other assets: breakdown

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	33	19
Accrued income and prepaid expenses other than capitalised income	548	545
Positive value of management agreements (so-called servicing assets)	3	4
Cash and other valuables held by cashier	188	278
- Current account cheques being settled, drawn on third parties	188	278
- Current account cheques payable by group banks, cleared and in the process of being debited	-	-
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	197	199
- Customers	191	170
- Banks	6	29
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	336	462
Items deemed definitive but not-attributable to other items	2,759	2,670
- Securities and coupons to be settled	34	48
- Other transactions	2,725	2,622
Adjustments for unpaid bills and notes	39	40
Tax items other than those included in item 110	1,588	1,912
Commercial credits pursuant to IFRS15	23	15
Other items	1,235	1,190
<b>Total</b>	<b>6,949</b>	<b>7,334</b>

Item "Accrued income and prepaid expenses other than capitalised income" includes the contract assets recognised in accordance with IFRS15.

In this context accrued income represents the portion of the performance obligation already satisfied through the services provided by the Group and that will be settled in the future periods in accordance with contractual provisions.

The aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, and therefore not represented in the table above, is equal to €13.6 million. The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

It should be noted that during the period there have not been significant changes in the accrued income and prepaid expenses not included in the carrying amount of the relevant financial assets.

## Part B - Consolidated balance sheet - Assets

## Periodic change of accrued income/expenses and prepaid expenses/income

	(€ million)	
	AMOUNTS AS AT	12.31.2019
	ACCURRED INCOME AND PREPAID EXPENSES	ACCURRED INCOME AND DEFERRED EXPENSES
<b>Opening balance</b>	<b>537</b>	<b>534</b>
<b>Increases</b>	<b>90</b>	<b>204</b>
a) Changes due to business combinations	-	-
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par.118.b)	-	-
c) Reversal of impairment of a contract asset (IFRS15 Par.118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par.118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS15 Par.118.e)	-	-
f) Other	90	204
<b>Decreases</b>	<b>79</b>	<b>163</b>
a) Changes due to business combinations	12	6
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par.118.b)	-	-
c) Impairment of a contract asset (IFRS15 Par.118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par.118.d)	5	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS15 Par.118.e)	-	-
f) Other	62	157
<b>Closing balance</b>	<b>548</b>	<b>575</b>

## Part B - Consolidated balance sheet - Liabilities

## Liabilities

## Section 1 - Financial liabilities at amortised cost - Item 10

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Deposits from central banks	56,163	X	X	X	56,678	X	X	X
2. Deposits from banks	79,409	X	X	X	69,217	X	X	X
2.1 Current accounts and demand deposits	12,120	X	X	X	11,597	X	X	X
2.2 Time deposits	18,062	X	X	X	14,757	X	X	X
2.3 Loans	47,758	X	X	X	41,864	X	X	X
2.3.1 Repos	32,289	X	X	X	25,774	X	X	X
2.3.2 Other	15,469	X	X	X	16,090	X	X	X
2.4 Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease deposits	9	X	X	X	-	X	X	X
2.6 Other deposits	1,460	X	X	X	999	X	X	X
<b>Total</b>	<b>135,572</b>	<b>247</b>	<b>72,264</b>	<b>63,224</b>	<b>125,895</b>	<b>208</b>	<b>80,675</b>	<b>44,261</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>135,735</b>				<b>125,144</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 do not include the type of bond lending transactions collateralised by securities or not collateralised. Refer also to section "Other information" of Part B for additional information.

Deposits from banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the inputs used in the measurements. For further information see Part A - Accounting Policies - A.4 Information on fair value of the notes to the consolidated accounts.

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	348,060	X	X	X	350,492	X	X	X
2. Time deposits	64,923	X	X	X	63,267	X	X	X
3. Loans	52,957	X	X	X	60,169	X	X	X
3.1 Repos	50,122	X	X	X	56,964	X	X	X
3.2 Other	2,835	X	X	X	3,205	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease deposits	2,397	X	X	X	-	X	X	X
6. Other deposits	4,630	X	X	X	5,060	X	X	X
<b>Total</b>	<b>472,967</b>	<b>4</b>	<b>194,359</b>	<b>279,456</b>	<b>478,988</b>	<b>-</b>	<b>162,545</b>	<b>316,734</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>473,819</b>				<b>479,279</b>	

The item "3. Loans" also include liabilities relating to repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation; the same sub-item do not include the type of bond lending transactions collateralised by securities or not collateralised. For further information see section "Other information" of Part B of the notes to the consolidated accounts.

## Part B - Consolidated balance sheet - Liabilities

Deposits from customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the observability of the inputs used in the measurements.

The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as Level 3 in the fair value hierarchy.

For further information see Part A - Accounting Policies - A.4 Information on fair value of the Notes to the consolidated accounts.

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Debt securities</b>								
1. Bonds	88,563	45,437	35,421	12,928	73,353	39,437	24,152	12,441
1.1 Structured	1,382	-	1,215	176	1,673	178	1,450	-
1.2 Other	87,181	45,437	34,206	12,752	71,680	39,259	22,702	12,441
2. Other securities	7,738	-	1,935	5,795	7,800	-	1,842	5,959
2.1 Structured	99	-	106	-	110	-	114	-
2.2 Other	7,639	-	1,829	5,795	7,690	-	1,728	5,959
<b>Total</b>	<b>96,301</b>	<b>45,437</b>	<b>37,356</b>	<b>18,723</b>	<b>81,153</b>	<b>39,437</b>	<b>25,994</b>	<b>18,400</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>101,516</b>				<b>83,831</b>	

Fair value measurements, solely for the purpose of fulfilling financial disclosure requirements, are classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4. Information on fair value of the Notes to the consolidated accounts.

The sum of the sub-items "1.1 Bonds - Structured" and "2.1 Other securities -structured" was equal to €1,481 million and accounted for 1.5% 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 item 20 of Assets and item 20 of Liabilities and included in Trading derivatives - Others, amounted to a net balance of €40 million negative.

### 1.4 Breakdown of subordinated debts/securities

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Deposits from banks	-	-
Deposits from customers	90	87
Debt securities	12,699	9,873
<b>Total</b>	<b>12,789</b>	<b>9,960</b>

### 1.5 Breakdown of structured debts

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Deposits from banks	2	1
Deposits from customers	-	-
<b>Total</b>	<b>2</b>	<b>1</b>

## Part B - Consolidated balance sheet - Liabilities

## 1.6 Amounts payable under finance leases

(€ million)

TIME BUCKET	12.31.2019		12.31.2018	
	CASH OUTFLOWS		CASH OUTFLOWS	
	FINANCE LEASES	OPERATING LEASES	FINANCE LEASES	OPERATING LEASES
Up to 1 year	33	320	-	-
1 year to 2 years	51	300	-	-
2 year to 3 years	51	276	-	-
3 year to 4 years	52	248	-	-
4 year to 5 years	54	226	-	-
Over 5 years	377	623	-	-
<b>Total Lease Payments to be made</b>	<b>618</b>	<b>1,993</b>	-	-
<b>RECONCILIATION WITH DEPOSITS</b>				
Unearned finance expenses (-) (Discounting effect)	44	161	-	-
<b>Lease deposits</b>	<b>574</b>	<b>1,832</b>	-	-

It should be noted that table 1.6 Amounts payable under finance leases reports the maturity analysis based on time bucket of the lease liability as requested by IFRS16 and the concurrent 6<sup>th</sup> update to Circular 262 of Banca d'Italia.

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

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Cash liabilities</b>										
1. Deposits from banks	331	447	332	-	779	-	1,624	2	-	1,625
2. Deposits from customers	154	8,691	204	87	8,982	1,400	9,637	1,547	-	11,184
3. Debt securities	3,067	-	2,786	244	3,027	3,375	-	2,525	310	2,840
3.1 Bonds	1,513	-	1,369	131	1,499	1,770	-	1,194	178	1,378
3.1.1 Structured	1,513	-	1,369	131	X	1,770	-	1,194	178	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,554	-	1,417	113	1,528	1,605	-	1,331	132	1,462
3.2.1 Structured	1,554	-	1,417	113	X	1,605	-	1,331	132	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total (A)</b>	<b>3,552</b>	<b>9,138</b>	<b>3,322</b>	<b>331</b>	<b>12,788</b>	<b>4,775</b>	<b>11,261</b>	<b>4,074</b>	<b>310</b>	<b>15,649</b>
<b>B. Derivatives instruments</b>										
1. Financial derivatives	X	2,795	25,334	333	X	X	2,243	23,965	929	X
1.1 Trading derivatives	X	2,795	25,000	293	X	X	2,243	23,775	894	X
1.2 Linked to fair value option	X	-	92	-	X	X	-	49	-	X
1.3 Other	X	-	242	40	X	X	-	141	35	X
2. Credit derivatives	X	4	84	142	X	X	11	197	121	X
2.1 Trading derivatives	X	4	73	142	X	X	11	189	121	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	11	-	X	X	-	8	-	X
<b>Total (B)</b>	<b>X</b>	<b>2,799</b>	<b>25,418</b>	<b>475</b>	<b>X</b>	<b>X</b>	<b>2,254</b>	<b>24,162</b>	<b>1,050</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>11,937</b>	<b>28,740</b>	<b>806</b>	<b>X</b>	<b>X</b>	<b>13,515</b>	<b>28,236</b>	<b>1,360</b>	<b>X</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>41,483</b>					<b>43,111</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 of the Notes to the consolidated accounts.

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.

## Part B - Consolidated balance sheet - Liabilities

The offset effect as at 31 December 2019, already included in the net presentation of these transactions, totaled €29,569 million (€17,198 million as at 31 December 2018).

The sub-item "Deposits from banks" and "Deposits from customers" include short selling totaling €9,245 million as at 31 December 2019 (€11,416 million as at 31 December 2018), in respect of which no nominal amount was attributed.

### 2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

No data to be disclosed.

### 2.3 Breakdown of "Financial liabilities held for trading": structured debts

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Deposits from banks	22	22
Deposits from customers	-	-
Debt securities	3,067	3,375
<b>Total</b>	<b>3,089</b>	<b>3,397</b>

(€ million)

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

### 3.1 Financial liabilities designated at fair value: breakdown by product

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	<b>5</b>	-	4	1	<b>5</b>	<b>5</b>	-	4	1	<b>5</b>
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	5	-	4	1	X	5	-	4	1	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>2. Deposits from customers</b>	<b>581</b>	-	573	51	<b>626</b>	<b>566</b>	-	534	45	<b>583</b>
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	581	-	573	51	X	566	-	534	45	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>3. Debt securities</b>	<b>8,768</b>	-	8,620	429	<b>8,922</b>	<b>9,099</b>	<b>427</b>	<b>8,126</b>	<b>181</b>	<b>8,781</b>
3.1 Structured	8,220	-	8,196	339	X	8,356	-	7,797	160	X
3.2 Other	548	-	424	90	X	743	427	329	21	X
<b>Total</b>	<b>9,354</b>	-	9,197	481	<b>9,553</b>	<b>9,670</b>	<b>427</b>	<b>8,664</b>	<b>227</b>	<b>9,369</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>9,678</b>					<b>9,318</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 of the Notes to the consolidated accounts.

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. These instruments are designated at fair value as the embedded derivatives cannot be bifurcated.

The "Secured mandatorily exchangeable equity-linked certificate" referred to the residual shares in Bank Pekao S.A. after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. occurred in June 2017, included in December 2018 amount for €396 million, has expired at the end of 2019.



## Part B - Consolidated balance sheet - Liabilities

## 3.2 Breakdown of "Financial liabilities designated at fair value": subordinated liabilities

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Deposits from banks	-	-
Deposits from customers	-	-
Debt securities	-	472
<b>Total</b>	<b>-</b>	<b>472</b>

## Section 4 - Hedging derivatives - Item 40

## 4.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ million)

	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial derivatives</b>	<b>192,077</b>	<b>166</b>	<b>7,020</b>	<b>-</b>	<b>200,237</b>	<b>100</b>	<b>5,907</b>	<b>25</b>
1) Fair value	183,644	166	6,722	-	189,840	100	5,607	17
2) Cash flows	8,433	-	298	-	10,397	-	300	8
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>192,077</b>	<b>166</b>	<b>7,020</b>	<b>-</b>	<b>200,237</b>	<b>100</b>	<b>5,907</b>	<b>25</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>7,186</b>					<b>6,032</b>

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting policies.

## 4.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

(€ million)

TRANSACTIONS/HEDGE TYPES	AMOUNTS AS AT 12.31.2019									
	FAIR VALUE							CASH FLOW		FOREIGN INVESTMENTS
	MICRO-HEDGE						MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHER				
1. Financial assets at fair value through other comprehensive income	431	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	5	X	96	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>96</b>	<b>-</b>
1. Financial liabilities	3,430	X	-	-	-	-	X	89	X	X
2. Portfolio	X	X	X	X	X	X	2,529	X	110	X
<b>Total liabilities</b>	<b>3,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,529</b>	<b>89</b>	<b>110</b>	<b>-</b>
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	493	X	3	

## Part B - Consolidated balance sheet - Liabilities

### Section 5 - Value adjustment of hedged financial liabilities - Item 50

#### 5.1 Changes to hedged financial liabilities

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Positive changes to financial liabilities	8,442	5,848
2. Negative changes to financial liabilities	(3,478)	(2,618)
<b>Total</b>	<b>4,964</b>	<b>3,230</b>

(€ million)

### Section 6 - Tax liabilities - Item 60

See Section 11 of Assets.

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

See Section 12 of Assets.

### Section 8 - Other liabilities - Item 80

#### 8.1 Other liabilities: breakdown

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Liabilities in respect of financial guarantees issued	3	5
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	575	534
Negative value of management agreements (so-called servicing assets)	-	-
Payment agreements based on the value of own capital instruments classified as deposits pursuant to IFRS2	4	3
Other liabilities due to employees	1,901	2,495
Other liabilities due to other staff	45	40
Other liabilities due to Directors and Statutory Auditors	5	14
Interest and amounts to be credited to	181	271
- Customers	129	221
- Banks	52	50
Items in transit between branches and not yet allocated to destination accounts	22	40
Available amounts to be paid to others	386	371
Items in processing	805	974
Entries relating to securities transactions	123	99
Definitive items but not attributable to other lines	3,362	4,251
- Accounts payable - suppliers	1,270	1,127
- Provisions for tax withholding on accrued interest, bond coupon payments or dividends	5	3
- Other entries	2,087	3,121
Liabilities for miscellaneous entries related to tax collection service	-	-
Adjustments for unpaid portfolio entries	975	955
Tax items different from those included in item 60	1,031	1,167
Other entries	3,131	2,731
<b>Total</b>	<b>12,549</b>	<b>13,950</b>

(€ million)

Item "Accrued expenses and deferred income other than those to be capitalised for the financial liabilities" includes the contract liabilities recognised in accordance with IFRS15.

In this context, deferred income represents the portion of performance obligations not yet satisfied through the services provided by the Group but already settled during the period or in previous periods.

The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

Refer to Section 13 - Other assets for information about the changes in deferred income and accrued expenses occurred in the period.

## Part B - Consolidated balance sheet - Liabilities

### Section 9 - Provision for employee severance pay - Item 90

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the "projected unit credit" method (see Part A.2 - Main items of the accounts).

#### 9.1 Provisions for employee severance pay: annual changes

	CHANGES IN	
	2019	2018
<b>A. Opening balance</b>	<b>698</b>	<b>917</b>
<b>B. Increases</b>	<b>63</b>	<b>16</b>
B.1 Provisions for the year	11	13
B.2 Other increases	52	3
<i>of which: business combinations</i>	-	-
<b>C. Reductions</b>	<b>100</b>	<b>235</b>
C.1 Severance payments	80	214
C.2 Other decreases	20	21
<i>of which: business combinations</i>	5	3
<b>D. Closing Balance</b>	<b>661</b>	<b>698</b>

#### 9.2 Other information

	CHANGES IN	
	2019	2018
<b>Cost Recognised in P&amp;L:</b>	<b>12</b>	<b>13</b>
- Current Service Cost	1	1
- Interest Cost on the DBO	11	12
- Settlement (gains)/losses	-	-
- Past Service Cost	-	-
<b>Remeasurement Effects (Gains) Losses Recognised in OCI</b>	<b>36</b>	<b>(16)</b>
<b>Annual weighted average assumptions</b>		
- Discount rate	0.75%	1.60%
- Price inflation	0.95%	1.20%

Duration of defined benefit obligation equals to 10.6 years; Valuation Reserve negative balance (net of tax) move from -€126 million as at 31 December 2018 to -€152 million as at 31 December 2019.

A change of -25 basis points of Discount Rate would result in an increase of the liability of €18 million (+2.67%); a correspondent increase would result in a reduction in the liability of €17 million (-2.59%). A change of -25 basis points of Price Inflation rate would result in a reduction of the liability of €11 million (-1.61%); a correspondent increase would result in an increase of the liability of €11 million (+1.63%).

### Section 10 - Provisions for risks and charges - Item 100

#### 10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Provisions for credit risk on commitments and financial guarantees given	985	1,083
2. Provisions for other commitments and other guarantees given	104	57
3. Pensions and other post-retirement benefit obligations	5,619	4,767
4. Other provisions for risks and charges	3,690	5,054
4.1 Legal and tax disputes	884	2,476
4.2 Staff expenses	1,253	946
4.3 Other	1,553	1,632
<b>Total</b>	<b>10,398</b>	<b>10,961</b>

## Part B - Consolidated balance sheet - Liabilities

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).

In this context it is specified that since 2012 Zagrebačka banka dd and seven other major banks in the Republic of Croatia are subject to collective and individual lawsuits in relation to Swiss Franc loans. The local consumer's association and individuals raised their claims asserting that consumers' rights have been violated by the challenged contractual clauses of the loans pegged to swiss franc currency clause.

A significant development on the matter was Swiss Franc loan conversion, imposed in 2015 by the changes in local regulations. In that context, the banks recognised significant loan conversion expenses at the time, by placing borrowers of swiss franc loans in the same position they would have been if their loans were from inception denominated in euros.

As a result of, among other, rulings by Croatian Courts, during the second half of 2019 further claims have been raised by the customers. As a result, even though the Group is protecting its rights, currently it is not possible to fully determine the outcome of ongoing litigations. Based on the most recent developments and available information, the provision recognised in the financial statements is the adequate best estimate of the obligation;

- staff expenses including also the expenses related to the implementation of the Strategic Plan;
- other: provisions for risks and charges not attributable to the above items, whose details are illustrated in the table 10.6 below.

### 10.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 2019			TOTAL
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	
<b>A. Opening balance</b>	<b>57</b>	<b>4,767</b>	<b>5,054</b>	<b>9,878</b>
<b>B. Increases</b>	<b>48</b>	<b>1,464</b>	<b>960</b>	<b>2,472</b>
B.1 Provisions for the year	46	57	715	818
B.2 Changes due to the passing time	1	86	9	96
B.3 Differences due to discount-rate changes	-	-	3	3
B.4 Other changes	1	1,321	233	1,555
of which: business combinations	-	-	-	-
<b>C. Decreases</b>	<b>1</b>	<b>612</b>	<b>2,324</b>	<b>2,937</b>
C.1 Use during the year	-	307	1,941	2,248
C.2 Differences due to discount-rate changes	-	-	-	-
C.3 Other changes	1	305	383	689
of which: business combinations	-	-	154	154
<b>D. Closing balance</b>	<b>104</b>	<b>5,619</b>	<b>3,690</b>	<b>9,413</b>

### 10.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

(€ million)				
	AMOUNTS AS AT 12.31.2019			
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loan commitments given	106	58	154	318
Financial guarantees given	56	29	582	667
<b>Total</b>	<b>162</b>	<b>87</b>	<b>736</b>	<b>985</b>

### 10.4 Provisions on other commitments and other issued guarantees

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Other issued guarantees	104	57
2. Other commitments	-	-
<b>Total</b>	<b>104</b>	<b>57</b>

## Part B - Consolidated balance sheet - Liabilities

### 10.5 Pensions and other post-retirement defined-benefit obligations

#### 1. 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 45% of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, among others "Direct Pension Plan" (i.e. an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG", all created by UniCredit Bank AG (UCB AG), and (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and UniCredit S.p.A.

The Group's defined-benefit plans are mainly closed to new recruits 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 recognized 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 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 referencing AA rated corporate bonds basket. In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above the last liquid point - defined as the average maturity of the last 5 available bonds - relying on the slope of a Treasury curve build with AA Govies).

The remeasurement of commitments as at 31 December 2019 leads to an increase in the negative balance of the valuation reserve relating to actuarial gains/losses on defined benefit plans of €836 million, net of taxes (for a negative balance which move from -€2,584 million as at 31 December 2018 to -€3,420 million as at 31 December 2019).

#### 2. Changes of net defined benefit liability/asset and any reimbursement rights

##### 2.1 Breakdown of defined benefit net obligation

	(€ million)	
	12.31.2019	12.31.2018
Current value of the defined benefit obligation	10,425	9,356
Current value of the plan assets	(4,833)	(4,609)
<b>Deficit/(Surplus)</b>	<b>5,592</b>	<b>4,747</b>
Irrecoverable surplus (effect of asset ceiling)	-	-
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>5,592</b>	<b>4,747</b>

##### 2.2 Changes in defined benefit obligations

	(€ million)	
	12.31.2019	12.31.2018
Initial defined benefit obligation	9,356	9,173
Current service cost	84	89
Settlement (gain)/loss	(30)	1
Past service cost	-	3
Interest expense on the defined benefit obligation	182	179
Write-downs for actuarial (gains)/losses on defined benefit plans	1,292	318
Employees' contributions for defined benefit plans	8	8
Disbursements from plan assets	(133)	(171)
Disbursements directly paid by the fund	(53)	(234)
Settlements	(283)	(5)
Other increases (decreases)	(2)	(5)
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>10,421</b>	<b>9,356</b>

## Part B - Consolidated balance sheet - Liabilities

## 2.3 Changes to plan assets

	12.31.2019	12.31.2018
Initial fair value of plan assets	4,609	4,671
Interest income on plan assets	95	98
Administrative expenses paid from plan assets	-	-
Write-downs on the fair value of plan assets for actuarial gains (losses) on the discount rate	122	(101)
Employer contributions	160	117
Disbursements from plan assets	(133)	(171)
Settlements	-	(5)
Other increases (decreases)	(20)	-
<b>Final fair value of plan assets</b>	<b>4,833</b>	<b>4,609</b>

## 3. Main plan asset classes

	12.31.2019	12.31.2018
1. Shares	90	97
2. Bonds	392	448
3. Units in investment funds	3,918	3,718
4. Real estate properties	239	235
5. Derivative instruments	-	-
6. Other assets	194	111
<b>Total</b>	<b>4,833</b>	<b>4,609</b>

## 4. Significant actuarial assumptions used to determine the current value of defined benefit obligation

	12.31.2019	12.31.2018
	%	%
Discount rate	1.12	1.99
Expected return on plan assets	1.12	1.99
Expected compensation increase rate	2.04	2.05
Future increases relating to pension treatments	1.72	1.84
Expected inflation rate	1.36	1.59

## 5. Impact of changes in financial/demographic assumptions on DBOs and financial duration

	12.31.2019
- Impact of changes in financial/demographic assumptions on DBOs	
<b>A. Discount rate</b>	
A1. -25 basis points	439
	4.21%
A2. +25 basis points	(412)
	-3.95%
<b>B. Future increase rate relating to pension treatments</b>	
B1. -25 basis points	(303)
	-2.90%
B2. +25 basis points	318
	3.05%
<b>C. Mortality</b>	
C.1 Life expectancy + 1 year	361
	3.46%
- Financial duration (years)	16.3

## Part B - Consolidated balance sheet - Liabilities

## 10.6 Provisions for risks and charges - other provisions

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>4.3 Other provisions for risks and charges - other</b>		
Real estate risks/charges	103	158
Restructuring costs	50	74
Allowances payable to agents	89	162
Disputes regarding financial instruments and derivatives	61	85
Costs for liabilities arising from equity investment disposals	221	184
Other	1,029	969
<b>Total</b>	<b>1,553</b>	<b>1,632</b>

It should be noted that the following sub-item:

- "Others" includes provisions:
  - posted in order to cope with the probable risks of loss relating to the purchases of diamonds, that could be carried out under the "customer care" initiative promoted by UniCredit S.p.A. Further information is reported in the related paragraph of Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers - Diamond offer;
  - referring to cover the risks related to certain standard contractual terms contained in the documentary frameworks (i.e. reps & warranties), including securitisation transactions signed with the SPVs, of which UniCredit S.p.A. is Originator, pending the analysis and assessments to be completed within the deadlines established.

## Section 11 - Technical reserves - Item 110

No data to be disclosed.

## Section 12 - Redeemable Shares - Item 130

No data to be disclosed.

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

At 31 December 2019 the Group shareholders' equity, including the profit for the period of €3,373 million, amounted to €61,416 million, against €56,389 million at the end of 2018 restated.

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

## Group shareholders' equity: breakdown

(€ million)

	AMOUNTS AS AT		CHANGES	
	12.31.2019	12.31.2018	AMOUNT	%
1. Share capital	20,995	20,940	55	0.3%
2. Share premium reserve	13,225	13,393	-168	-1.3%
3. Reserves	24,344	20,836	3,508	16.8%
4. Treasury shares	(3)	(9)	6	-66.7%
a. Parent Company	(2)	(2)	-	-
b. Subsidiaries	(1)	(7)	6	-85.7%
5. Valuation reserve	(6,120)	(7,488)	1,368	-18.3%
6. Equity instruments	5,602	4,610	992	21.5%
7. Net profit (loss)	3,373	4,107	-734	-17.9%
<b>Total</b>	<b>61,416</b>	<b>56,389</b>	<b>5,027</b>	<b>8.9%</b>



## Part B - Consolidated balance sheet - Liabilities

The €5,027 million increase in Group Equity resulted from:

		(€ million)
Change in capital:		
· withdrawal from the specifically constituted reserve for the issue of the shares connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 6 February 2019		55
Use of share premium reserve:		
· for the coverage of the negative reserves for the component related to the payment of AT1 coupons in 2017		(168)
Change in reserves, including those one in treasury shares arising from:		3,514
· attribution to the reserve of the result of the previous year, net of dividends and other allocations		3,503
· coverage of the negative reserves, using share premium reserve and statutory reserve		293
· reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items		269
· change in reserves connected to Share Based Payments		69
· withdrawal from reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 6 February 2019		(55)
· recognition in reserves from allocation of profit of the cumulated gains (losses) arising from the disposal of equities measured at fair value through Other Comprehensive Income and from the repurchase of financial liabilities designated at fair value occurred during the period. This amount includes also the recycling to reserves from allocation of profit of the eventual amount previously reported in revaluation reserve		(93)
· the charge to reserves for the disbursements made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes"		(124)
· use of the statutory reserve to cover the negative reserve arising from the payment of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes"		(125)
· allocation to the reserve of the coupon paid to subscribers of the Additional Tier 1 instruments, net of the related taxes and fees paid to legal entities belonging to UniCredit group		(285)
· other changes		62
Change in valuation reserves due to:		1,368
· variation in the value of the revaluation reserve tangible assets		1,442
· variation of valuation reserves related to financial assets and liabilities valued at fair value		709
· variation in the value of the valuation reserve of companies carried at equity		501
· variation in exchange rate differences		294
· variation in the value of hedging for financial risks		(55)
· variation in the value of the reserve on non-current assets classified held-for-sale		(660)
· variation in the value of the reserve on actuarial gains (losses) on defined-benefit plans		(863)
Issue of Additional Tier1 recognised net of the related transaction costs and placement fees		992
Change of the profit for the period compared with that of 31 December 2018		(734)

## 13.1 "Share capital" and "treasury shares": breakdown

				(€ million)
	AMOUNT AS AT	12.31.2019	AMOUNT AS AT	12.31.2018
	ISSUED SHARES	UNDERWRITTEN AND NOT YET FULLY PAID SHARES	ISSUED SHARES	UNDERWRITTEN AND NOT YET FULLY PAID SHARES
<b>A. Share Capital</b>				
A.1 Ordinary shares	20,995	-	20,940	-
A.2 Savings shares	-	-	-	-
<b>Total A</b>	<b>20,995</b>	<b>-</b>	<b>20,940</b>	<b>-</b>
<b>B. Treasury Shares</b>	<b>(3)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - "12.1 Share capital and treasury shares: breakdown" which is herewith quoted entirely.

## Part B - Consolidated balance sheet - Liabilities

## 13.2 Share capital - Number of shares: annual changes

ITEMS/TYPES	CHANGES IN 2019	
	ORDINARY	SAVINGS
<b>A. Issued shares as at the beginning of the year</b>	<b>2,230,176,665</b>	<b>-</b>
- Fully paid	2,230,176,665	-
- Not fully paid	-	-
A.1 Treasury shares (-)	(4,760)	-
A.2 Shares outstanding: opening balance	2,230,171,905	-
<b>B. Increases</b>	<b>3,200,177</b>	<b>-</b>
B.1 New issues	3,200,177	-
- Against payment	-	-
- Business combinations	-	-
- Bonds converted	-	-
- Warrants exercised	-	-
- Other	-	-
- Free	3,200,177	-
- To employees	3,200,177	-
- To directors	-	-
- Other	-	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
of which: business combinations	-	-
<b>D. Shares outstanding: closing balance</b>	<b>2,233,372,082</b>	<b>-</b>
D.1 Treasury shares (+)	4,760	-
D.2 Shares outstanding as at the end of the year	2,233,376,842	-
- Fully paid	2,233,376,842	-
- Not fully paid	-	-

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - "12.2 Share capital - number of shares: annual changes" which is herewith quoted entirely.

## 13.3 Share capital: other information

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - "12.3 Capital: other information" which is herewith quoted entirely.

## 13.4 Reserves from profits: other information

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Legal reserve	1,518	1,518
Statutory reserve	7,504	6,161
Other reserves	7,816	5,876
<b>Total</b>	<b>16,838</b>	<b>13,555</b>

The legal reserve in overall includes, in addition to the amount of €1,518 million, also the amount of €2,683 million classified among Other reserves (not from profits) through a withdrawal from the "Share premium reserve" as resolved by the Shareholders' Meeting of 11 May 2013, 13 May 2014 and 14 April 2016.

## 13.5 Equity instruments: breakdown and annual changes

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - "12.5 Equity instruments: breakdown and annual changes" which is herewith quoted entirely.

## Part B - Consolidated balance sheet - Liabilities

## 13.6 Other Information

## Valuation reserves: breakdown

(€ million)

ITEM/TYPES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Equity instruments designated at fair value through other comprehensive income	(227)	(265)
2. Financial assets (other than equity instruments) at fair value through other comprehensive income	980	184
3. Hedging of equity instruments at fair value through other comprehensive income	-	-
4. Financial liabilities at fair value through profit or loss (changes in own credit risk)	(84)	41
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	1,442	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	18	73
10. Exchange differences	(2,032)	(2,326)
11. Non-current assets classified as held for sale	(660)	-
12. Actuarial gains (losses) on defined-benefit plans	(3,573)	(2,710)
13. Part of valuation reserves of investments valued at net equity	(2,261)	(2,762)
14. Special revaluation laws	277	277
<b>Total</b>	<b>(6,120)</b>	<b>(7,488)</b>

The FX currency reserves as at 31 December 2019 mainly refer to the following currencies:

- Turkish Lira: - €2,918 million, of which -€2,275 million included in the item "Revaluation reserves of investments valued at net equity" and -€643 million included in the item "Non-current assets classified as held for sale";
- Russian Ruble: -€1,800 million of which -€1,794 million included in the item "Exchange differences", -€22 million included in the item "Revaluation reserves of investments valued at net equity" and +€17 million in item "Non-current assets classified as held for sale".

The main variations in comparison to 31 December 2018 refer to:

- variation of "Property, plant and equipment" item for +€1,442 million due to the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition for the properties used in business, ruled by IAS16 "Property, plant and machinery" (for further details refer to Part A - Accounting policies - A.1 - General - Section 5 - Other matters);
- variation of item "Financial assets (other than equity instruments) at fair value through other comprehensive income" for +€796 million mainly due to Government securities;
- variation of the item "Exchange differences" for +€294 million mainly refers to change of Russian Ruble for +€324 million;
- variation of the item "Revaluation reserves of investments valued at net equity" for +€501 million mainly due to the change of Turkish Lira for -€110 million and for +€677 million due to the reclassification of 9.02% of the valuation reserve of Yapi Ve Kredi Bankasi AS in the reserve of "Non-current assets classified as held for sale" (mainly referred to Turkish Lira for -€643 million);
- variation of the item "Actuarial gains (losses) on defined-benefit plans" for -€863 million referred to widespread drop in Euro yield curve reducing DBO discount rate partially offset by plan assets performance.

## Part B - Consolidated balance sheet - Liabilities

### Section 14 - Minority shareholders' equity - Item 190

The table below shows a breakdown of minorities as at 31 December 2019.

#### 14.1 Breakdown of item 190 "Shareholders' equity: minorities"

(€ million)

	2019	2018
<b>Equity investments in consolidated companies with minority interests</b>	<b>464</b>	<b>1,002</b>
Zagrebacka Banka D.D.	346	346
UniCredit Bank D.D.	70	65
UniCredit Bank Austria AG Sub-Group	48	64
FinecoBank S.p.A.	-	517
Fineco Asset Management Designated Activity Company	-	10
<b>Other equity investments and other consolidation adjustments</b>	<b>(95)</b>	<b>(41)</b>
<b>Total</b>	<b>369</b>	<b>961</b>

The shareholders' equity attributable to minority interests for 2019 amounted to €369 million.

The main contributions are attributable to the minority shareholders of Zagrebacka Banka D.D. and its subsidiary UniCredit Bank D.D. and UniCredit Bank Austria AG Sub-Group, mainly referring to Card Complete Service Bank AG.

The deviation from the previous year mainly refers to the sale of FinecoBank S.p.A. and its subsidiary.

#### 14.2 Capital instruments: breakdown and annual changes

There are no equity instruments.

## Part B - Consolidated balance sheet - Liabilities

## Other information

## 1. Commitments and financial guarantees given (different from those designated at fair value)

(€ million)

	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				12.31.2018
	STAGE 1	STAGE 2	STAGE 3	TOTAL	TOTAL
<b>1. Loan commitments given</b>	<b>150,270</b>	<b>11,926</b>	<b>510</b>	<b>162,706</b>	<b>155,908</b>
a) Central Banks	24	-	-	24	-
b) Governments and other Public Sector Entities	5,628	1,139	-	6,767	7,668
c) Banks	4,972	29	-	5,001	2,504
d) Other financial companies	24,420	907	26	25,353	26,097
e) Non-financial companies	106,616	6,624	467	113,707	106,950
f) Households	8,610	3,227	17	11,854	12,689
<b>2. Financial guarantees given</b>	<b>49,855</b>	<b>3,684</b>	<b>1,346</b>	<b>54,885</b>	<b>52,879</b>
a) Central Banks	64	-	-	64	6
b) Governments and other Public Sector Entities	349	8	1	358	333
c) Banks	9,139	363	-	9,502	9,168
d) Other financial companies	4,830	98	10	4,938	6,225
e) Non-financial companies	35,049	3,178	1,327	39,554	36,710
f) Households	424	37	8	469	437

## 2. Others commitments and others guarantees given

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
	NOTIONAL AMOUNTS	NOTIONAL AMOUNTS
<b>1. Others guarantees given</b>	<b>19,988</b>	<b>20,801</b>
<i>of which: non-performing loans</i>	<i>186</i>	<i>177</i>
a) Central Banks	-	-
b) Governments and other Public Sector Entities	6	4
c) Banks	1,948	1,934
d) Other financial companies	2,269	4,622
e) Non-financial companies	15,748	14,212
f) Households	17	29
<b>2. Others commitments</b>	<b>94,235</b>	<b>93,435</b>
<i>of which: non-performing loans</i>	<i>1,514</i>	<i>1,799</i>
a) Central Banks	747	1,582
b) Governments and other Public Sector Entities	1,148	1,361
c) Banks	13,799	17,593
d) Other financial companies	16,870	9,138
e) Non-financial companies	57,099	58,362
f) Households	4,572	5,399

Table "1. Commitments and financial guarantees given" shows commitments and guarantees evaluated according to the IFRS9 requirements. Table "2. Others commitments and others guarantees given" shows commitments and guarantees that are not evaluated according to the IFRS9 requirements. Note that starting from 31 December 2018, according of the 5<sup>th</sup> update of Banca d'Italia Circular 262, the tables also include the revocable commitments and the item "financial guarantees" also includes the commercial ones.

## Part B - Consolidated balance sheet - Liabilities

## 3. Assets used to guarantee own liabilities and commitments

(€ million)

PORTFOLIOS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Financial assets at fair value through profit or loss	16,817	18,937
2. Financial assets at fair value through other comprehensive income	33,242	39,910
3. Financial assets at amortised cost	110,917	115,325
4. Property, plant and equipment	51	44
of which: inventories of property, plant and equipment	2	2

Deposits from Banks include €55,424 million related to Central Banks' refinancing operations collateralised by securities and loans respectively amounting to nominal €43,638 million and €22,812 million.

Regarding collateral securities, those not recognised on balance-sheet since they represent repurchased or retained Group's financial liabilities amount to nominal €22,317 million.

## 4. Breakdown of investments relating to unit-linked and index-linked policies

There were no transactions concerning unit-linked and index-linked policies.

## 5. Asset management and trading on behalf of third parties

(€ million)

TYPE OF SERVICES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Execution of orders on behalf of customers</b>		
a) Purchases	106,837	262,633
1. Settled	106,826	262,083
2. Unsettled	11	550
b) Sales	107,215	242,724
1. Settled	107,206	242,144
2. Unsettled	9	580
<b>2. Portfolio management</b>		
a) Individual	44,924	39,377
b) Collective	71,982	59,197
<b>3. Custody and administration of securities</b>		
a) Third party securities on deposits: relating to depositary bank activities (excluding portfolio management)	24,595	13,387
1. Securities issued by companies included in consolidation	15,025	9,030
2. Other securities	9,570	4,357
b) Third party securities held in deposits (excluding portfolio management): other	223,121	235,430
1. Securities issued by companies included in consolidation	8,899	10,287
2. Other securities	214,222	225,143
c) Third party securities deposited with third parties	183,118	195,124
d) Property securities deposited with third parties	99,462	101,048
<b>4. Other transactions</b>	<b>8,330</b>	<b>9,776</b>

## Part B - Consolidated balance sheet - Liabilities

## 6. Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2019 (F=C-D-E)	NET AMOUNT 12.31.2018
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	64,175	28,891	35,284	20,840	8,148	6,296	7,197
2. Reverse repos	87,220	3,875	83,345	65,829	130	17,386	16,974
3. Securities lending	-	-	-	-	-	-	-
4. Others	132,950	3,639	129,311	-	-	129,311	123,958
<b>Total 12.31.2019</b>	<b>284,345</b>	<b>36,405</b>	<b>247,940</b>	<b>86,669</b>	<b>8,278</b>	<b>152,993</b>	<b>X</b>
<b>Total 12.31.2018</b>	<b>245,429</b>	<b>24,268</b>	<b>221,161</b>	<b>66,488</b>	<b>6,544</b>	<b>X</b>	<b>148,129</b>

Financial derivative assets offset in balance sheet by financial liabilities (column "B" item 1. Derivatives) mainly refers to derivative contracts settled with Central Clearing Counterparts (CCPs).

## 7. Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2019 (F=C-D-E)	NET AMOUNT 12.31.2018
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	63,422	30,679	32,743	21,183	10,033	1,527	4,773
2. Reverse repos	87,533	3,875	83,658	70,970	201	12,487	37,614
3. Securities lending	-	-	-	-	-	-	9
4. Others	176,336	1,850	174,486	-	-	174,486	164,691
<b>Total 12.31.2019</b>	<b>327,291</b>	<b>36,404</b>	<b>290,887</b>	<b>92,153</b>	<b>10,234</b>	<b>188,500</b>	<b>X</b>
<b>Total 12.31.2018</b>	<b>307,175</b>	<b>24,268</b>	<b>282,907</b>	<b>66,671</b>	<b>9,149</b>	<b>X</b>	<b>207,087</b>

Financial derivative liabilities offset in balance sheet by financial assets (column "B" item 1. Derivatives) mainly refers to derivative contracts settled with Central Clearing Counterparts (CCPs).

## 8. Security borrowing transactions

(€ million)

TYPE OF LENDER	AMOUNTS AS AT 12.31.2019			
	AMOUNTS OF THE SECURITIES BORROWED/TRANSACTION PURPOSES			
	GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS	SOLD	SOLD IN REPO TRANSACTIONS	OTHER PURPOSES
A. Banks	180	1,737	4,393	4,489
B. Financial companies	1	117	558	270
C. Insurance companies	-	-	36	74
D. Non-financial companies	-	65	599	54
E. Others	-	-	306	653
<b>Total</b>	<b>181</b>	<b>1,919</b>	<b>5,892</b>	<b>5,540</b>



## Part C - Consolidated income statement

## Section 1 - Interests - Items 10 and 20

## 1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	YEAR 2019				YEAR 2018 TOTAL
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	
<b>1. Financial assets at fair value through profit or loss</b>	<b>219</b>	<b>102</b>	<b>713</b>	<b>1,034</b>	<b>982</b>
1.1 Financial assets held for trading	112	4	713	829	733
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	107	98	-	205	249
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>1,256</b>	<b>-</b>	<b>X</b>	<b>1,256</b>	<b>1,146</b>
<b>3. Financial assets at amortised cost</b>	<b>544</b>	<b>11,386</b>	<b>X</b>	<b>11,930</b>	<b>11,721</b>
3.1 Loans and advances to banks	38	713	X	751	681
3.2 Loans and advances to customers	506	10,673	X	11,179	11,040
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>(180)</b>	<b>(180)</b>	<b>394</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>155</b>	<b>155</b>	<b>190</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>598</b>	<b>673</b>
<b>Total</b>	<b>2,019</b>	<b>11,488</b>	<b>688</b>	<b>14,793</b>	<b>15,106</b>
<i>of which: interest income on impaired financial assets</i>	<i>5</i>	<i>535</i>	<i>-</i>	<i>540</i>	<i>653</i>
<i>of which: interest income on financial lease</i>	<i>-</i>	<i>600</i>	<i>-</i>	<i>600</i>	<i>594</i>

## 1.2 Interest income and similar revenues: other information

## 1.2.1 Interest income from financial assets denominated in currency

(€ million)

ITEMS	YEAR 2019	YEAR 2018
a) Assets denominated in currency	4,805	4,189

## 1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	YEAR 2019				YEAR 2018 TOTAL
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	
<b>1. Financial liabilities at amortised cost</b>	<b>(1,712)</b>	<b>(2,314)</b>	<b>X</b>	<b>(4,026)</b>	<b>(3,500)</b>
1.1 Deposits from central banks	(99)	X	X	(99)	(71)
1.2 Deposits from banks	(489)	X	X	(489)	(374)
1.3 Deposits from customers	(1,124)	X	X	(1,124)	(960)
1.4 Debt securities in issue	X	(2,314)	X	(2,314)	(2,095)
<b>2. Financial liabilities held for trading</b>	<b>(2)</b>	<b>(40)</b>	<b>(850)</b>	<b>(892)</b>	<b>(907)</b>
<b>3. Financial liabilities designated at fair value</b>	<b>(10)</b>	<b>(94)</b>	<b>-</b>	<b>(104)</b>	<b>(111)</b>
<b>4. Other liabilities and funds</b>	<b>X</b>	<b>X</b>	<b>(52)</b>	<b>(52)</b>	<b>(20)</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>896</b>	<b>896</b>	<b>527</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(343)</b>	<b>(344)</b>
<b>Total</b>	<b>(1,724)</b>	<b>(2,448)</b>	<b>(6)</b>	<b>(4,521)</b>	<b>(4,355)</b>
<i>of which: interest expenses on lease deposits</i>	<i>(42)</i>	<i>X</i>	<i>X</i>	<i>(42)</i>	<i>(3)</i>

## 1.4 Interest expenses and similar charges: other information

## 1.4.1 Interest expenses on liabilities denominated in currency

(€ million)

ITEMS	YEAR 2019	YEAR 2018
a) Liabilities denominated in currency	(2,536)	(1,565)

## Part C - Consolidated income statement

### 1.5 Differentials relating to hedging operations

ITEMS	(€ million)	
	YEAR 2019	YEAR 2018
A. Positive differentials relating to hedging operations	4,272	4,019
B. Negative differentials relating to hedging operations	(3,556)	(3,098)
<b>C. Net differential (A-B)</b>	<b>716</b>	<b>921</b>

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

### 2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	(€ million)	
	YEAR 2019	YEAR 2018
a) Guarantees given	491	488
b) Credit derivatives	1	2
c) Management, brokerage and consultancy services	3,332	3,217
1. Securities trading	173	157
2. Currencies trading	114	93
3. Portfolios management	403	385
3.1 Individual	165	161
3.2 Collective	238	224
4. Custody and administration of securities	254	209
5. Custodian bank	1	33
6. Placement of securities	611	539
7. Reception and transmission of orders	97	93
8. Advisory services	115	129
8.1 Relating to investments	85	92
8.2 Relating to financial structure	30	37
9. Distribution of third parties services	1,564	1,579
9.1 Portfolios management	589	585
9.1.1 Individual	2	3
9.1.2 Collective	587	582
9.2 Insurance products	951	969
9.3 Other products	24	25
d) Collection and payment services	1,392	1,391
e) Securitisation servicing	4	4
f) Factoring	83	82
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	1,290	1,302
j) Other services	979	1,067
k) Security lending	34	36
<b>Total</b>	<b>7,606</b>	<b>7,589</b>

Starting from 2019 some revenues from recovery of financial transaction tax collected from customers are not any longer included in sub-item "d) Collection and payment services" (47 million as at 31 December 2018) being addressed to Item "230. Other Operating expenses/income".

Item "j) other services" mainly comprise:

- fees on loans granted: €332 million in 2019, €410 million in 2018 (-19.0%);
- fees for foreign transactions and services of €76 million in 2019, €76 million in 2018 (+0.0%);
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €54 million in 2019, €67 million in 2018 (-19.4%);
- fees for ATM and credit card services not included in collection and payment services, amounting to €308 million in 2019, €300 million in 2018 (+2.7%).

## Part C - Consolidated income statement

### 2.2 Fees and commissions expenses: breakdown

SERVICES/VALUES	(€ million)	
	YEAR 2019	YEAR 2018
a) Guarantees received	(127)	(136)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(328)	(306)
1. Financial instruments trading	(59)	(54)
2. Currencies trading	(12)	(11)
3. Portfolios management	(42)	(29)
3.1 Own portfolios	(21)	(14)
3.2 Third party portfolios	(21)	(15)
4. Custody and administration of securities	(151)	(158)
5. Placement of financial instruments	(18)	(17)
6. Off-site distribution of financial instruments, products and services	(46)	(37)
d) Collection and payment services	(689)	(459)
e) Other services	(121)	(111)
f) Security lending	(23)	(26)
<b>Total</b>	<b>(1,288)</b>	<b>(1,038)</b>

Starting from 2019 some expenses for payment services and cards previously addressed to Item "190. b) Other administrative expenses" (164 million as at 31 December 2018) are included in item "d) Collection and payment services".

## Section 3 - Dividend income and similar revenue - Item 70

Dividends are recognised in the income statement when distribution is approved.

In 2019 dividend income and similar revenues totaled €295 million, as against overall €413 million for the previous period.

### 3.1 Dividend income and similar revenues: breakdown

ITEMS/REVENUES	YEAR 2019		YEAR 2018	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	187	-	319	-
B. Other financial assets mandatorily at fair value	62	25	55	11
C. Financial assets at fair value through other comprehensive income	17	-	23	-
D. Equity investments	4	-	5	-
<b>Total</b>	<b>270</b>	<b>25</b>	<b>402</b>	<b>11</b>
<b>Total dividends and similar revenues</b>	<b>295</b>		<b>413</b>	

The item "A. Financial assets held for trading" includes mainly the dividends received relating to the following equity securities: Intesa Sanpaolo (€18 million), Eni S.p.A. (€15 million), Siemens Ag. NA O.N. (€11 million), Daimler Ag. NA O.N. (€10 million).

In 2018 the item 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), DT. Telekom AG NA (€14 million), Bayer AG NA O.N. (€13 million).

The item "B. Other financial assets mandatorily at fair value" includes dividends received relating to the shareholding in Bank Pekao SA for €25 million (€30 million in 2018), reimbursement received by "Schema Volontario" in relation to its investments into subordinated bond issued by Banca Carige S.p.A. (€9 million) and "similar revenues" deriving from CIU quotes (€25 million).

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

## Part C - Consolidated income statement

## Section 4 - Gains (Losses) on financial assets and liabilities held for trading - Item 80

## 4.1 Net gains (losses) on trading: breakdown

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019				NET PROFIT [(A+B)-(C+D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets held for trading</b>	<b>4,605</b>	<b>3,712</b>	<b>(2,904)</b>	<b>(1,322)</b>	<b>4,091</b>
1.1 Debt securities	345	920	(361)	(611)	293
1.2 Equity instruments	560	953	(75)	(342)	1,096
1.3 Units in investment funds	182	170	(44)	(60)	248
1.4 Loans	2,093	1,177	(1,024)	-	2,246
1.5 Other	1,425	492	(1,400)	(309)	208
<b>2. Financial liabilities held for trading</b>	<b>118</b>	<b>318</b>	<b>(525)</b>	<b>(218)</b>	<b>(307)</b>
2.1 Debt securities	92	217	(470)	(134)	(295)
2.2 Deposits	-	-	-	(3)	(3)
2.3 Other	26	101	(55)	(81)	(9)
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(30)</b>
<b>4. Derivatives</b>	<b>99,584</b>	<b>124,382</b>	<b>(102,137)</b>	<b>(124,705)</b>	<b>(2,456)</b>
4.1 Financial derivatives	99,305	123,950	(101,848)	(124,228)	(2,401)
- On debt securities and interest rates	89,473	112,449	(91,168)	(110,490)	264
- On equity securities and share indices	5,488	8,065	(6,470)	(7,957)	(874)
- On currencies and gold	X	X	X	X	420
- Other	4,344	3,436	(4,210)	(5,781)	(2,211)
4.2 Credit derivatives	279	432	(289)	(477)	(55)
<i>of which: economic hedges linked to the fair value option</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>-</i>
<b>Total</b>	<b>104,307</b>	<b>128,412</b>	<b>(105,566)</b>	<b>(126,245)</b>	<b>1,298</b>

## Section 5 - Fair value adjustments in hedge accounting - Item 90

## 5.1 Net gains (losses) on hedge accounting: breakdown

(€ million)

INCOME ITEMS/VALUES	YEAR 2019	YEAR 2018
<b>A. Gains on</b>		
A.1 Fair value hedging instruments	8,620	4,983
A.2 Hedged financial assets (in fair value hedge relationship)	1,076	679
A.3 Hedged financial liabilities (in fair value hedge relationship)	100	195
A.4 Cash-flow hedging derivatives	12	4
A.5 Assets and liabilities denominated in currency	-	-
<b>Total gains on hedging activities (A)</b>	<b>9,808</b>	<b>5,861</b>
<b>B. Losses on</b>		
B.1 Fair value hedging instruments	(7,905)	(5,097)
B.2 Hedged financial assets (in fair value hedge relationship)	(351)	(562)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(1,506)	(181)
B.4 Cash-flow hedging derivatives	(4)	(4)
B.5 Assets and liabilities denominated in currency	-	-
<b>Total losses on hedging activities (B)</b>	<b>(9,766)</b>	<b>(5,844)</b>
<b>C. Net hedging result (A-B)</b>	<b>42</b>	<b>17</b>
<i>of which: net gains (losses) of hedge accounting on net positions</i>	<i>-</i>	<i>-</i>

## Part C - Consolidated income statement

### Section 6 - Gains (Losses) on disposals/repurchases - Item 100

As at 31 December 2019 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€287 million (+€298 million in 2018), of which +€298 million on financial assets and -€11 million on financial liabilities.

In 2019 net result recognised under sub-item "1. Financial assets at amortised cost" equal to +€138 million, is mainly due to loan and advances to customers of which UniCredit S.p.A. for +€91 million principally attributable to disposal of bonds and of non performing loans done during the year. The sub-item "2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities" is equal to +€160 million and includes gains on disposal of UniCredit S.p.A. (+€57 million, mainly due to disposal of Italian and Spanish Government securities), AO UniCredit Bank (+€19 million, mainly due to disposal of Russian Government securities), UniCredit Bulbank Ad (+€17 million, mainly due to disposal of Bulgarian and Romanian Government securities), UniCredit Bank Czech Republic and Slovakia A.s. (+€13 million, mainly due to Czech and Slovak Government securities), UniCredit Bank Austria AG (+€13 million, mainly due to disposal of Spanish Government securities), UniCredit Bank Ireland Plc (+€10 million, mainly due to disposal of Spanish and Italian Government securities).

#### 6.1 Gains (Losses) on disposal/repurchase: breakdown

ITEMS/INCOME ITEMS	YEAR 2019			YEAR 2018		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
<b>A. Financial assets</b>						
1. Financial assets at amortised cost	301	(163)	138	330	(201)	129
1.1 Loans and advances to banks	4	(11)	(7)	4	(8)	(4)
1.2 Loans and advances to customers	297	(152)	145	326	(193)	133
2. Financial assets at fair value through other comprehensive income	517	(357)	160	456	(282)	174
2.1 Debt securities	517	(357)	160	456	(282)	174
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>818</b>	<b>(520)</b>	<b>298</b>	<b>786</b>	<b>(483)</b>	<b>303</b>
<b>B. Financial liabilities at amortised cost</b>						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	5	(16)	(11)	14	(19)	(5)
<b>Total liabilities (B)</b>	<b>5</b>	<b>(16)</b>	<b>(11)</b>	<b>14</b>	<b>(19)</b>	<b>(5)</b>
<b>Total financial assets/liabilities</b>			<b>287</b>			<b>298</b>

As at 31 December 2018 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€298 million, of which +€303 million on financial assets and -€5 million on financial liabilities.

In 2018 net result recognised under sub-item "1. Financial assets at amortised cost" equal to +€129 million, is mainly due to disposal of loan and advances to customers carried out by UniCredit Bank AG (+€73 million), Zagrebacka Banka D.d. (+€29 million), UniCredit Bulbank Ad (€27 million), UniCredit Bank Serbia Jsc (+€18 million), partially rectified by losses carried out by UniCredit S.p.A. (-€30 million).

The sub-item "2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities" is equal to +€174 million and includes gains on disposal of UniCredit S.p.A. (+€89 million, mainly due to disposal of Italian Government securities), AO UniCredit Bank (+€20 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 Bank Austria AG (+€14 million, mainly due to disposal of Spanish and Austrian Government securities), UniCredit Bulbank Ad (+€13 million, mainly due to disposal of Bulgarian Government securities).

## Part C - Consolidated income statement

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

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

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019				NET PROFIT [(A+B)-(C+D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets</b>	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>251</b>	<b>177</b>	<b>(587)</b>	<b>(371)</b>	<b>(530)</b>
2.1 Debt securities	231	177	(499)	(369)	(460)
2.2 Deposits from banks	15	-	(50)	-	(35)
2.3 Deposits from customers	5	-	(38)	(2)	(35)
<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>Total</b>	<b>251</b>	<b>177</b>	<b>(587)</b>	<b>(371)</b>	<b>(530)</b>

Debt securities into financial liabilities include the bond "Secured mandatorily exchangeable equity-linked certificate" issued in the contest of the sale of Bank Pekao S.A. and expired at the end of 2019 which has contributed for €15 million to the result for the period.

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

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

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019				NET PROFIT [(A+B)-(C+D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets</b>	<b>452</b>	<b>60</b>	<b>(202)</b>	<b>(150)</b>	<b>160</b>
1.1 Debt securities	220	47	(98)	(66)	103
1.2 Equity securities	81	1	(42)	(72)	(32)
1.3 Units in investment funds	46	11	(30)	(9)	18
1.4 Loans	105	1	(32)	(3)	71
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>452</b>	<b>60</b>	<b>(202)</b>	<b>(150)</b>	<b>160</b>

CIU quotes include economic effects from Atlante fund and Italian Recovery Fund, for which refer to specific comment in table 2.5 Financial assets mandatory at fair value in Part B - Assets - Section 2.

## Part C - Consolidated income statement

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

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

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019						YEAR 2018  TOTAL
	WRITE-DOWNS			WRITE-BACKS		TOTAL	
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
		WRITE-OFF	OTHER				
A. Loans and advances to banks	(19)	-	-	14	-	(5)	2
- Loans	(18)	-	-	14	-	(4)	3
- Debt securities	(1)	-	-	-	-	(1)	(1)
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	(1,303)	(400)	(6,221)	1,346	3,105	(3,473)	(2,657)
- Loans	(1,294)	(400)	(6,221)	1,328	3,104	(3,483)	(2,675)
- Debt securities	(9)	-	-	18	1	10	18
of which: acquired or originated impaired loans	(5)	(33)	(22)	5	12	(43)	(12)
Total	(1,322)	(400)	(6,221)	1,360	3,105	(3,478)	(2,655)

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

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019						YEAR 2018
	WRITE-DOWNS				WRITE-BACKS		TOTAL
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
		WRITE-OFF	OTHER				
A. Debt securities	(28)	-	-	17	-	(11)	(19)
B. Loans	-	-	-	-	-	-	-
- Loans and advances to customers	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	(28)	-	-	17	-	(11)	(19)

For additional information on this section refer to Part E - Information on risks and hedging policies - A. Credit quality.

## Section 9 - Gains/Losses from contractual changes with no cancellations - Item 140

## 9.1 Gains (Losses) from contractual changes: breakdown

(€ million)

	YEAR 2019			YEAR 2018 TOTAL
	GAINS	LOSSES	TOTAL	
<b>A. Financial assets at amortised costs</b>				
A.1 Debt securities	-	-	-	-
A.2 Loans to banks	-	-	-	-
A.3 Loans to customers	3	(23)	(20)	(3)
<b>Total (A)</b>	<b>3</b>	<b>(23)</b>	<b>(20)</b>	<b>(3)</b>
<b>B. Financial assets at fair value through other comprehensive income</b>				
B.1 Debt securities	-	-	-	-
B.2 Loans to banks	-	-	-	-
B.3 Loans to customers	-	-	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>3</b>	<b>(23)</b>	<b>(20)</b>	<b>(3)</b>



## Part C - Consolidated income statement

### Section 10 - Net premiums - Item 160

There are no amounts to be shown.

### Section 11 - Other net insurance income/expenses - Item 170

There are no amounts to be shown.

### Section 12 - Administrative expenses - Item 190

#### 12.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	(€ million)	
	YEAR 2019	YEAR 2018
<b>1) Employees</b>	<b>(6,547)</b>	<b>(6,319)</b>
a) Wages and salaries	(4,384)	(4,487)
b) Social charges	(1,002)	(1,057)
c) Severance pay	(29)	(30)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(11)	(17)
f) Provision for retirements and similar provisions	(143)	(177)
- Defined contribution	(3)	(3)
- Defined benefit	(140)	(174)
g) Payments to external pension funds	(221)	(230)
- Defined contribution	(220)	(229)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(69)	(73)
i) Other employee benefits	(688)	(248)
<b>2) Other non-retired staff</b>	<b>(16)</b>	<b>(17)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(7)</b>	<b>(8)</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>5) Recoveries of payments for seconded employees to other companies</b>	<b>21</b>	<b>24</b>
<b>6) Refund of expenses for seconded employees to the company</b>	<b>(39)</b>	<b>(30)</b>
<b>Total</b>	<b>(6,588)</b>	<b>(6,350)</b>

#### 12.2 Average number of employees by category

	YEAR 2019	YEAR 2018
<b>Employees</b>	<b>94,711</b>	<b>99,332</b>
a) Senior managers	1,046	1,152
b) Managers	26,761	28,024
c) Remaining employees staff	66,904	70,156
<b>Other non-retired staff</b>	<b>1,434</b>	<b>1,442</b>
<b>Total</b>	<b>96,145</b>	<b>100,774</b>

#### Employees by category at year end

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>Employees</b>	<b>93,073</b>	<b>96,348</b>
a) Senior managers	998	1,094
b) Managers	26,489	27,032
c) Remaining employees staff	65,586	68,222
<b>Other non-retired staff</b>	<b>1,441</b>	<b>1,427</b>
<b>Total</b>	<b>94,514</b>	<b>97,775</b>

## Part C - Consolidated income statement

## 12.3 Defined benefit company retirement funds: costs and revenues

	(€ million)	
	YEAR 2019	YEAR 2018
Current service cost	(84)	(88)
Settlement gains (losses)	30	(1)
Past service cost	-	(3)
Interest cost on the DBO	(181)	(180)
Interest income on plan assets	95	98
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
<b>Total recognised in profit or loss</b>	<b>(140)</b>	<b>(174)</b>

## 12.4 Other employee benefits

	(€ million)	
	YEAR 2019	YEAR 2018
- Seniority premiums	(10)	(6)
- Leaving incentives	(443)	(14)
- Other	(235)	(228)
<b>Total</b>	<b>(688)</b>	<b>(248)</b>

The net balance in the sub-item Leaving Incentives for 2019 is mainly determined by the effects envisaged by the Strategic Plan Team 23 related to Germany and Austria, based on the agreements with the workers' representatives (Works Councils). In Germany the exits will be realized mainly on individual basis, while in Austria also by an early retirement plan.

Regarding Italy, no provision has been recognized as at 31 December 2019 since the recognition requirements according to IAS37 hasn't been filled.

## 12.5 Other administrative expenses: breakdown

	(€ million)	
TYPE OF EXPENSES/SECTORS	YEAR 2019	YEAR 2018
<b>1) Indirect taxes and duties</b>	<b>(646)</b>	<b>(645)</b>
1a. Settled	(644)	(643)
1b. Unsettled	(2)	(2)
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(623)</b>	<b>(600)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(114)</b>	<b>(116)</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(2,713)</b>	<b>(3,446)</b>
a) Advertising marketing and communication	(155)	(190)
b) Expenses relating to credit risk	(238)	(296)
c) Indirect expenses relating to personnel	(118)	(145)
d) Information & Communication Technology expenses	(1,043)	(1,201)
Lease of ICT equipment and software	(74)	(72)
Software expenses: lease and maintenance	(224)	(213)
ICT communication systems	(72)	(68)
Services ICT in outsourcing	(551)	(731)
Financial information providers	(122)	(117)
e) Consulting and professionals services	(209)	(254)
Consulting	(166)	(206)
Legal expenses	(43)	(48)
f) Real estate expenses	(406)	(773)
Premises rentals	(59)	(407)
Utilities	(142)	(149)
Other real estate expenses	(205)	(217)
g) Operating costs	(544)	(587)
Surveillance and security services	(46)	(49)
Money counting services and transport	(52)	(55)
Printing and stationery	(35)	(35)
Postage and transport of documents	(80)	(80)
Administrative and logistic services	(139)	(206)
Insurance	(70)	(71)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(62)	(54)
Other administrative expenses - other	(60)	(37)
<b>Total (1+2+3+4)</b>	<b>(4,096)</b>	<b>(4,807)</b>

## Part C - Consolidated income statement

Starting from 2019:

- some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) are not any longer included in sub-item "1) Indirect taxes and duties - 1a. Settled" (12 million as at 31 December 2018) being addressed to Item "300. Tax (expenses) income of the year from continuing operations";
- some expenses for payment services and cards are not any longer included in sub-item "4. d) Information & Communication Technology expenses" (164 million as at 31 December 2018) being addressed to Item "50. Fees and commissions expenses".

The decrease in sub-item "f) Real estate expenses - Premises rentals" is mainly due to the first application of the IFRS16 principle. For further information about the effects of the introduction of this accounting standard, refer to Part A - Accounting policies - Section 5 - Other matters.

### Contributions to Resolution and Guarantee funds

Item "Other administrative expenses" includes the Group contributions to resolution funds ("SRF") and guarantee funds ("DGS"), harmonised and non-harmonised, respectively equal to €401 million (of which €185 million from UniCredit S.p.A.) and €222 million (of which €92 million from UniCredit S.p.A.).

With reference to the harmonised funds, the ordinary annual contributions due pursuant to the Directives No.49 and No.59 of 2014 are accounted for in full when the legal condition of the obligation to make payment occurs and the application of IFRIC21 does not allow the pro-rata attribution to the interim periods.

In relation to the contribution obligations described below, such schemes have led to expenses during the period and they will lead to expenses in future periods both for ordinary contribution scheme and potential extraordinary contributions.

- With the introduction of the European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No.806/2014 of the European Parliament and of the Council dated 15 July 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund, "SRF"). The 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 at least to 1% of the amount of the covered deposits of all the authorised institutions in the States of the European Union. The accumulation period may be extended for further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the covered deposits. If the available financial resources fall below the target level after the accumulation period, the collection of contributions shall resume until that level has been recovered. Additionally, after having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at that level which allows to reach the target level within a period of six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions, of up to three times the expected annual contributions, when the available financial resources are not sufficient to cover losses and costs of interventions. A transitional phase of contributions to the national compartments of the SRF and a progressive mutualisation of these are expected.
- The Directive 2014/49/EU of 16 April 2014, in relation to the DGS - Deposit Guarantee Schemes, aims to enhance the protection of depositors through the harmonisation of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of at least 0.8% of the amount of its members' covered deposits to be collected by 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If the available financial resources have been reduced to below two thirds of the target level after it has been reached for the first time, the regular contribution shall be set at that level which allows to reach the target level within six years. The national contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources 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), Group contributions posted into income statement and paid in 2019 sum up to €401 million, of which: i) ordinary contribution for to €351 million (of which €135 million paid by UniCredit S.p.A. in 2019), ii) extraordinary contributions for €50 million (entirely referred to UniCredit S.p.A.).

Specifically referring to UniCredit S.p.A.:

- further to contribution for 2019 equal to €135 million, ordinary contribution for years 2015, 2016, 2017 and 2018 have been respectively €73 million, €107 million, €109 million and €140 million.
- referring to extraordinary contributions:
  - referring to 2015, Banca d'Italia (National Resolution Authority) realised a resolution programme of four banks (Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti); resolution has been pursued by the separation of the non-performing assets (which flowed into a "bad bank") from the rest of the assets and liabilities that flowed into four new "bridge banks", then sold to BPER Banca S.p.A. (Cassa di Risparmio di Ferrara) and UBI Banca S.p.A. (the other three banks). As a result of this intervention, the ministerial measures led to a request for extraordinary contributions, established at the maximum rate of three times the ordinary

## Part C - Consolidated income statement

yearly contribution (€219 million vs €73 million ordinary contribution), whose amount has been paid by UniCredit S.p.A. and recognised in the income statement in the same year.

- referring to 2016, Italian Legislative Decree 183/2015 (converted into Law 208/2015) also introduced an additional payment commitment, due to the National Resolution Fund ("NRF"), for the payment of contributions of up to twice the ordinary contribution quotas to the SRF (€214 million for UniCredit S.p.A. vs €107 million ordinary contribution), entirely requested in December 2016; due to this payment, UniCredit S.p.A. recognised in the income statement €214 million. The liquidity needed to fund this intervention was provided through pool loans in favour of FRN in which UniCredit participated, in particular: (i) 2,350 million and €1,550 million fully repaid (to which UniCredit S.p.A. participated respectively for €783 million and €516 million); (ii) €1,240 million actually outstanding and maturing in 2021 (to which UniCredit S.p.A. participate for €210 million). For facing the reimbursement commitments of capital and interests' payment, in 2018 and 2019 respectively €52 million and €50 million were required to UniCredit S.p.A. as extraordinary contributions.

The instrument of the irrevocable payment commitments has been used: (i) in respect of 15% of ordinary contributions paid in May 2016 by UniCredit S.p.A. and its subsidiary UniCredit Bank AG, resulting in the payment of guarantees in the form of cash amounting respectively to €16 million (voluntary converted into effective contribution in first half 2019) and €12 million; (ii) referring to ordinary contribution for 2017, 2018 and 2019, by UniCredit Bank AG for an amount of respectively €14 million, €16 million and €18 million. The cash collateral has been recognised in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement.

With reference to Directive No.49 (DGS contribution), the entire amount of €222 million refers to ordinary contribution.

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

### Guarantee fees for DTA conversion

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

In respect of financial year 2019 the fee was paid on 28 June 2019 for an amount of €114.2 million for the whole Italian Tax Group, of which €109.5 million for UniCredit S.p.A., €4.4 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A.

### Fees paid to the auditing firm

Pursuant to article 2427, first paragraph of the Italian Civil Code, the fees paid to the auditing firm Deloitte & Touche S.p.A. (and firms in its network) by UniCredit S.p.A. and the Italian entities of the UniCredit group relating to financial year 2019 were as follows:

- legal audit of annual accounts (including the audit of the first half financial report): €4.8 million;
- other checks: €2.5 million;
- other non-audit services: €4.3 million.

The above amounts are net of VAT and expenses.

## 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

	YEAR 2019			(€ million)
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	
Loan commitments	(178)	249	71	
Financial guarantees given	(302)	323	21	

### 13.2 Net provisions for other commitments and guarantees given: breakdown

	YEAR 2019			(€ million)
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	
Other commitments	(22)	5	(17)	
Other guarantees given	(93)	63	(30)	

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### 13.3 Net provisions for risks and charges: breakdown

ASSETS/INCOME ITEMS	YEAR 2019			(€ million)
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	YEAR 2018 TOTAL
<b>1. Other provisions</b>				
1.1 Legal disputes	(395)	665	270	(1,243)
1.2 Staff costs	(1)	1	-	(1)
1.3 Other	(656)	238	(418)	(253)
<b>Total</b>	<b>(1,052)</b>	<b>904</b>	<b>(148)</b>	<b>(1,497)</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 the parent company 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 the parent company UniCredit S.p.A. for various types of risks for which refer to Part E - Section 5 - Operational risks - E. Other claims by customers of the Notes to accounts of Company financial statements.

## Section 14 - Net value adjustments/write-backs on property, plant and equipment - Item 210

In 2019 impairment/write-backs on property, plant and equipment amount to -€1,425 million (-€633 million in 2018, amount that is different from the one published last year according to the retrospective application, starting from 1 January 2018, of the changes in the valuation criteria of the Property plant and equipment held for investment). The amount of 2019 includes (i) -€344 million related to impairment losses/write-backs of right of use of leased assets recognised in this item following the application of 6<sup>th</sup> update of the Banca d'Italia Circular 262, (ii) -€315 million write-downs related to the classification as non current assets held for sale of Ocean Breeze Energy GmbH that has been subsequently disposed and (iii) -€228 million write-downs related to tangible assets Capital Dev S.p.A. in order to align its carrying amount to the economic conditions defined in the pre-agreements closed with a counterparty external to the Group.

The breakdown is provided in the table below:

### 14.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

ASSETS/INCOME ITEMS	YEAR 2019			(€ million)
	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
<b>A. Property, plant and equipment</b>				
<b>A.1 Used in the business</b>	<b>(850)</b>	<b>(299)</b>	<b>32</b>	<b>(1,117)</b>
- Owned	(519)	(273)	19	(773)
- Right of use of Leased Assets	(331)	(26)	13	(344)
<b>A.2 Held for investment</b>	<b>-</b>	<b>(232)</b>	<b>-</b>	<b>(232)</b>
- Owned	-	(232)	-	(232)
- Right of use of Leased Assets	-	-	-	-
<b>A.3 Inventories</b>	<b>-</b>	<b>(10)</b>	<b>3</b>	<b>(7)</b>
<b>Total A</b>	<b>(850)</b>	<b>(541)</b>	<b>35</b>	<b>(1,356)</b>
<b>B. Non-current assets and groups of assets held for sale</b>	<b>X</b>	<b>(69)</b>	<b>-</b>	<b>(69)</b>
- Used in the business	X	(69)	-	(69)
- Held for investments	X	-	-	-
- Inventories	X	-	-	-
<b>Total (A+B)</b>	<b>(850)</b>	<b>(610)</b>	<b>35</b>	<b>(1,425)</b>

## Part C - Consolidated income statement

### Section 15 - Net value adjustments/write-backs on intangible assets - Item 220

In 2019 impairments/write-backs on intangible assets were -€746 million.

The impairment of the other intangible assets is mainly related to the impairment of the trademarks (brands) of FinecoBank S.p.A. while for the Intangible asset generated internally by the company the impairment is mainly referred to the subsidiary UniCredit Services S.C.p.A.

For further details see Part B - Consolidated Balance Sheet - Asset - Section 10 - Intangible assets.

#### 15.1 Net value adjustments/write-backs on intangible assets: breakdown

ASSETS/INCOME ITEMS	YEAR 2019			NET PROFIT (A+B-C)
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	
<b>A. Intangible assets</b>				
<b>A.1 Owned</b>	<b>(445)</b>	<b>(301)</b>	<b>-</b>	<b>(746)</b>
- Generated internally by the company	(319)	(207)	-	(526)
- Other	(126)	(94)	-	(220)
<b>A.2 Right of use of Leased Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Non-current assets and disposal group classified as held for sale</b>	<b>X</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(445)</b>	<b>(301)</b>	<b>-</b>	<b>(746)</b>

### Section 16 - Other operating expenses/income - Item 230

#### Other net operating income: breakdown

INCOME ITEMS/VALUE	YEAR 2019		YEAR 2018
Total of other operating expenses	(913)		(723)
Total of other operating income	1,810		1,630
<b>Other operating expenses/income</b>	<b>897</b>		<b>907</b>

#### 16.1 Other operating expenses: breakdown

TYPE OF EXPENSE/VALUES	YEAR 2019		YEAR 2018
Costs for operating leases	(5)		(4)
Non-deductible tax and other fiscal charges	(2)		(1)
Write-downs on leasehold improvements	(56)		(60)
Costs relating to the specific service of financial leasing	(91)		(93)
Other	(759)		(565)
<b>Total other operating expenses</b>	<b>(913)</b>		<b>(723)</b>

The item "Other" includes:

- various settlements and indemnities of €149 million, €151 million in 2018;
- additional costs for the leasing business of €93 million, €19 million in 2018;
- non-banking business costs €164 million, €224 million in 2018;
- charges relating to Group property of €3 million, €4 million in 2018;
- additional costs relating to customer accounts of €142 million, €32 million in 2018.

#### 16.2 Other operating income: breakdown

TYPE OF REVENUE/VALUES	YEAR 2019		YEAR 2018
<b>A) Recovery of costs</b>	<b>557</b>		<b>542</b>
<b>B) Other revenues</b>	<b>1,253</b>		<b>1,088</b>
Revenues from administrative services	43		54
Revenues from operating leases	271		299
Recovery of miscellaneous costs paid in previous years	22		12
Revenues on financial leases activities	95		97
Other	822		626
<b>Total other operating income (A+B)</b>	<b>1,810</b>		<b>1,630</b>

## Part C - Consolidated income statement

The item "A. Recovery of costs" includes revenues from recovery of financial transaction tax collected from customers already included, until December 2018, in item "40. Fees and commissions income" (47 million as at 31 December 2018).

The sub-item "Others" includes:

- additional income received from leasing business of €94 million, €44 million in 2018;
- income from non-banking business of €408 million, €364 million in 2018;
- various income from Group property of €24 million, €3 million in 2018;
- payments of indemnities and compensation of €96 million, €21 million in 2018.

### Section 17 - Gains (Losses) of equity investments - Item 250

In 2019 profit (loss) of associates amounts to -€316 million (+€97 million in 2018), attributable to jointly owned companies for -€138 million and to companies subject to significant influence for +€454 million.

This result consists of "A. Income" of +€718 million and "B. Expense" of -€402 million. In more detail:

- sub-item "A. Income" includes:
  - +€621 million gains related to gains on companies valued at Equity method: Koc Finansal Hizmetler As (+€226 million), Mediobanca Banca Di Credito Finanziario S.p.A. (+€73 million), Oberbank Ag (+€64 million), Bank Fuer Tirol Und Vorarlberg Aktiengesellschaft (+€56 million), Creditas Vita S.p.A. (+€51 million), Aviva S.p.A. (+€40 million), Bks Bank Ag (+€25 million), Oesterreichische Kontrollbank Aktiengesellschaft (+€23 million), Cnp UniCredit Vita S.p.A. (+€19 million), Barn Bv (+€17 million), Creditas Assicurazioni S.p.A. (+€7 million), Incontra Assicurazioni S.p.A. (+€5 million);
  - +€72 million of gain on disposal attributable Swancap Partners Gmbh (+€16 million) and Eurotlx Sim S.p.A. (+€4 million), in addition to other transactions including the agreement with the B&C Privatstiftung Foundation for the disposal of its ultimate beneficiary position and for the definition of former rights in the foundation;
  - +€25 million of write-backs mainly due Bank Fuer Tirol Und Vorarlberg Aktiengesellschaft (+€10 million), Camfin S.p.A. (+€9 million) and Risanamento S.p.A. (+€6 million).
- sub-item "B. Expense" includes:
  - -€5 million of write-downs mainly referred to losses on companies valued at Equity method: Da Vinci S.r.l. (-€4 million);
  - -€381 million of impairment losses, mainly attributable to write-downs on investments valued at Equity method, as Koc Finansal Hizmetler As (-€365 million, of which -€51 million referred to the stake of 31.93% classified in item "Equity investments" and -€314 million to the stake of 9.02% classified in item "Non-current assets and disposal groups classified as held for sale"), Bks Bank Ag (-€11 million);
  - -€16 million of loss on disposal, mainly due to the impact arising from the disposal of holding percentage of Mediobanca Banca Di Credito Finanziario S.p.A. (-€16 million).

In September 2019 UniCredit S.p.A. signed an agreement with B&C Foundation for (i) the disposal of its ultimate beneficiary position and (ii) an agreement regarding all former rights in the foundation.

UniCredit acknowledged that the Foundation has undertaken to establish an independent nomination board to define the selection criteria for the appointment of future board members.

The transaction encompasses considerations spread over a time-length. The first payment has been accounted for in the fourth quarter 2019 while the payment of any subsequent further payments depends on the fulfillment of the respective conditions precedent.

UniCredit S.p.A. acquired the ultimate beneficiary rights in B&C as a result of the acquisition of UniCredit Bank AG group in 2005. Such acquisition was accounted for through the "purchase method" in accordance with IFRS3, which requires to recognize assets and liabilities of the acquired companies at their fair value at acquisition date.

The ultimate beneficiary rights were attributed a fair value equal to zero considering that:

- no enforceable rights to receive dividends/contributions are granted (according to B&C's deed of foundation and the Austrian juridical system, the B&C Board may decide to distribute dividends if justified by exceptional circumstances);
- there were no prospects for liquidation or dissolution of B&C (UniCredit had no rights or possibilities to ask for B&C's dissolution and the purpose of the foundation was unlikely to become impossible or finally accomplished).



## Part C - Consolidated income statement

During 2019 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.

### 17.1 Gains (Losses) of equity investments: breakdown

		(€ million)	
INCOME ITEMS/SECTORS	YEAR 2019	YEAR 2018	
<b>1) Jointly owned companies - Equity</b>			
<b>A. Income</b>	<b>227</b>	<b>306</b>	
1. Revaluations	227	299	
2. Gains on disposal	-	7	
3. Write-backs	-	-	
4. Other gains	-	-	
<b>B. Expenses</b>	<b>(365)</b>	<b>(851)</b>	
1. Write-downs	-	-	
2. Impairment losses	(365)	(851)	
3. Losses on disposal	-	-	
4. Other expenses	-	-	
<b>Net profit</b>	<b>(138)</b>	<b>(545)</b>	
<b>2) Companies under significant influence</b>			
<b>A. Income</b>	<b>491</b>	<b>501</b>	
1. Revaluations	394	351	
2. Gains on disposal	72	123	
3. Write-backs	25	27	
4. Other gains	-	-	
<b>B. Expenses</b>	<b>(37)</b>	<b>(53)</b>	
1. Write-downs	(5)	(5)	
2. Impairment losses	(16)	(46)	
3. Losses on disposal	(16)	(2)	
4. Other expenses	-	-	
<b>Net profit</b>	<b>454</b>	<b>448</b>	
<b>Total</b>	<b>316</b>	<b>(97)</b>	

In 2018 profit (loss) of associates amounts to -€97 million, attributable to jointly owned companies for -€545 million and to companies subject to significant influence for +€448 million.

This result consists of "A. Income" of +€807 million and "B. Expense" of -€904 million. In more detail:

- sub-item "A. Income" includes:
  - +€650 million gains related to gains on companies valued at Equity method: Koc Finansal Hizmetler As (+€299 million), Mediobanca Banca Di Credito Finanziario S.p.A. (+€68 million), Oberbank Ag (+€61 million), Bank Fuer Tirol Und Vorarlberg Aktiengesellschaft (+€44 million), Creditas Vita S.p.A. (+€42 million), Camfin S.p.A. (+€29 million), Bks Bank Ag (+€21 million), Oesterreichische Kontrollbank Aktiengesellschaft (+€20 million), Aviva S.p.A. (+€18 million), Barn Bv (+€14 million), Cnp UniCredit Vita S.p.A. (+€10 million);
  - +€130 million of gain on disposal mainly attributable to Custodia Valore - Credito su Pegno S.r.l. (+€114 million), Megapark Ood. (+€8 million), Marina Tower Holding Gmbh (+€5 million);
  - +€27 million of write-backs mainly due to Bks Bank Ag (+€27 million).
- sub-item "B. Expense" includes:
  - -€5 million of write-downs mainly referred to losses on companies valued at Equity method: Da Vinci S.r.l. (-€2 million), Cbd International Sp.Zo.O. (-€1 million), Paydirekt Beteiligungsgesellschaft Privater Banken Mbh (-€1 million);
  - -€897 million of impairment losses, mainly attributable to write-downs on investments valued at Equity method, as Koc Finansal Hizmetler As (-€851 million), Bank Fuer Tirol Und Vorarlberg Aktiengesellschaft (-€28 million), Risanamento S.p.A. (-€6 million) and to permanent write-downs on positive differences in net equity, related to Cbd International Sp.Zo.O. (-€4 million);
  - -€2 million of loss on disposal, mainly due to the impact arising from the dilution of holding percentage of Mediobanca Banca Di Credito Finanziario S.p.A. (-€2 million).

During 2018 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.



## Part C - Consolidated income statement

### Section 19 - Goodwill impairment - Item 270

There is no impairment of goodwill in 2019.

See Part A - Accounting Policies for a description of the methods used to measure impairment of goodwill.

See Part B - Consolidated Balance Sheet for a description of goodwill impairment testing procedures and results.

### Section 20 - Gains (Losses) on disposals on investments - Item 280

#### 20.1 Gains and losses on disposal of investments: breakdown

			(€ million)
INCOME ITEMS/SECTORS	YEAR 2019	YEAR 2018	
<b>A. Property</b>			
- Gains on disposal	139	88	
- Losses on disposal	(7)	(9)	
<b>B. Other assets</b>			
- Gains on disposal	38	116	
- Losses on disposal	(41)	(21)	
<b>Net profit</b>	<b>129</b>	<b>174</b>	

At 31 December 2019 gains (losses) on disposals of investments are +€129 million (+€174 million in 2018) and refer to:

#### A. Property

Net gains of +€132 million (+€79 million in 2018). This item includes the results of the property rationalisation carried out by the following companies: European Office Fonds (+€56 million), Argentaurus Immobilien Vermietungs und Verwaltungs Gmbh (+€40 million), Hvb Leasing Czech Republic S.r.o. (+€9 million) and Universale International Realitaeten Gmbh (+€6 million).

For the effects on gains on disposals of investments deriving from strategic transactions aimed at management and rationalising Group real estate portfolio, see also notes to previous Section 18 - Net gains (losses) on property, plant and equipment and intangible assets measured at fair value.

#### B. Other assets

Net loss of -€3 million (+€95 million in 2018). This item mainly includes loss from disposal of some equity investments as Ocean Breeze Energy Gmbh & Co. Kg (-€24 million) and Agrob Immobilien Ag (-€8 million).

During 2019 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.

At 31 December 2018 gains (losses) on disposals of investments are +€174 million and refer to:

#### A. Property

Net gains of +€79 million. This item includes the results of the property rationalisation carried out by the following companies: Visconti S.r.l. (+€30 million), Ba Betriebsobjekte Gmbh (+€10 million), Wealthcap Objekt Vorrat 20 Gmbh & Co Kg (+€10 million), Nuova Compagnia di Partecipazioni S.p.A. (+€6 million) and UniCredit Bulbank Ad (+€5 million).

#### B. Other assets

Net gains of +€95 million. This item mainly includes gains from disposal of some equity investments as Mobility Concept Gmbh (+€28 million) and Ramses Immobilien Gesellschaft Mbh & Co Og (+€14 million).

During 2018 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.

## Part C - Consolidated income statement

### Section 21 - Tax expenses (income) for the period from continuing operations - Item 300

Each Country has an autonomous tax system where the determination of the tax base, the level of tax rates, nature, type and timing of tax obligations might differ, even significantly. Such differences also exist amongst EU Member States.

In respect of the main Countries where UniCredit Group operates, Italy, Germany, Austria and the United States, all have domestic income tax consolidation regimes. While the United Kingdom does not have a domestic income tax consolidation regime, tax losses can nonetheless be transferred between entities of the same Group.

Tax consolidation rules also differ from Country to Country, sometimes markedly. Generally speaking, the main and common benefit of a domestic tax consolidation regime is the offsetting of profits and losses of companies and entities belonging to the same tax consolidation perimeter. The requirements to be included in a domestic tax consolidation regime can be very different from those set for the purpose of accounting consolidation for a banking group according to the international IAS/IFRS or local accounting standards.

As for tax rates, and with reference to the Group's key Countries, the nominal corporate income tax rate is 31.4% in Germany (also taking into account the "solidarity surcharge" and the municipal trade tax), 25% in Austria, 10% in Bulgaria, 16% in Romania, 22% in Turkey, 19% in the Czech Republic, 20% in Russia, 9% in Hungary.

In addition, the corporate income tax rate is 27% in the United Kingdom (also taking into account the 8% surcharge provided for Banks), 12.5% in Ireland, 24.94% in Luxembourg, 21% of federal tax in the United States and 25% in China.

In Italy the standard corporate income tax rate is equal to 24%, which is increased by a 3.5% surcharge applicable to banks and other financial entities only. Therefore, for UniCredit S.p.A. and for the other Group banks and financial entities, the applicable tax rate is equal to 27.5%.

Further to the corporate income tax (IRES), the Italian Regional Tax on Productive Activities (IRAP) levied at a rate of 4.65% for the banking sector must be considered (each Region is entitled to autonomously increase the rate by a surcharge of 0.92% up to a maximum nominal rate of 5.57%, plus an additional surcharge of 0.15% provided for Regions that have a healthcare deficit status); IRAP has a slightly different taxable base from the one provided for in respect of IRES, obviously it has different rules, among which no tax loss carried forward.

For Tax expenses (income) for the period of the Parent company refer to paragraph of Part C - Notes to the accounts of UniCredit S.p.A. - Section 19 - Tax expenses (income) for the period from continuing operations - Item 270 which is herewith quoted entirely.

#### 21.1 Tax expense (income) relating to profit or loss from continuing operations: breakdown

		(€ million)	
INCOME ITEMS/SECTORS		YEAR 2019	YEAR 2018
1.	Current taxes (-)	(1,032)	(707)
2.	Change of current taxes of previous years (+/-)	(37)	260
3.	Reduction of current taxes for the year (+)	32	43
3.bis	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	-
4.	Change of deferred tax assets (+/-)	(147)	976
5.	Change of deferred tax liabilities (+/-)	322	(49)
6.	<b>Tax expenses for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>	<b>(862)</b>	<b>523</b>

## Part C - Consolidated income statement

## 21.2 Reconciliation of theoretical tax charge to actual tax charge

	(€ million)	
	YEAR 2019	YEAR 2018
<b>Profit (Loss) before tax from continuing operations (income statement item)</b>	<b>3,021</b>	<b>3,691</b>
Theoretical tax rate	27.5%	27.5%
<b>Theoretical computed taxes on income</b>	<b>(831)</b>	<b>(1,015)</b>
1. Different tax rates	284	204
2. Non-taxable income - permanent differences	5	210
3. Non-deductible expenses - permanent differences	(432)	(385)
4. Different fiscal laws/IRAP	(157)	(25)
a) IRAP (italian companies)	(127)	59
b) Other taxes (foreign companies)	(30)	(84)
5. Previous years and changes in tax rates	84	263
a) Effects on current taxes	19	287
- Tax loss carryforward/unused Tax credit	32	43
- Other effects of previous periods	(13)	244
b) Effects on deferred taxes	65	(24)
- Changes in tax rates	(1)	-
- New taxes incurred (+) previous taxes revocation (-)	-	-
- True-ups/adjustments of the calculated deferred taxes	66	(24)
6. Valuation adjustments and non-recognition of deferred taxes	164	1,102
a) Deferred tax assets write-down	(271)	(156)
b) Deferred tax assets recognition	803	761
c) Deferred tax assets non-recognition	-	37
d) Deferred tax assets non-recognition according to IAS12.39 and 12.44	(68)	9
e) Other	(300)	451
7. Amortisation of goodwill	(7)	1
8. Non-taxable foreign income	24	5
9. Other differences	4	163
<b>Recognised taxes on income</b>	<b>(862)</b>	<b>523</b>

## Section 22 - Profit (Loss) after tax from discontinued operations - Item 320

## 22.1 Profit (Loss) after tax from discontinued operations: breakdown

	(€ million)	
INCOME ITEMS/SECTORS	YEAR 2019	YEAR 2018
1. Income	323	884
2. Expenses	(237)	(661)
3. Valuation of discontinued operations and related liabilities	-	-
4. Profit (Loss) on disposal	1,287	20
5. Tax	(41)	(117)
<b>Profit (Loss)</b>	<b>1,332</b>	<b>126</b>

The item "Profit (Loss) after tax from discontinued operations" as at 31 December 2019, equal to €1,332 million, includes mainly the net result of the company FincoBank S.p.A. and its subsidiary Finco Asset Management Designated Activity Company in amount of €30 million.

The aforementioned one decreased in comparison to €112 million of the same period of the last year, since it includes the profit generated until the disposal date, which consequently produced a realized gain equal to €1,287 million.

## 22.2 Breakdown of tax on discontinued operations

	(€ million)	
	YEAR 2019	YEAR 2018
1. Current taxes (-)	(38)	(120)
2. Changes in deferred tax assets (+/-)	(2)	-
3. Changes in deferred tax liabilities (+/-)	(1)	3
<b>4. Income tax (-1+/-2+/-3)</b>	<b>(41)</b>	<b>(117)</b>

## Part C - Consolidated income statement

### Section 23 - Minority profit (loss) of the year - Item 340

The profit for 2019 attributable to minority interests amounted to €118 million.

The main contributions are attributable to the minority shareholders of FinecoBank S.p.A. and its subsidiary till the date of disposal, Zagrebacka Banka D.D. and its subsidiary UniCredit Bank D.D. and UniCredit Bank Austria AG group, mainly referring to the minority shareholders of Card Complete Service Bank AG.

The profit for 2018 attributable to minority interests was equal to €233 million.

#### 23.1 Breakdown of item 340 "Minority gains (losses)"

	(€ million)	
	2019	2018
<b>Consolidated equity investments with significant minority interests</b>	<b>106</b>	<b>217</b>
FinecoBank S.p.A.	45	145
Fineco Asset Management Designated Activity Company	10	14
Zagrebacka Banka D.D.	32	34
UniCredit Bank D.D.	8	8
UniCredit Bank Austria AG Group	11	16
<b>Other equity investments and consolidation adjustments</b>	<b>12</b>	<b>16</b>
<b>Total</b>	<b>118</b>	<b>233</b>

### Section 24 - Other information

#### Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the Law 124/2017

Pursuant to Art.1, paragraph 125 of Law 124/2017, during 2019 the UniCredit group collected the following public contributions granted by Italian entities:

#### Reduction of the extraordinary contribution pursuant to Art.1, paragraph 235 of Law 232 of 11 December 2016 charged to the management of welfare interventions and pension support

(€ million)		
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	44.93
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	4.16
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	0.20
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	0.09
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	0.14
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	0.03
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	0.03
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	0.06
<b>Total</b>		<b>49.65</b>

## Part C - Consolidated income statement

**Contributions for the recruitment/stabilisation of personnel deriving from the application of the CCNL of the Credit in force from time to time**

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT S.P.A.	1.56
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT SERVICES S.C.P.A.	0.20
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT LEASING S.P.A.	-
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT FACTORING S.P.A.	0.01
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT BANK AG (Milan Branch)	0.02
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	FINECOBANK S.P.A.	0.04
<b>Total</b>		<b>1.83</b>

**Contributions for new recruits/stabilisations, introduced by the stability law 2018 (Law No.205/2017)**

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	0.40
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	0.08
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	-
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	-
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	0.03
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	0.07
<b>Total</b>		<b>0.57</b>



## Part C - Consolidated income statement

Article 8 of Legislative Decree 9/30/2005, No.203 converted, with modifications, from the Law 2 December 2005, No.248.  
Compensatory measures for companies that assign the TFR to supplementary pension schemes and/or to the Fund for the payment of the TFR

(€ million)		
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	8.78
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	0.69
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	0.13
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	0.14
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	0.08
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	0.01
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	0.14
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	0.12
<b>Total</b>		<b>10.09</b>

Work-life balance - Legislative Decree 09/12/2017 and Inps Circular No.91 of 8/3/2018

(€ million)		
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	5.75
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	0.57
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	0.10
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	0.05
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	0.05
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	0.02
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	0.05
Istituto Nazionale della Previdenza Sociale	S.I.G.RE.C S.P.A.	-
<b>Total</b>		<b>6.58</b>

## Part C - Consolidated income statement

## Result awards decontribution for year 2018 - Legislative Decree No.50 of 4/24/2017 - Art.55; converted into Law No.96 of 6/21/2017

(€ million)		
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	3.36
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	0.33
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	0.01
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	0.03
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	0.01
<b>Total</b>		<b>3.74</b>

## Result awards decontribution for year 2019 - Legislative Decree No.50 of 4/24/2017 - Art.55; converted into Law No.96 of 6/21/2017

(€ million)		
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	3.14
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	0.31
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	0.04
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	0.01
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	0.02
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	-
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	0.01
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	0.09
<b>Total</b>		<b>3.62</b>

For further information, refer to the National State Aid Register "Transparency".

## Section 25 - Earnings per share

## 25.1 and 25.2 Average number of diluted shares and other information

	YEAR 2019	YEAR 2018
Net profit (loss) attributable to the Group <sup>(1)</sup> (€ million)	3,249	4,014
Average number of outstanding shares	2,222,881,054	2,219,405,841
Average number of potential dilutive shares	13,958,453	9,835,058
Average number of diluted shares	2,236,839,506	2,229,240,899
<b>Earnings per share (€)</b>	<b>1.462</b>	<b>1.809</b>
<b>Diluted earnings per share (€)</b>	<b>1.453</b>	<b>1.801</b>

## Note:

(1) €124 million has been deducted from 2019 net profit attributable to the Group of €3,373 million due to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€93 million was deducted from 2018 net profit attributable to the Group).

Net of the average number of treasury shares and of further No.9,675,641 shares held under a contract of usufruct.

## Part D - Consolidated other comprehensive income

## Consolidated analytical statement of other comprehensive income

(€ million)

ITEMS	AS AT	
	12.31.2019	12.31.2018
<b>10. Profit (Loss) for the year</b>	<b>3,491</b>	<b>4,340</b>
<b>Other comprehensive income not reclassified to profit or loss</b>		
20. Equity instruments designated at fair value through other comprehensive income:	46	8
a) fair value changes	14	(41)
b) transfers to other shareholders' equity items	32	49
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	(181)	145
a) fair value changes	(289)	135
b) transfers to other shareholders' equity items	108	10
40. Hedge accounting of equity instruments measured at fair value through other comprehensive income:	-	-
a) fair value change (hedged instrument)	-	-
b) fair value change (hedging instrument)	-	-
50. Property, plant and equipment	2,090	-
60. Intangible assets	-	-
70. Defined benefit plans	(1,210)	(392)
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Part of valuation reserves from investments valued at equity method	(26)	(3)
100. Tax expenses (income) relating to items not reclassified to profit or loss	(250)	78
<b>Other comprehensive income reclassified to profit or loss</b>		
110. Foreign investments hedging:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Foreign exchange differences:	309	(386)
a) value changes	309	-
b) reclassification to profit or loss	-	-
c) other changes	-	(386)
130. Cash flow hedging:	(69)	(174)
a) fair value changes	(65)	(148)
b) reclassification to profit or loss	5	(2)
c) other changes	(9)	(24)
<i>of which: net position</i>	-	-
140. Hedging instruments (non-designated items):	-	-
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
150. Financial assets (different from equity instruments) at fair value through other comprehensive income:	1,083	(1,705)
a) fair value changes	1,067	(1,527)
b) reclassification to profit or loss:	17	(173)
- impairment losses	(2)	12
- gains/losses on disposals	19	(185)
c) other changes	(1)	(5)
160. Non-current assets and disposal groups classified as held for sale:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
170. Part of valuation reserves from investments valued at equity method:	(174)	(855)
a) fair value changes	28	(118)
b) reclassification to profit or loss:	1	(8)
- impairment losses	-	-
- gains/losses on disposals	1	(8)
c) other changes	(203)	(729)
180. Tax expenses (income) relating to items reclassified to profit or loss	(250)	485
<b>190. Total other comprehensive income</b>	<b>1,368</b>	<b>(2,799)</b>
<b>200. Other comprehensive income (Item 10+190)</b>	<b>4,859</b>	<b>1,541</b>
210. Minority consolidated other comprehensive income	(127)	(231)
<b>220. Parent Company's consolidated other comprehensive income</b>	<b>4,732</b>	<b>1,310</b>

## Part E - Information on risks and hedging policies

### Introduction

UniCredit group monitors and manages its risks through tight methodologies and procedures proving to be effective through all phases of the economic cycle.

The steering, coordination and control role of the Group's risks is performed by the Parent company's Group Risk Management function.

The Group Lending Office, established on 2 February 2018, is responsible for the credit activities, following Group Risk Management strategies, policies and guidelines.

The structure's "Group Risk Management" mission, under the responsibility of the Group Chief Risk Officer (Group CRO) and coordinated functionally by the Head of Finance & Controls, is to:

- optimize the quality of the Group's assets, minimizing the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and Entities with the criteria for assessing, managing, measuring, monitoring and communicating risk. It also ensures that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- help build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent COOs functions;
- help to find ways to rectify asset imbalances, where needed in conjunction with Group CFO;
- help the Business Functions achieve their goals, including by assisting in the development of products and businesses (e.g. innovation of credit products, competitive opportunities linked to Basel accords, etc.);
- support 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 yearly and multi-yearly budget plan pertaining to the Group CFO. The Group Risk Appetite will include a series of parameters defined by the CRO, with the contribution of Group CFO and other relevant functions; each parameter can be complemented by limits and triggers proposed by the CRO<sup>22</sup> and targets proposed by the Group CFO and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, Group CRO 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 RAF. Group 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.

Such mission is accomplished by coordinating the Group's risk management as a whole. More specifically, it involves carrying out the following macro-functions<sup>23</sup>:

- governing and checking credit, cross-border, market, balance sheet, liquidity, operational and reputational risks for the Group as well as any other risks relating to Basel 2 Pillar II (e.g. strategic, real estate, financial investment, business risks), by defining risk strategies and limits, developing risk measurement methodologies<sup>24</sup>, performing stress tests and portfolio analysis;
- supervising, on a Group level and for UniCredit S.p.A., Basel accords related activities;
- coordinating the internal capital measurement process within the "Internal Capital Adequacy Assessment Process" ("ICAAP") and coordinating activities for drawing up the "ICAAP Regulatory Report";
- assigning ratings for banks and for the Group's major exposures, carrying out the relevant mapping, at Group level, and managing the "rating override" process with regard to Group-wide rating systems as well as those for measuring the credit risk of UniCredit S.p.A.'s counterparts;
- defining the minimum standards and guidelines for validating IT infrastructures and data quality, credit risks, operating risks and Pillar II risks, for feeding Group and Holding Company reports on credit risk and for feeding credit risk measurement models;
- performing internal validation activities, at Group level<sup>25</sup>, on systems for measuring, credit, operating and market risks, or Pillar II risks<sup>26</sup> on related processes and data quality and IT components, as well as on models for pricing financial instruments, in order to check that they conform to regulatory requirements and in-house standards, overseeing consequently the non-compliance risk regarding to such regulatory requirements;
- coordinating and managing restructuring and workout files of UniCredit S.p.A. related to the non performing "Non Core" portfolio;
- ensuring that the competent Bodies/Functions get adequate reports;
- developing the strategy and oversee the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the entire Group<sup>27</sup>.

<sup>22</sup> Possible triggers and limits on profitability parameters must be agreed between CRO and Group CFO.

<sup>23</sup> Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A., as detailed in the Organizational Book - Application.

<sup>24</sup> Directly or by issuing guidelines to Group Entities to be developed depending on type of methodology (direct supervision of Group-wide methodologies and risk measurement methodologies for the counterparties of UniCredit S.p.A., through guidelines on methodologies developed locally).

<sup>25</sup> Directly validating with direct supervision on group-wide methodologies for which UniCredit S.p.A. is competent, indirect on local methodologies.

<sup>26</sup> Liquidity, Business, Real Estate, Financial Investments, Reputational, Strategic.

<sup>27</sup> Non-Performing Exposure: exposures (loans, debt securities, off-balance-sheet items) other than held for trading that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past-due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due. Non-performing exposures include the defaulted and impaired exposures. The total NPE is given by the sum of non-performing loans, non-performing debt securities and nonperforming off-balance-sheet items" (source: ECB NPL GUIDANCE).

## Part E - Information on risks and hedging policies

The Group CRO define jointly with CLO the criteria/rules for identifying the exposures and assets for sale and portfolio targets;

- drafting and managing risk policies, both at Group level (Group Rules) and at Holding Company level, on the performance of risk-related activities for which UniCredit S.p.A. is competent as well as ensuring the monitoring;
- performing second-level checks on the risks of the treasury and credit treasury portfolios within the Group and the Holding Company;
- analyzing and controlling, at Italian perimeter level, credit, operating and reputational risks generated by the activities of Italy Network and of the CIB Italy;
- carrying out the functional coordination of Legal Entities in its area of competence.

The Group CRO supervises, together with Group CFO, the Group Data Office activities.

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

- Risks and Controls Committees:
  - Group Risk & Internal Control Committee ("GR&ICC"), responsible for the Group strategic risk decisions: establishing policies, guidelines, operational limits and the methodologies for the measurement, management and control of risks. It also supports the Group CEO in the management and oversight of the Internal Control System ("ICS");
  - Group Credit Committee ("GCC"), responsible for credit proposals, according to the delegated powers, and status classification.
- Group Portfolio Risks Committees:
  - Group Market Risk Committee ("GMRC"), responsible for monitoring market risks at Group level;
  - Group Operational & Reputational Risks Committee ("GORRIC"), responsible for monitoring operational (including ICT and Cyber) and reputational risks at Group level, ensuring consistency among the Parent company and the different Group legal entities;
  - Italian Operational & Reputational Risks Committee ("IORRIC"), responsible for monitoring and evaluating operational and reputational risks within UniCredit S.p.A. perimeter and its Italian legal entities<sup>28</sup>;
  - Group Assets & Liabilities Committee ("GALCO"), is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and banking book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities;
  - Group Model Risk Management & Governance Committee ("GMRM&GC"), responsible for ensuring steering, coordination and control of Model Risk Governance (focusing on Pillar I, Pillar II and managerial models in scope of the Model Risk Management/ MRM framework<sup>29</sup>), as well as ensuring consistency among the Parent company and the different Group legal entities;
  - Group NPE Governance Committee ("NGGC"), responsible for ensuring, at Group level, a steering, coordination and control of Non-performing exposures/NPE strategy and targets as well as an effective alignment on common goals between the Parent company and different legal entities.
- Transactional Committees in charge of evaluating and approving the single counterparties/transactions that impact the overall portfolio risk profile:
  - Group Transactional Credit Committee ("GTCC");
  - Italian Transactional Credit Committee ("ITCC");
  - Italian Non Core Portfolio Credit Committee ("INPCC");
  - Group Reputational Risk Committee ("GRRC");
  - Debt Capital Markets Commitment Committee ("DCMCC");
  - Group Rating Committee ("GRaC").

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

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

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

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

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

<sup>28</sup> UniCredit Leasing S.p.A., UniCredit Factoring S.p.A., Cordusio Fiduciaria per azioni, Cordusio sim, UniCredit Subito Casa S.p.A.

<sup>29</sup> The scope of the Model Risk Management framework is defined in the Global Rule: "Global Policy on MRM".

## Part E - Information on risks and hedging policies

### 1. Risk identification and mapping

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

### 2. Risk measurement and stress testing

The second phase is the identification of the internal methodologies for measurement and quantification of the different risk profiles, resulting into the calculation of Group Internal Capital. The Internal Capital measures are supported by aggregated - stress tests, which are 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 instrument used with the purpose of setting the adequate levels of risk the Bank is willing to have and consistently steering its business evolution (see the RAF section below for details). The Group capital plays a crucial role in the main corporate governance processes that drive strategic decisions, as target and risk tolerance thresholds, in terms of regulatory and internal capital. It is also a key element of the Risk Appetite Framework of the Group.

### 4. Monitoring and Reporting

Capital adequacy evaluation is a dynamic process that requires a regular monitoring to support the decision making processes.

The Bank monitors its main risk profile with a frequency consistent with the nature of each single risk. On top of this, a quarterly reporting of integrated risks and Risk Appetite evolution is performed and reported to the relevant Risk Committees and Governing Bodies, in order to set and implement 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 economic perspective, capital adequacy is assessed by comparing the amount of financial resources available to absorb losses and keep the Group solvent, the so-called Available Financial Resources ("AFR"), with the amount of capital the Group needs to support its business activities, i.e. Internal Capital ("IC"). The decision to include components in the AFR is based on three main criteria:

- loss absorbency;
- permanence;
- flexibility of payments.

Since these criteria are the same identified by the Regulators to calculate regulatory Own Funds, the amount of regulatory Own Funds is the natural basis for the quantification of the AFR. Under a going concern approach, the AFR are computed under the assumption that the Bank remains compliant with all the accounting and regulatory standards.

The ratio between AFR and IC is the Risk Taking Capacity ("RTC"). This ratio must be above 100% ( $AFR > IC$ ) in order to avoid that risk exposures are not higher than the Available Financial Resources. RTC is one of the key indicators included in the Group RAF dashboard on which the Bank leverages to guide the selection of the desired risk-return profile in alignment with its business strategies.

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

The main goals of UniCredit group's Risk Appetite are:

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



## Part E - Information on risks and hedging policies

The *Group Risk Appetite* is defined consistently with UniCredit group business model. For this purpose, *Group Risk Appetite* is integrated in the budget process, in order to guide the selection of the desired risk-return profile in alignment with the Strategic Plan guidelines and at inception of the budget process.

*UniCredit Compensation Policy* is consistent with the *Group Risk Appetite* to allow the effective implementation of risk reward remuneration for bonus definition and payments.

The structure of the Risk Appetite in UniCredit group includes the Group Risk Appetite Statement and the Group Risk Appetite KPIs Dashboard. The Risk Appetite Statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external *stakeholders'* expectations and includes:

- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in line with the Group's overall strategy;
- an indication on strategies to manage key risks within the perimeter of the Group;
- qualitative statements for not quantifiable risks (e.g. reputational) in order to ensure prevention/early intervention on emerging risks.

The quantitative elements of the Risk Appetite Framework are instead represented by a Dashboard, composed by a set of KPIs, based on the analysis of the expectations of UniCredit group internal and external stakeholders, which addresses the following dimensions, including material risks to which the Group is exposed:

- Pillar 1 KPIs: to guarantee at any time the fulfilment of the KPIs requested by Regulators (e.g. Common Equity Tier 1 Ratio, Liquidity Coverage Ratio), including KPIs which are of primary importance for steering the Group B&S;
- Managerial KPIs: to include KPIs which are key from strategic and Risk Appetite standpoint; consistently with lean Parent company steering (e.g. Credit Risk, Liquidity Risk and Profitability);
- Specific Risks KPI: complementary with the above categories, to ensure steering of all the key risks (e.g. Market Risk, Operational Risk, Interest Rate Risk, Shadow Banking and Risk Culture).

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

Various levels of thresholds are defined to act as early warning indicators anticipating potential risk situations that will be promptly escalated at relevant organisational level. In the event that specific Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The following thresholds are identified (on certain KPIs, not all the thresholds may be meaningful):

- *Targets* represent the amount of risk the Group is willing to take on in normal conditions in line with the Group ambition. They are the reference thresholds for the development and steering of the business;
- *Triggers* represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a Warning Level, and are set consistently to assure that the Group can operate, even under stress conditions;
- *Limits* are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

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

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

### Risk Culture in UniCredit group

UniCredit defines risk culture as the collective and individual ability to identify, understand, openly discuss and make decisions on current and future risks.



## Part E - Information on risks and hedging policies

Since the financial markets crisis, both the financial industry and regulators have been addressing the issue of risk culture, giving a definition of it, identifying its key elements, establishing principles of conduct, providing recommendations and issuing guidelines. The main documents are mentioned here below.

- **Institute of International Finance (IIF)**, 17 July 2008, "Final Report of the IIF Committee on Market Best Practices: Principles of Conduct and Best Practices Recommendations - Financial Services Industry Response to the Market Turmoil of 2007-2008". In this document the financial industry establishes the principle that effective cultivation of a consistent risk culture throughout firms is the main enabling tool in risk management. In addition, the following recommendations are provided:
  - companies should establish clear policies that define risk management as the responsibility of each institution's senior management, in particular the CEO;
  - Boards of Directors have an essential oversight role in risk management;
  - risk management should be a priority for the whole company and not be focused only on particular business areas or a purely quantitative oversight process or an audit or a control function;
  - risk management should be a key responsibility of the entire business-line management;
  - all the employees should have a clear understanding of their responsibilities with regard to the management of risks assumed by the company and should be held accountable for their performance with reference to these responsibilities.
- **Institute of International Finance (IIF)**, 9 December 2009, "Risk Culture" - Appendix III to the Report of the IIF Steering Committee on Implementation "Reform in the Financial Services Industry: Strengthening Practices for a More Stable System". In this document the IIF identifies the key elements of an effective risk culture and the most common categories of risk culture failings within organisations.
- **European Banking Authority (EBA)**, 27 September 2011 (review November 2017), "EBA Guidelines on Internal Governance". In this document the EBA requires that a financial institution shall develop an integrated and institution-wide risk culture, based on a full understanding of the risks it faces and how they are managed, taking into account its risk tolerance and appetite.

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

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

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

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

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

### 1. Governance

**Risk Governance** - One of the key elements in risk management is the Risk Appetite Framework, please refer to the "Introduction".

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

## Part E - Information on risks and hedging policies

### 2. Learning & Development

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



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

### 3. Performance Management

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

**Risk-based KPIs** - At Group level, the strong commitment to a consistent risk culture as well as the individual accountability on risk, compliance and controls is constantly promoted and enhanced. Group Human Capital (HR) contributes to this, spreading Group-wide risk, compliance & control culture by leveraging on the existing framework and building selected initiatives.

Over the past few years, HR built up a framework to enhance internal control system awareness and accountability by setting processes that embed sensitivity to Risk and Compliance attitudes, such as Executive Development Plan (EDP - the annual performance management and review process of UniCredit, involving all the Executives of the Group, Group Incentive System, Learning & Development).

Since 2012, as part of the EDP and incentive system processes, the Group put specific emphasis on risk, compliance and control features. In particular:

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

### 4. Communication

Within the UniCredit risk culture transformation program, great emphasis is put on aligning and re-iterating key messages on UniCredit mission, values, strategy and risk appetite, as well as on the importance of and commitment to a strong risk culture. In addition, top management care is devoted to transforming words into tangible actions and to show how the Group is embedding risk culture into its operating practices. In order to achieve these targets, a comprehensive communication approach has been adopted. An editorial plan has been developed, in order to communicate common statements on how risk culture is at the core of UniCredit strategy and why a sound risk culture is essential for healthy growth and sustainable profitability. During 2019 articles and news relating to risk culture and risk management were published on UniCredit group intranet site, reaching about 100,000 page views.

## Part E - Information on risks and hedging policies

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

(€ million)

ASSETS	AMOUNTS AS AT 31.12.2019		
	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA <sup>(*)</sup>
10. Cash and cash balances	17,305	17,631	326
20. Financial assets at fair value through profit or loss:	81,880	82,093	213
a) financial assets held for trading	63,280	63,494	214
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily at fair value	18,600	18,599	(1)
30. Financial assets at fair value through other comprehensive income	79,702	81,271	1,569
40. Financial assets at amortised cost::	626,463	647,959	21,496
a) loans and advances to banks	101,669	105,821	4,152
b) loans and advances to customers	524,794	542,138	17,344
50. Hedging derivatives	5,934	5,954	20
60. Changes in fair value of portfolio hedged items (+/-)	3,296	3,296	-
70. Equity investments	4,787	4,592	(195)
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	11,097	9,781	(1,316)
100. Intangible assets	2,800	2,857	57
<i>of which: goodwill</i>	886	886	-
110. Tax assets:	12,922	13,100	178
a) current	793	763	(30)
b) deferred	12,129	12,337	208
120. Non-current assets and disposal groups classified as held for sale	2,512	2,447	(65)
130. Other assets	6,949	8,402	1,453
<b>Total assets</b>	<b>855,647</b>	<b>879,383</b>	<b>23,736</b>

continued:

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2019		
	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA <sup>(*)</sup>
10. Financial liabilities at amortised cost:	704,840	724,161	19,321
a) deposit from banks	135,572	138,005	2,433
b) deposit from customers	472,967	487,509	14,542
c) debt securities in issue	96,301	98,647	2,346
20. Financial liabilities held for trading	41,483	41,720	237
30. Financial liabilities designated at fair value	9,678	10,445	767
40. Hedging derivatives	7,186	7,383	197
50. Value adjustment of hedged financial liabilities (+/-)	4,964	4,964	-
60. Tax liabilities:	1,378	1,373	(5)
a) current	685	661	(24)
b) deferred	693	712	19
70. Liabilities associated with non-current assets held for sale	725	683	(42)
80. Other liabilities	12,549	14,250	1,701
90. Provision for employee severance pay	661	660	(1)
100. Provision for risks and charges:	10,398	11,849	1,451
a) commitments and guarantees given	1,089	1,146	57
b) post retirement benefit obligations	5,619	5,652	33
c) other provisions for risks and charges	3,690	5,051	1,361
110. Technical reserves	-	-	-
120. Valuation reserves	(6,120)	(6,120)	-
130. Redeemable shares	-	-	-
140. Equity instruments	5,602	5,602	-
150. Reserves	24,344	24,344	-
160. Share premium	13,225	13,225	-
170. Share capital	20,995	20,995	-
180. Treasury shares (-)	(3)	(3)	-
190. Minority shareholders' equity (+/-)	369	479	110
200. Net profit (Loss) for the year (+/-)	3,373	3,373	-
<b>Total liabilities and shareholders' equity</b>	<b>855,647</b>	<b>879,383</b>	<b>23,736</b>

**Note:**

(\*) Effects of the deconsolidation and consolidation of counterparties other than those in the banking group the effects are attributable to:

- deconsolidation of companies that are not part of the Regulatory banking group;
- proportional consolidation of the jointly controlled companies in Regulatory scope of consolidation and consolidated at equity in the IFRS.

## Part E - Information on risks and hedging policies

### Section 1 - Risks of the accounting consolidated perimeter

#### Quantitative information

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

#### A. Credit quality

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

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

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

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	2,975	5,241	577	12,838	604,832	626,463
2. Financial assets at fair value through other comprehensive income	-	-	-	-	77,949	77,949
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	10	74	-	7	16,832	16,923
5. Financial instruments classified as held for sale	39	245	4	879	569	1,736
<b>Total 12.31.2019</b>	<b>3,024</b>	<b>5,560</b>	<b>581</b>	<b>13,724</b>	<b>700,182</b>	<b>723,071</b>
<b>Total 12.31.2018</b>	<b>5,821</b>	<b>8,658</b>	<b>577</b>	<b>13,249</b>	<b>657,243</b>	<b>685,548</b>

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

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	25,205	16,412	8,793	2,353	620,283	2,613	617,670	626,463
2. Financial assets at fair value through other comprehensive income	-	-	-	-	77,995	46	77,949	77,949
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	233	149	84	-	X	X	16,839	16,923
5. Financial instruments classified as held for sale	650	362	288	46	1,454	6	1,448	1,736
<b>Total 12.31.2019</b>	<b>26,088</b>	<b>16,923</b>	<b>9,165</b>	<b>2,399</b>	<b>699,732</b>	<b>2,665</b>	<b>713,906</b>	<b>723,071</b>
<b>Total 12.31.2018</b>	<b>38,456</b>	<b>23,400</b>	<b>15,056</b>	<b>2,766</b>	<b>654,149</b>	<b>2,648</b>	<b>670,492</b>	<b>685,548</b>

Note:

(\*) Value shown for information purposes.

#### Prisma transaction

Refer to Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Quantitative information - "Prisma transaction" of the Notes to accounts of UniCredit S.p.A. that here are intended as completely reported.

## Part E - Information on risks and hedging policies

### Strengthening the rundown strategy for Non Core perimeter

Non Core is a portfolio of Italian Non performing exposures (NPE) to customers held by UniCredit S.p.A. and UniCredit Leasing S.p.A., whose management, since 2014, has been separated from the management of the other positions, with the aim of reducing non-strategic credit exposures. Over the years, various actions have therefore been taken in this direction, including the FINO securitisations (in 2017) and, more recently, the aforementioned PRISMA transaction.

The Strategic Plan 2020-2023 (Team 23), to complete what has already been defined in the previous 2016-2019 Plan (Transform 2019), confirms the strategy for reducing NPE by forecasting the total rundown of the residual Non Core portfolio by the end of 2021. This strategy has been reviewed and strengthened on the basis of a complete and in-depth granular analysis of the portfolio completed by the company departments responsible in the fourth quarter 2019, enriched by the observation of the evolution of the impaired credit exposures at the banking system level and considering the repeated recommendations expressed by the Regulators and the general expectations of the market regarding the non-performing exposures. In this regard, it has also been observed that, differently from the past, some important market transactions have been finalised in the most recent periods which have also affected the impaired credit exposures included within the unlikely to pay exposures (in addition to those classified as bad loans).

**The strengthening of the rundown strategy of the Non Core perimeter**, approved by UniCredit Board of Directors on 2 December 2019, is based on a mix of levers which have the purpose of implementing the Non Performing exposures strategy through the management of the positions involved by specific actions, according to the characteristics and specificities of the portfolios dealt with and which are developed along three executive lines:

- internal recovery strategy and *restructuring* of the positions;
- recourse to *restructuring* platforms with specialized partners; and
- the activation of portfolio and "single name" disposals where the Group showed a very solid track record during the last years.

For UniCredit Leasing S.p.A. the rundown will also leverage on the ReoCo (UniCredit Leased Asset Management) that was established in 2019 in order to support the NPE strategy implementation.

**With reference to the disposal of credit portfolios**, the implementation of the strategy is based on the precise observation of the perimeters and characteristics of the underlying receivables (classified both as bad loans and unlikely to pay), in order to measure them in the credit evaluation as at 31 December 2019, in line with the estimates on the portfolio's sale expectations.

In particular, steps were taken to:

- identify the positions by aggregating them into macro-cluster based on guiding values (nature of the credit, type of counterparty, existence of supporting guarantees, liquidity characteristics, etc.);
- define the price for each cluster deemed most representative, through observable internal or market benchmarks, depending on the availability of information and in compliance with the criteria defined by the internal regulations;
- identify any corrective factors to represent in the most appropriate way the characteristics and specificities of the portfolios included in each cluster, also considering significant elements such as vintage, any causes of illiquidity, recovery estimates not later than 2021, etc.

The results obtained from the analysis (also carried out with the support of an external advisor) were incorporated into the Selling Scenario used, pursuant to accounting standard IFRS9, for the purpose of evaluation of the Non performing exposures included within the perimeter Non Core, to represent its ability to recover by 2021.

Referring to **the positions for which, due to their intrinsic characteristics, a sale strategy is not deemed applicable**, an in-depth analysis of recoverability was made, always with the aim to the complete runoff of the exposures identified within 2021. The results of these analysis have been incorporated into the evaluation of the identified portfolios at 31 December 2019, leading in some cases to the cancellation of the exposure itself (write-off).

The strengthening of the strategy of complete rundown of credit exposures included within the Non Core perimeter by 2021, led to **the recognition in the fourth quarter 2019 income statement of negative components for a total amount of approximately €1,055 million**, of which €827 million relating to UniCredit S.p.A., and €228 million relating to UniCredit Leasing S.p.A.

## Part E - Information on risks and hedging policies

In particular:

### UniCredit S.p.A.

- **review of the sale strategy:** the effects deriving from the up-date of the IFRS9 Selling Scenarios, adopted for the evaluation of the receivables at 31 December 2019, amount to €747 million (€741 million of additional provisions and 6 million of lower interest income) and relate to non performing exposures having a gross nominal amount of €4,349 million, bringing the coverage ratio from 72.1% to 89.3%;
- **increase of the coverage levels:** the effects arising from the lower expected recoveries led to higher write-down on loans for approximately €32 million, and affected NPE for a total amount of €127 million of gross book value, bringing the related coverage from 70.8% to 92.8%;
- **write-offs:** the impacts arising from the radiations done led to €48 million of write-down on loans, and involved original NPE for a total amount of €706 million of gross book value.

### UniCredit Leasing S.p.A.

- **review of the sales strategy:** the impacts deriving from the introduction of the IFRS9 Selling Scenario, adopted for the evaluation of the receivables at 31 December 2019, led to higher write-down on loans for approximately €123 million, involving credit exposures for €495 million and bringing the coverage from 48% to 73%;
- **increase of coverage levels:**
  - exposures guaranteed by the owned asset: the effects deriving from the lower expected recoveries led higher write-down on loans for approximately €92 million, and involved credit exposures for a total amount of €638 million of gross book value, bringing the coverage from 46% to 60%;
  - residual unsecured loans: the effects arising from the lower expected recoveries led higher write-down on loans for approximately €14 million and involved credit exposures for a total of €255 million of gross book value, bringing the coverage from 95% to 100%.

As mentioned above, the in-depth analysis conducted during the fourth quarter 2019, in light of the persistence of the recommendations expressed by the Regulators and the significant changes observed in the market that show sharp reduction in the amount of impaired loans by the main market players, led to the decisions taken regarding the strengthening of the strategy to reduce the Non Core portfolio, aimed at the complete runoff by 2021 of the impaired credit exposures included within this perimeter.

These circumstances led to a change in the management strategy of the credit exposures pertaining the Non Core perimeter, providing for a significant increase of the portfolios subject to the application of the Selling scenarios IFRS9 and, consequently in the related evaluation, which qualifies as a change in the accounting estimates according to IAS8.

The effects deriving from the actions abovementioned, which have determined a change in the accounting estimate, are included in the income statement of the period in which the change occurred, in line with IAS18 paragraph 38, namely in fourth quarter 2019.

		ASSETS OF EVIDENT LOW CREDIT QUALITY		OTHER ASSETS
PORTFOLIOS/QUALITY		CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading		146	79	54,788
2. Hedging derivatives		-	-	5,934
<b>Total 12.31.2019</b>		<b>146</b>	<b>79</b>	<b>60,722</b>
<b>Total 12.31.2018</b>		<b>148</b>	<b>94</b>	<b>60,429</b>

### B. Structured entities (other than entities for securitisation transaction)

#### B.1 Consolidated structured entities

The Group has involvements in structured entities that are consolidated because it has both power on the underlying assets and exposure to variability of returns arising from the structured entities activities as a result of the financial instruments subscribed.



## Part E - Information on risks and hedging policies

The consolidated structured entities of the Group belong to one of the following categories:

- **Leasing SPV:** these structured entities are set-up by the Group in order to meet the needs of customers interested into entering into finance leasing. The Group provides funding to these structured entities, both in form of equity and in form of loans. Such funding is used by structured entities to buy assets (real estate, equipment, etc.) that are leased to a customer under a finance leasing contract;
- **Project finance SPV:** these structured entities are set-up in order to finance capital intensive projects according to the need of specific customers. Typically the funds needed to develop the project are provided by the customer, in form of equity and by the Group in form of loans. The Group consolidates such structured entities as a result of deterioration of the credit worthiness of the customer and subsequent acquisition of the right to manage the project;
- **Real estate SPV:** these structured entities are entities that have been set-up in order to fund real estate projects used in the business by the Group or that have been acquired in the course of credit recovery processes;
- **Funding SPV:** these structured entities are set-up by the Group so to gather funding in specific markets that is guaranteed by a Group Legal entity. This funding is then transferred to the group legal entity that guarantees it;
- **Investment funds:** these structured entities are open ended and closed ended investment funds that the Group controls under IFRS10 having acquired enough quotas to expose it to variability of returns and the ability to manage, directly and indirectly, the underlying portfolio;
- **Warehousing SPV:** these structured entities are set-up in order to subsequently perform securitisation transactions. In particular they purchase mortgages in specific markets and from different originators until a "critical mass" that allow to perform securitisation is reached. The purchases of mortgages are funded through loans provided by the Group.

During the period the Group has not provided financial support to consolidated structured entities, other than those for securitisation transactions, in absence of contractual obligation to do so and it doesn't have current intention to provide such support.

The following table provides on balance sheet and off balance sheet, non revocable credit line and financial guarantees, provided by Group companies to consolidated structured entities.

These exposures are eliminated in the consolidation process.

(€ million)

BALANCE SHEET ITEM/SPV TYPE	TOTAL ASSETS	OFF BALANCE SHEET EXPOSURES
Leasing SPV	2,145	-
Project Finance SPV	5	18
Real Estate SPV	23	10
Funding SPV	222	-
Investment funds	97	-
Warehousing SPV	-	-
<b>Total</b>	<b>2,492</b>	<b>28</b>

### B.2 Non-consolidated for accounting purposes structured entities

#### B.2.1. Consolidated for regulatory purposes structured entities

The Group has not exposure toward structured entities consolidated for regulatory purpose but that are not consolidated for accounting purpose.

#### B.2.2. Other structured entities

##### Qualitative information

The Group has exposure toward unconsolidated structured entities either as a result of its lending activities or through the investments in quotas issued by funds that are structured entities under IFRS12 definition.



## Part E - Information on risks and hedging policies

In particular, unconsolidated structured entities in which the Group is exposed to belong to the following categories:

- **Acquisition and Leveraged Finance structured entities** are set up for providing funding for the acquisition of a target business, where sponsors participate with equity contribution and lenders structure their facilities according to the cash flow profile of the target. The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the sponsor.

The Group has no control over these structured entities because it neither manages the company whose acquisition is being financed nor is significantly exposed to the associated variability of returns;

- **Leasing structured entities** are set-up to buy an asset and rent it to customers (based on a financial leasing contract). The funding is provided through loans, and the structured entities are the owner of the asset. At the end of the contract the asset is usually sold to the customer at a price usually equal to the residual value defined by the contract.

The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1.

In particular, the contracts ruling such transactions and associated guarantees ensure that the Group has no control over these structured entities because it neither manages the activities of the structured entities nor is significantly exposed to variability of returns of the leased assets;

- **Market Related structured entities** are set-up in order to allow customers to invest into financial instruments having features, in term of currency of denomination or interest rate, different from those offered in the market. In this context the Group maintains exposures against these vehicles that, however, do not transfer to the Group the main risks of the underlying;

- **Notes issuing structured entities** are structured entities that issue security different from ABS that are backed up by certain type of assets. These include covered bonds issued by third parties.

The Group does not control these structured entities as it has neither the ability to manage the underlying assets nor retains significant exposures to its variability of returns;

- **Project Finance structured entities** are structured entities set up for the financing capital intensive business initiatives, where customers participate with equity contribution. The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the customers.

The Group has no control over these structured entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability of returns;

- **Real Estate structured entities** are set-up for the financing of specific real estate initiatives. In these structures the customers, typically commercial and residential development companies and institutional investors set up the structured entities and provides the equity. The Group provides funding according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the customers.

The Group has no control over these structured entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability of returns;

- **Shipping and Aircraft structured entities** are set up for the building or the acquisition of a ship or an aircraft that is then used by the customers in the context of their business activities.

The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the customers.

The Group has no control over these structured entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability of returns;

- **Warehousing structured entities** support subsequent securitisation transactions through the purchase of mortgages in specific markets and from different originators until a "critical mass" that allows to perform such securitisation is reached;

- **Investments funds** comprise open ended and closed ended investment funds in which the Group has subscribed quotas or provided loans.

### Quantitative information

The following table provides indication on assets, liabilities and off-balance sheet exposures recognised in the balance sheet of the Group held towards SPVs different from non-consolidated securitisation vehicles and broken down by role of the Group.

The maximum exposure to loss has been calculated by grossing up the difference between assets and liabilities with off balance sheet positions (irrevocable credit lines and financial guarantees) held toward these vehicles reported in column "difference between maximum exposure to loss and accounting value".

## Part E - Information on risks and hedging policies

## Exposure to structured entities different from Securitisation SPV not consolidated for accounting purposes

(€ million)

AMOUNTS AS AT 12.31.2019							
BALANCE SHEET ITEM/SPV TYPE	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
Acquisition and Leverage Finance SPV		275		30	245	643	398
	HFT	-	Deposits	30			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	275		-			
Leasing SPV		69		-	69	69	-
	HFT	-	Deposits	-			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	69		-			
Market Related SPV		467		6	461	462	1
	HFT	-	Deposits	6			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	467		-			
Notes Issuing Vehicles		107		-	107	135	28
	HFT	-	Deposits	-			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	107		-			
Project Finance SPV		1,522		562	960	1,181	221
	HFT	-	Deposits	562			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	1,522		-			
Real Estate SPV		3,660		476	3,184	3,432	248
	HFT	-	Deposits	476			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	56	DFV	-			
	AC	3,604		-			
Shipping Aircraft SPV		110		2	108	149	41
	HFT	-	Deposits	2			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	110		-			
Warehousing SPV		-		-	-	-	-
	HFT	-	Deposits	-			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	-		-			
Total		6,210		1,076	5,134	6,071	937

## Notes:

HFT = Financial assets held for trading

DFV = Financial assets designated at fair value

MFV = Financial assets mandatorily at fair value

FVOCI = Financial assets at fair value through other comprehensive income

AC = Financial assets at amortised cost

Deposits = Deposits from Customers

Securities = Debt securities in issue

HFT = Financial liabilities held for trading

DFV = Financial liabilities designated at fair value

## Part E - Information on risks and hedging policies

The following table provides indication on assets, liabilities and off-balance sheet exposures recognised in the balance sheet of the Group held towards not consolidated investment funds.

### Exposure to structured entities different from Securitisation SPV not consolidated for accounting purposes - Investment funds

(€ million)

AMOUNTS AS AT 12.31.2019							DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
BALANCE SHEET ITEM/SPV TYPE	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	
<b>Real Estate investment funds</b>		<b>4,238</b>		<b>2,384</b>	<b>1,854</b>	<b>3,107</b>	<b>1,253</b>
	HFT	16	Deposits	2,352			
	DFV	-	Securities	2			
	MFV	202	HFT	30			
	FVOCI	-	DFV	-			
	AC	4,020		-			
<b>Mixed Asset investment funds</b>		<b>1,522</b>		<b>1,644</b>	<b>(122)</b>	<b>(83)</b>	<b>39</b>
	HFT	956	Deposits	1,597			
	DFV	-	Securities	-			
	MFV	29	HFT	47			
	FVOCI	-	DFV	-			
	AC	537		-			
<b>Equity investment funds</b>		<b>1,305</b>		<b>424</b>	<b>881</b>	<b>885</b>	<b>4</b>
	HFT	978	Deposits	420			
	DFV	-	Securities	-			
	MFV	12	HFT	4			
	FVOCI	-	DFV	-			
	AC	315		-			
<b>Private Equity/Debt investment funds</b>		<b>1,002</b>		<b>118</b>	<b>884</b>	<b>890</b>	<b>6</b>
	HFT	-	Deposits	118			
	DFV	-	Securities	-			
	MFV	851	HFT	-			
	FVOCI	-	DFV	-			
	AC	151		-			
<b>Fixed Income investment funds</b>		<b>884</b>		<b>975</b>	<b>(91)</b>	<b>(91)</b>	<b>-</b>
	HFT	811	Deposits	971			
	DFV	-	Securities	-			
	MFV	38	HFT	4			
	FVOCI	-	DFV	-			
	AC	35		-			
<b>Other investment funds</b>		<b>56</b>		<b>342</b>	<b>(286)</b>	<b>(286)</b>	<b>-</b>
	HFT	20	Deposits	342			
	DFV	-	Securities	-			
	MFV	4	HFT	-			
	FVOCI	-	DFV	-			
	AC	32		-			
<b>Total</b>		<b>9,007</b>		<b>5,887</b>	<b>3,120</b>	<b>4,422</b>	<b>1,302</b>

#### Notes:

HFT = Financial assets held for trading  
DFV = Financial assets designated at fair value  
MFV = Financial assets mandatorily at fair value  
FVOCI = Financial assets at fair value through other comprehensive income  
AC = Financial assets at amortised cost

Deposits = Deposits from Customers  
Securities = Debt securities in issue  
HFT = Financial liabilities held for trading  
DFV = Financial liabilities designated at fair value

It should be noted that during the year the Group has recognised commission income for €36 million as a result of the management of investment funds not consolidated.

## Part E - Information on risks and hedging policies

### Section 2 - Risks of the prudential consolidated perimeter

#### 2.1 Credit risk

##### *Qualitative information*

##### *1. General aspects*

In UniCredit, the current governance model of credit risk, intended as risk of impairment of a credit exposure deriving from an unexpected deterioration of the counterparty's creditworthiness, has two levels of control:

- on one side, the supervision of the Group Risk Governance functions which steer and control the credit risk and which perform a managerial coordination with respect to the relevant Group legal entities' functions;
- on the other one, the supervision of the relevant Group legal entities' functions which perform the control and the management of the risks portfolio at Country level.

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

With reference to credit risk management topics, the mechanisms of interaction between the Parent company and the Group legal entities are defined by specific credit governance rules that, on one side, regulate the respective responsibilities and, on the other, ensure the compliance of the overall credit risk framework with the regulatory context which the Parent company is subject to.

Within its role of guidance, support and control, the Parent company acts in the following areas: credit rules (principles, policies and processes), credit strategies and credit risk limits, models development, rating systems validation, large exposures management, issuance of credit products, monitoring and reporting portfolio credit risk.

In line with such credit governance rules, the legal entities request the Group Lending Office's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups whenever these credit lines exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

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

According to the role assigned by the Group governance to the Parent company, specifically to the Group Risk Management function, general provisions are established ("General principles for credit activities") defining Group-wide rules and principles for guiding, governing and standardising the credit risk assessment and management, in line with the regulatory requirements and the Group best practice. Such general provisions are further supplemented by policies which, regulating specific topics (e.g. business areas, segment activities, type of counterpart/transaction), are divided into two categories:

- policies on Group-wide topics, drafted and issued by the Parent company and sent to all the legal entities. Some examples are the policies on FIBS counterparties (Financial Institutions, Banks and Sovereigns), on Country Risk Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on underwriting risk limits for Syndicated Loan portfolio, on Commercial Real Estate Financing (CREF) and on Structured Trade and Export Finance (STEF);
- policies locally developed by single legal entities, fully in line with the guidelines defined at Parent company level, that regulate credit practices related to rules and peculiarities of the local market and that are, therefore, applicable only within the respective perimeter.

At both legal entity and Parent company level, the policies (if necessary) are further detailed through operating instructions that describe specific rules supporting the execution of day-by-day activities.

Credit policies, which usually have a static approach and are revised when necessary (e.g. in case of evolution of the external regulatory framework), are supplemented by credit risk strategies (approved by UniCredit Board of Directors in the context of the risk appetite framework) which, instead, are updated at least once a year and define with which customers/products, industry segments and geographical areas the Group and the Group legal entities intend to develop their credit business.

More in general, the Group credit strategies are an effective tool for managing credit risk, contributing to the definition of the budget objectives in line with the Group's risk appetite, of which they are an integral part. They also constitute a management tool as they translate the metrics defined within the Risk Appetite into concrete form.

On the basis of the macroeconomic and credit scenario, the outlook at the economic sector level, as well as the business initiatives/strategies, the Credit Strategies provide a set of guidelines and operational targets aimed at the countries and business segments in which the Group work and are performed on the operating structures of each Group company and included in their respective commercial policies. The ultimate goal is to ensure sustainable commercial growth, consistent with the risk profile of each company, remaining within the limits defined by the Group risk appetite framework.

## Part E - Information on risks and hedging policies

Within the framework of the strategies underlying credit activity, concentration risk is considered of particular importance. This is the risk associated with losses generated by a single exposure or group of related exposures that (in relation to the capital of a bank, total assets or the overall risk level) can generate potentially serious effects on the solidity and operation "core" of the Group.

In compliance with the relevant regulatory framework, UniCredit group manages the credit risk of concentration through specific limits that represent the maximum risk that the Group intends to accept with regard to:

- individual counterparties or groups of connected counterparties (Single Name Bulk Risk);
- counterparties belonging to the same economic sector (Industry Concentration Risk).

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

With specific reference to governance issues, commercial policies and credit strategies relating to the UniCredit S.p.A. perimeter, useful for integrating the general contents valid at Group level, refer to paragraph of Part E - Notes to the accounts of the Parent company UniCredit S.p.A. - Section 1 - Credit Risk - Qualitative information - 1. General Aspects which is herewith quoted entirely.

### 2. Credit risk management policies

#### 2.1 Organisational aspects

##### *Factors that generate credit risk*

During the ongoing credit and business activities, the Group is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off. This risk is always associated to the traditional lending practice, regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

The main reasons of a default lie in the borrower's failure to fulfil its credit obligation (due to a lack of liquidity, for insolvency reasons, etc.), as well as the occurrence of macro-economic and political events that are affecting the debtor's operating and financial condition. Other banking operations, in addition to traditional lending and deposit activities, can constitute other credit risk factors. In this view, 'non-traditional' credit risk may arise from:

- subscription of derivative contracts;
- purchase and selling of securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by Group legal entities could default as a result of insolvency, political and economic events, lack of liquidity, operative deficiencies or other reasons. Defaults of a large number of transactions, or one or more large transactions, could have a material adverse impact on the Group's activities, financial condition and operating profits.

The Group therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, functions and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice.

##### *Organisational structure*

As highlighted in the previously paragraph "General aspects", the credit risk management in Parent company breaks down into two structures:

- Group Risk Management, responsible for steering, governance and control of credit risk;
- Group Lending Office, responsible for the operational credit management;

which internally have different organisational levels:

- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

## Part E - Information on risks and hedging policies

Regarding Group Risk Management, Parent company 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 One and Two risks to Top Management; furthermore ensures that risk control activities, relating to risk assumed in UniCredit S.p.A. Foreign Branches and Structured Entities (e.g. Special Purpose Vehicles/SPV, Obbligazioni bancarie Garantite/OBG) are monitored and reported to the Group Credit risk Officer and to Top Management;
- the "Group Risk Models & Credit Risk Governance" structure responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar I Credit and Financial risk models as well as the related methodologies. Furthermore, it is responsible for defining credit risk processes standards and cooperating with other Group competent functions on Risk Weighted Assets/RWA contents;
- the "Group Internal Validation" structure responsible for validating, at Group level, the risk measurement methodologies, the related processes, the IT components and the data quality, for Pillar One and Pillar Two risks, the main managerial models and the Group Risk reporting, as defined in the Internal Validation Global Policy, providing adequate reporting for Company Bodies and Supervisory Authority, as well as for assessing, monitoring and reporting, at Group level, the model risk for the models in scope of the Model Risk Management (MRM) framework, providing adequate reporting for competent committees and the Board of Directors. Furthermore it is responsible for coordinating the definition and update of the Group Internal Validation plan, managing the submission to competent approving Company Bodies and monitoring its execution as well as coordinating and drawing up the reporting on validation activities outcomes for the submission to the competent Company Bodies (e.g. GR&ICC, BoD) and Supervisory Authorities and participating to annual budget definition process, coordinating IT and consulting aspects needed for performing the validation activities;
- the "CRO CEE" structure, responsible for the management and control of credit operations activities and for credit risk steering of "CEE Division" and for the comprehensive view and the coordination in the management of different types of risks (e.g. credit, financial, operational, reputational risks) in CEE Division and CEE legal entities, together with the risk management responsible functions. 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 Group;
- the "Non Core Asset Management" structure, responsible for coordinating and managing restructuring and workout files of UniCredit S.p.A., related to the non performing Non Core portfolio and also the distressed asset management activities, according to the Non Core portfolio rundown strategy defined by the Group.

Regarding Group Lending Office, Functions with responsibilities at Group level include:

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

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

With reference to the Italian perimeter of UniCredit S.p.A., reporting to the "Group Lending Office", refer to the paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section 1 - Credit Risk - Qualitative information - 2. Credit risk management policies - 2.1 Organisational aspects which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

With respect to credit risk, the following specific committees are active:

- the “Group Risk & Internal Control Committee” supports the CEO in the role of steering, coordinating and monitoring the risks at Group level in the management and oversight of the Group’s and 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 and their capacity to track the evolution of risks and their interaction;
- the “Group Credit Committee”, in charge of evaluating and approving competent credit proposals referring to all files, including restructuring/workout ones, status classification of files, relevant strategies and corrective actions to be taken for watch list files, specific limits for transactions relating to Debt Capital Markets on Trading book, single issuer exposures limits on Trading book, Debt to Equity transactions and transactions relating to Equity participations deriving from Debt to Equity transactions;
- the “Group Model Risk Management & Governance Committee” responsible for ensuring, at Group level, a steering, coordination and control of Model Risk Governance (focusing on Pillar I, Pillar II and managerial models in scope of the Model Risk Management/MRM framework) as well as ensuring a consistency among the Parent company and the different legal entities, including the management of possible issues raised by the legal entities to Group Chief Risk Officer/GCRO;
- the “Group NPE Governance Committee”, responsible for supporting the Group Chief Risk Officer in ensuring, at Group level, a steering, coordination and control of Non-Performing Exposures/NPE strategy and targets as well as an effective alignment on common goals between the Parent 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 “Group Rating Committee” responsible, within its perimeter of competence and its delegated powers, for approving rating overrides.

Specific Committees related to UniCredit S.p.A. are described in the paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section 1 - Credit Risk - Qualitative information - 2. Credit risk management policies - 2.1 Organisational aspects which is herewith quoted entirely.

### 2.2 Credit Risk Management, Measurement and Control

The credit risk, associated to the potential loss arising either from a default of the borrower/issuer or from a decrease in the market value of a financial obligation due to a deterioration in its credit quality<sup>30</sup>, is measured at both single borrower/transaction and at whole portfolio level.

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

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

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

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

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

<sup>30</sup> On this topic UniCredit group is exploring new approaches to cover also the market value component of Banking book credit risk.



## Part E - Information on risks and hedging policies

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

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

There are three fundamental portfolio credit risk measures which are calculated and evaluated on a one year time horizon:

- Expected Loss ("EL");
- Credit Value at Risk (Credit "VaR");
- Expected Shortfall ("ES").

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

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

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

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

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

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

The internal Credit VaR model is also subject to assessment in the context of Basel Pillar II validation.

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

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

In order to determine capital requirements for credit and operational risks, UniCredit Group uses the IRB Advanced approach, as stated by Banca d'Italia No.365138 dated 28 March 2008.

With reference to credit risk, the Group has been authorised to use internal estimations of PD, LGD and EAD parameters for Group wide credit portfolios (Sovereign, Banks, Multinationals and Global Project Finance) and for local credit portfolios of relevant subsidiaries (corporate and retail). With reference to Italian mid-corporate and small business portfolios, regulatory EAD parameters are currently used.

The mentioned approach has been adopted by UniCredit S.p.A. (UCI), by UniCredit Bank AG (UCB AG) and UniCredit Bank Austria AG (UCBA AG). According to the Roll-out plan, providing a progressive extension of the IRB rating system, approved by the Group and shared with the Supervisory Authorities, these methods have been extended starting from 2008 to other Group entities currently named UniCredit Leasing GMBH and Subsidiaries, UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Bank Czech Republic a.s. (both for Czech Republic and Slovakia), UniCredit Bank Ireland plc., UniCredit Bank Hungary, UniCredit Bank Romania a.s. and Ao UniCredit Bank in Russia.

## Part E - Information on risks and hedging policies

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

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

Notes:  
<sup>(\*)</sup> These entities are currently authorised only to use the IRB Foundation, therefore use only PD internal estimations for determination of capital requirements.  
<sup>(\*\*)</sup> This entity has been authorised to adopt the Group Wide model Financial Institution & Banks (GW BANKS) only for Commercial Bank segment with the exclusion of the Securities Industry segment.  
<sup>(\*\*\*)</sup> Starting from 2012, the Group Wide Multinational Corporate (GW MNC) rating system (for the estimation of parameters PD, LGD and EAD) is also adopted for the Italian Large Corporate (ILC) portfolio, which includes Italian companies with an operating revenues/value between €250 and €500 million.  
<sup>(\*\*\*\*)</sup> Systems authorised since 2010 but reported under Standardized approach for regulatory purposes; in December 2019 a PD model at counterparty level is planned to be submitted to ECB covering also these portfolios.

### Keywords:

UCI: UniCredit S.p.A.  
UCB AG: UniCredit Bank AG  
UCBA AG: UniCredit Bank Austria AG  
UCB IE: UniCredit Bank Ireland p.l.c.  
UCL GMBH: UniCredit Leasing GMBH and Subsidiaries (UniCredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH)  
UCB Slo: UniCredit Banka Slovenija d.d.

UCB BG: UniCredit Bulbank AD  
UCB CZ: UniCredit Bank Czech Republic, a.s.  
UCB HU: UniCredit Hungary  
UCB SK: former UniCredit Bank Slovakia a.s branch of UniCredit Bank Czech Republic, a.s. since December 2013  
UCB RO: UniCredit Bank Romania a.s.  
AO UCB: Ao UniCredit Bank (Russia)

## Part E - Information on risks and hedging policies

With reference to the strategies of credit risk management, the use of Credit Risk Stress Test is considered of particular importance because its aim is to analyse the portfolio vulnerability in case of an economic downturn or a structural change of the macroeconomic framework. In performing the stress test exercise, different scenarios are considered, based on increasing levels of severity. In addition, scenarios may also be defined based on specific economic hypotheses.

The credit stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters (PD/LGD). Within the wider stress testing framework, the models serve as basis for calculating the stressed PD/LGD projections under the Adverse Scenarios. They are used in the same way for the estimation of Forward Looking component within the IFRS9 framework.

As regards the modelling methodology, the current framework envisages to estimate, at cluster level (Country/Asset Class) through time series and/or panel regressive analysis, the relationships between the macro-economic factors and the internal default/recovery rate historically observed. However with regard to the low default portfolios (e.g. Multinational, Banks, Sovereigns), for which no enough defaults events are available, alternative approaches are considered. These imply to leverage either on external data (i.e. external rating) or stressing directly the input of Group Wide Rating System (i.e. Sovereign Rating System).

Model's output in terms of expected variations of PD/LGD conditional to the macro-economic scenarios are then used in order to obtain stressed PD/LGD of each credit exposure. Starting from the stressed PD/LGD the Pillar I Credit Risk metrics (LLP and RWA) are calculated through dedicated simulation engine and according to the EBA Stress test methodology. While Pillar II stress metrics (EC and AFR) are calculated according to the following methodology:

- Credit Economic Capital: Stressed PDs and LGDs are used as a basis to recalculate VaR and Economic Capital with CPM tool in each of the stressed scenarios. The Stressed Value at Risk refers to a VaR simulation where the underlying risk factors are stressed from normal to adverse case. In particular, the Stressed Value at Risk is intended to replicate a Value at Risk calculation that would be generated on the bank's current portfolio if the relevant risk factors were experiencing a period of stress;
- AFR: the amount stemming from the difference between the Stressed Expected Loss (calculated based on PD-TTC and LGD-TTC) and the actual Expected losses is deducted from AFR.

### 2.3 Measurement methods for expected losses

#### *Risk management practices*

The Credit Risk Management, Measurement and Control processes described in the previous paragraph, are also reference for the calculation of impairment of Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures as required by IFRS9.

For this purpose the calculation of impairment in accordance with expected credit losses is based on two main pillars:

- the stage allocation of the credit exposure;
- the associated calculation of expected credit loss.

In UniCredit group the Stage Allocation is based on a combination of relative and absolute elements; the main are:

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

With regard to debt securities, UniCredit group is opting for 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:

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

## Part E - Information on risks and hedging policies

In particular, EBA<sup>31</sup> 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 reference to the quantitative component of the stage allocation model, the Group has adopted a statistic approach based on a quantile regression whose goal is to define a threshold in terms of maximum variation acceptable between the PD measure at the disbursement and the one at the reference date.

Fundamental part of the model is the definition of the quantile which identifies the stage 2 quota expected on average in the long time horizon. The medium long term quantile is determined based on the average expectation of portfolio deterioration calculated considering the default rate as well as one of the other deterioration stages of deterioration (e.g.: past-due 30 days).

The exposures amount classified in stage 2 for each reporting date will fluctuate around the long term quantile on the basis of the current economic conditions as well as expectations about the future economic cycle.

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

The result of stage allocation affects the amount of expected credit losses recognized in financial statements. Indeed for exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.

For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

To calculate expected loss, the Group has developed specific models based on PD, LGD and EAD parameters and the effective interest rate. In particular:

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

Such parameters are calculated starting from the same parameters applied for regulatory purposes specifically adjusted in order to guarantee full consistency, a part from the different requirements, between accounting and regulatory treatment.

Main adjustments are aimed at:

- removing the conservatism required purely for regulatory purposes;
- introducing “point in time” adjustments substituting the “through-the-cycle” view required by the regulation;
- including “forward looking” information;
- extending credit risks parameters to a multi years horizon.

With reference to “lifetime” PD, PD curves calculated through-the-cycle are calibrated to reflect the point-in-time and forward-looking expectation with reference to the portfolio default rate.

The recovery rate embedded in the LGD calculated along the economic cycle (“through-the-cycle”) is adjusted in order to remove the margin of conservatism and reflect the current trends in recovery rates as well as expectations about future trends discounted to the effective interest rate or its best approximation.

The EAD calculated along the instrument lifetime is determined by extending the prudential or managerial one-year model, removing the margin of conservatism and including expectations related to future average withdrawal levels of existing credit lines.

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

<sup>31</sup> The regulatory framework for the new definition of default will be integrated with the entry into force of the “Guidelines on the application of the definition of default under Article 178 of EU Regulation No.575/2013” (EBA/GL/2016/07) as at 1 January 2021.

## Part E - Information on risks and hedging policies

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

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

Specifically, the Group has selected three macroeconomic scenarios to determine the forward looking component: the baseline scenario, one positive scenario and one adverse scenario.

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

- the Baseline scenario reflects the macroeconomic evolution expected for the Group. It envisages a positive and stable economic growth in the time horizon under analysis, although in a slowing trend compared to 2019, both for the Eurozone and for most of the CEE countries, in a context where the short term interest rates in the Euro area are expected to further decrease from the historical low levels of the last years. In detail, the annual real GDP growth for the Eurozone is foreseen at +0.8% for 2020, +1.0% for 2021 and +1.5% for 2022 (with Italy at +0.2%, +0.5% and +0.8% and Germany at +0.7%, +0.8% and +1.8%, respectively); among CEE countries, with the exception of Russia (stable at +1.1%), economic growth is expected between +1.6% and +2.8% in 2020. The scenario implies that the 3 months Euribor remains stable in 2020 and 2021 at the negative levels experienced in 2019;
- the Positive scenario is based on the hypothesis that the positive economic growth of 2019 both at global level and at European level only goes through a mild slowdown in 2020, sustained by the trend in the global commerce and by still accommodating economic policies. In this scenario, Eurozone's growth would only slightly decrease in 2020, supported by growth improvements in German and Italian GDP, before recovering in the next two years, that would translate in a faster average annual real GDP growth (compared to the baseline scenario) by 0.4% in the 2020-2022 three-years horizon. More in detail, the annual growth of real GDP for the Eurozone would slow down to +1.1% in 2020, increasing to +1.6% in 2021 and to +1.7% in 2022 (with Italy rising to +0.4% in 2020, to +0.9% in 2021 and +1.0% in 2022) in a context of short term rates (3 months Euribor) still expected in negative territory in the three years 2020-2022 although on a continuous but slow rising trend, on the back of a monetary policy remaining accommodative for the whole horizon, with ECB Refi rate unchanged at 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 internal capital adequacy assessment process (ICAAP). In coherence with ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Group foresees as most relevant in the context of the countries where the Group operates and for the Group's business activities. The scenario of Widespread Contagion is based on the hypothesis of intensification of political risks within the European Union, caused by tensions between Italian government and European institutions, a standstill in structural reforms in France and a less pro-European political agenda in Germany, alongside with the extension of tensions between Spanish government and Catalonia region. This context would lead to an increase of the risk premia for various asset classes and to a slowdown of the economic growth both in the Eurozone (lower of about one and a half percentage point per year with respect to the baseline scenario, in terms of real GDP growth in the three-years horizon) and in CEE countries. More in detail, the real GDP in the Eurozone would decrease in 2020 and 2021 (-0.6% in both years) before returning to growth in 2022, to +0.7% (with Italy at -1.2%, -1.6% and -0.4% respectively) in a context of short term rates (3 months Euribor) that would stay negative for the whole three-years horizon and in further decrease in the first two years, based on the hypothesis that the ECB would prolong, in such a market environment, the liquidity support to markets. The occurrence of such scenario, at the time of its definition, is considered plausible and appropriate to quantify a potential adverse trend of the economy. In coherence with the scenario's narrative and with the magnitude of deviations from the Baseline scenario, it is assumed that the Adverse scenario is less likely than the Positive scenario.

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

Therefore the main determinants of this value are:

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

Expected cash flows on defaulted exposures shall be calculated on an individual basis for "individually significant exposures".

Expected cash flows on already defaulted exposures that are not individually significant may be calculated either on an individual or a collective basis. Where a legal entity has a number of individually significant exposures towards one single counterparty, each loan is individually assessed while also considering the overall position of the counterparty.

Future cash flows must be estimated considering the historical trend of recovery for exposures having similar credit risk features. The historical trend in any case is adjusted so to embeds the current economic environment and the expected economic outlooks.

## Part E - Information on risks and hedging policies

In the assessment of impaired exposures (stage 3), possible sales scenarios are also considered where the Group's NPE strategy envisages experiencing recovery through their sale to the market.

For this purpose, the presumed recovery value of credit exposures classified as Bad Loans and Unlikely to Pay is determined as weighted average between two scenarios:

- internal recovery scenario, whose expected recovery value is estimated assuming an internal work-out process according to what has previously been described;
- sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is determined considering market or internal information based on the following hierarchy:
  - prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
  - prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
  - internal evaluation models.

### 2.4 Credit risk mitigation techniques

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)", UniCredit group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes as necessary for the calculation of credit risk capital requirement.

At the moment specific Group guidelines are in force, issued by the Parent company, defining group-wide rules and principles with the aim to guide, govern and standardise the credit risk mitigation management, best practice, as well as in accordance with the relevant regulatory requirements.

Integrating these guidelines, all legal entities have adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail, according to each Country's local legal system, collateral eligibility, acquisition, valuation and monitoring rules and ensure, among others, the soundness, legal enforceability and timely liquidation of valuable collateral.

Collateral management assessments and credit risk mitigation compliance verification have been performed by the Group's 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.

In particular, according to the current credit policy, collaterals or guarantees can be accepted 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 borrowers' credit worthiness and of his repayment capacity, collaterals are subject to specific evaluation and analysis with the aim to verify their viability to support 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.

UniCredit group also makes use, between funded credit protection, of bilateral netting agreements in particular regarding OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending transactions where the counterparties are, generally, Financial Institutions.

Moreover, can be considered as eligible netting agreements of reciprocal credit exposures between the Bank and its counterparty if they are legally effective and enforceable in all 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).

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.

In relation to guarantees, their use is widespread within UniCredit group, though their characteristics differ among the different local markets; they can be accepted as 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.

In case the guarantee is represented by credit derivatives, the protection providers are mainly banks and institutional counterparties.



## Part E - Information on risks and hedging policies

As already highlighted, 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, furthermore, the legal entity can evaluate the protection provider risk profile, through an internal rating system, at the time the guarantee is provided and over its entire duration.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, to 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. Furthermore 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. In the collateral acquisition phase, 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 set 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, it is necessary to evaluate case by case the definition of a country limit.

### 3. Non-performing credit exposures

#### 3.1 Management strategies and policies

In order to ensure a homogeneous approach in the classification of credit exposures for regulatory and reporting purposes, UniCredit has defined group-wide guidelines for the classification of non-performing exposures that refer to the principles reported in the Implementing Technical Standards issued by the Authority European Banking in 2014. With regard to this definition (which includes the concept of "default" ruled by Art.178 EU Regulation No.575/2013 and the "impaired" definition reported in accounting standard IFRS9) at operative level UniCredit group has pursued a full alignment between the three definitions. Furthermore, in accordance with the provisions of Banca d'Italia Circular 272/2008, credit exposures of each group entity must be classified in one of the following risk classes:

- past-due and/or overdue exposures: problematic exposures that are more than 90 days past due on any material obligation (the latter assessed in line with article 178 (2d) of EU Regulation No.575/2013 and the Technical Standards of the EBA);
- unlikely to pay: the classification in this category is the result of the judgment of the bank about the unlikelihood, without recourse to actions such as realizing collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad loans: exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.

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

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



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In accordance with Article 156 EBA ITS, an exposure must remain classified as non-performing<sup>32</sup> as long as the following criteria (exit criteria) are not met simultaneously:

- no default/impairment criteria continues to apply for a minimum period of 3 months;
- the situation of the debtor has improved to the extent that full repayment of the original due amount is likely to be made;
- the debtor does not have any amount past-due by more than 90 days.

Specific exit criteria must be applied in case the forbearance measures are extended to non-performing exposures, listed below:

- the starting date of the observation period of one year is the latest between the adoption of Forbearance measures and the classification as non-performing;
- any past due amount is verified if no past due occurs at debtor level;
- concerns regarding the "full repayment" refer to a judgmental evaluation by the empowered Bodies.

In the non-performing credit exposures management, the UniCredit group adopts certain strategies that operationally define the activities necessary to achieve the targets defined yearly.

The aforementioned strategies concerning impaired loans include:

- an effective internal restructuring activity, supported by qualified resources with specific skills dedicated to the management of loans classified as unlikely to pay; within these activities, ad-hoc approaches are then envisaged for positions considered strategic or referring to the Corporate and Real Estate segment;
- proactive portfolio management through judicial and extra-judicial procedures managed by internal Workout professionals or assigned to external agencies specialised in credit recovery;
- the recourse of alternative recovery strategies (which UniCredit was one of the first banks to use) based on formalised partnerships aimed at managing positions in the industrial or Real Estate sector;
- proactive management of the Leasing portfolio aimed at speeding up the negotiation times of agreements with counterparties in order to obtain a more effective remarketing process;
- disposal of impaired loans as a further strategy for internal recovery both for individual positions and for portfolios of impaired loans, already classified as bad loans and unlikely to pay.

These strategies reflect the main levers for reducing the amount of impaired loans and have led to an important result during 2019, highlighting:

- write-off for €4.144 million (190% of the total planned in Transform 2019 for 2019 year);
- recoveries of €4.871 million (167% of the total planned in Transform 2019 for 2019 year);
- total non-performing loans sold for €9.379 million (228% of the total planned in Transform 2019 for 2019 year).

The decrease amount of the stock of impaired loans to Group customers was therefore in line with the reduction targets set in the Transform 2019 plan, achieving an improvement in asset quality. This result was possible thanks also to an acceleration of the reduction times of the "Non Core" portfolio. Therefore, the UniCredit group can confirm the complete closure of its Non Core legacy by 2021, thanks also to the activation of a coordinated set of levers aimed at reducing the stock.

A successful NPE Strategy execution requires effective interaction between the Group Risk Management structure and the functions dedicated to the management of impaired exposures directly reporting the local CLOs of the Legal Entities. More specifically, within Group Risk Management, the Group NPE structure was set-up in order to ensure on the one hand an adequate control over the execution and monitoring of the NPE Strategy (which includes the sale of non-performing loans through "Group Distressed Asset Solutions" and the proactive management of the collateral for the properties acquired through "Group Repossessed Assets") and, on the other hand, an effective cooperation thanks the joint work carried out with the other Group Risk Management functions.

In all Legal Entities dedicated functions to the management of non-performing exposures are in place; they cover all phases of the NPEs life cycle, take into account local regulations and the specific characteristics of portfolios, monitor and manage the amount of NPEs coherently with both European Central Bank Guidelines and Group organisational model.

The structures dedicated to the operational management of non-performing exposures are therefore tailored to each state of the life cycle of non-performing loans, starting from a careful monitoring of the performing portfolio, up to the recovery activity that includes the disposal of credit or the "repossession" of the collateral.

In particular, the monitoring activity is aimed at preventing flows to default and reducing the amount of past due exposures by detecting signals of risk of deterioration and early warning, as well as identifying the needed corrective measures to manage the potential deterioration of exposures starting from the early signs of worsening of the counterparties' credit quality.

Soft collection, door-to-door and re-management activities which pertains both performing (though already overdue) counterparties and already defaulted clients are carried out through the use of multiple channels, also using outsourcing solutions to third-party companies (in particular for door-to-door recovery activities). These activities are also aimed at preventing flows to default and facilitating the back-to-performing classification (main focus), thus contributing to a reduction of the overall amount of impaired exposures.

<sup>32</sup> The regulatory framework for the transition from impaired to non-deteriorated exposures ("criteria for a return to a non-defaulted status") will be integrated with the entry into force of the "Guidelines on the application of the definition of default under Article 178 of EU Regulation No.575/2013" (EBA/GL/2016/07) as of 1 January 2021.

## Part E - Information on risks and hedging policies

In some Legal Entity, the aforementioned activities can be managed within either the Monitoring, or Restructuring or Workout units; with reference to UniCredit S.p.A. these responsibilities are allocated to the Special Credit unit within which an ad hoc department was created (i.e. Customer Recovery), exclusively dedicated to soft collection and re-management for retail portfolio.

As part of the overall management of deteriorated exposures, the Restructuring activity is aimed at mitigating the risk of insolvency and the quality of exposures with restructuring agreements and company reorganisation plans as well as reducing the amount of unlikely to pay with recoveries and performing re-classification, by means of forbearance measures. Specifically, among the strategies for managing unlikely to pay loans to corporate counterparties, there are also restructuring platforms (up to now limited to the Italian market), the disposal of individual exposures and extraordinary finance transactions.

The coordination and implementation of recovery strategy on positions classified as bad loans fall instead within the responsibility of "Workout" unit, whose reporting structures identify the optimal strategies for maximising recoveries, including the timely enforcement of collaterals. In some legal entity of the Group, the activity is also implemented by leveraging on service agreements with external agencies.

As pertains the disposal activities, these refer to the organisation, management and execution of sales processes (both credit portfolios and individual positions), through the application of a transparent and competitive methodology based on market criteria. At Group level, these activities are performed by a dedicated department within UniCredit S.p.A. (Group Distressed Asset Solutions), which evaluates various disposal options alternatives, in cooperation with the legal entity's peer function where deemed necessary to handle specific local cases.

The proactive management of real estate guarantees is coordinated at the Parent company level by a dedicated department (Group Repossessed Assets), which oversees the strategy of repossession of the collateral and the specific activities carried out within the Group, particularly in those entities specialised in the acquisition of collateral (for example the UCTAM company). The aforementioned function also oversees the possible creation of a "Real Estate Owned Company" (ReoCo) in Italy.

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

As clarified above, UniCredit has defined group-wide guidelines in order to ensure the full alignment between the Default, Impaired and NPE definitions, in order to have a homogeneous approach on the loan categorisation practices for supervisory and reporting purposes, adopting the Default definition as the basis for the provisions calculation.

To this aim the Group has defined a list of events directly qualifying the Unlikely to Pay status (Default events) and a list of triggers for the detection to be assessed for the confirmation of the Unlikely to Pay status. In line with the guidelines provided by ECB the latter are differentiated among trigger events "hard" and "soft". The "hard" triggers imply that obligors are classified as Unlikely to Pay with little room of interpretation, as these events very often, due to their nature, fulfill the definition of Unlikely to Pay. The "Soft" triggers shall be considered for the assessment of the unlikeliness to pay requirement of the obligor. In presence of one of these evidences, the capability of repayment has to be assessed.

### 3.2 Write-off

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

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

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

## Part E - Information on risks and hedging policies

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

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

The amount of write-offs on financial assets still subject to the enforcement procedure amounts to €2,565.9 million at 31 December 2019, of which the write-offs for the 2019 financial year amounted to €2,140.9 million. The write-offs component recorded during the year does not correspond to the write-offs recorded in the dynamics of non-performing exposures, as the latter also include cancellations with "debt forgiveness".

### 3.3 Acquired or originated impaired financial assets

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

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

These exposures are subject to management, measurement and control according to the principles described in the paragraph of Part E – Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit risk - Qualitative information - 2. Credit risk policies management - 2.2 Credit risk management, measurement and control which is herewith quoted entirely.

In particular, the expected credit losses recorded at initial recognition within the carrying amount of the instrument are periodically reviewed on the basis of the processes described in the previous paragraphs.

The expected credit loss calculated for these credit exposures is always determined considering their residual life, and such exposure are conventionally allocated into stage 3, or in stage 2 if, as a result of an improvement in the creditworthiness of the counterparty following the initial recognition, the assets are performing.

These assets are never classified under stage 1 because the expected credit loss must always be calculated considering a time horizon equal to the residual duration.

### 4. Financial assets subject to commercial renegotiations and forbore 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;
- concessions granted in light of debtor's financial difficulties (Forbearance).

Such changes are accounted on the basis of whether the modification is considered significant or not. In this regard, reference is made to the Part A - A.2 - Main items of the accounts.

The concessions granted due to debtor's financial difficulties, so called Forbearance initiatives, are usually considered not significant from an accounting perspective.

#### 4.1 Loan categorisation in the risk categories and forbore exposures

In July 2014, the European Banking Authorities issued the "Implementing Technical Standards" ("ITS") on non-performing and Forborne exposures, with the aim to allow, a closer supervisory monitoring of banking forbearance practices. In line with the mentioned ITS, a transaction has to be considered as forbore when both of the following conditions are simultaneously met:

- a concession in favour of the debtor exists, in the form of either (i) a contractual modification or (ii) refinancing aimed at ensuring the repayment of pre-existing obligation;
- the debtor is facing or about to face financial difficulties.

## Part E - Information on risks and hedging policies

To comply with EBA ITS, since 2015 UniCredit S.p.A. has worked on the definition of a common methodological framework for forbearance process, issuing group's guidelines on forbearance management and setting up a shared IT infrastructure (i.e. Forbearance engine). Specifically, the Forbearance engine automatically performs, on the basis of a set of a pre-defined criteria, an assessment of the overall financial difficulty of the client subject to a concession (Trouble Debt Test). In coherency with the overall solution, the different Group's legal entities adopted some fine-tunings to adapt the Group's framework to the local IT tools and credit practices.

Starting from 2017, the regulatory framework relating to the management of Forborne exposures has been integrated with the following papers:

- “*Guidance to Banks on Non-Performing Loans*”, issued by European Central Bank in March 2017, which require to Banks to define a clear NPL strategy aiming at the reduction of NPE Stock;
- “*Guidelines on management of non-performing and forborne exposures*”, issued by European Banking Authority in October 2018, which are overall aligned with the ECB Guidance;
- “*Guidelines on disclosure of non-performing and forborne exposures*”, issued by European Banking Authority in December 2018, which is focused on the disclosure templates to be used for Group's supervisory reporting purposes.

In order to ensure ongoing alignment with the regulatory and supervisory requirements mentioned above regarding bank's forbearance practices, the Parent Company finalised the following activities:

- review of the list of the potential Forbearance measures to acknowledge: (i) with the split between short-term measures (duration less than 24 months) and long-term measures (duration higher than or equal to 24 months), (ii) with the possibility of granting combinations of short and long-term FBE measures and (iii) with the “*viability criteria*” defined by Supervisory for each FBE measure;
- reinforcement of the affordability assessment of the client prior to the Forbearance concession taking care to the case of multiple forbearance measures on the same exposure;
- 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.

With reference to the monitoring and reporting activity on forborne exposures, as at 31 December 2019 the number of instruments (loans and advances at amortised cost) with forbearance measures amounts to 354.035 (112.553 for UniCredit S.p.A. perimeter).

Specifically, on a consolidated level:

- forbearance measures granted during the period represent 9% of the total (21% considering only UniCredit S.p.A.);
- forbearance measures granted on the performing portfolio represent the 71% of the total (53% considering only UniCredit S.p.A.).

As regards the vintage of classification of forborne exposures, the information reported below pertain to loan and advances at amortised cost, as financial assets at fair value and off-balance sheet exposures do not represent (out of the overall forborne portfolio) a materially significant relevance.

More in details, at consolidated level, 49% of forborne performing exposures has a vintage of classification  $\leq 24$  months, in line with UniCredit S.p.A. portfolio (48%). In terms of forborne non-performing loans, 41% of consolidated exposures fall within a classification vintage  $\leq 24$  months (28% for UniCredit S.p.A. portfolio).

## Part E - Information on risks and hedging policies

### Quantitative information

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

#### A. Credit quality

For the purposes of the disclosure of quantitative information about credit quality, the term "credit exposures" does not include equity instruments and units in investment funds except for the tables of the paragraph "A.2 Classification of credit exposure based on internal and external ratings", in which units in investment funds are included.

#### A.1 Non-performing and performing credit exposure: amounts, writedowns, changes, distribution by business activity

##### A.1.1 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	7,483	251	194	1,431	1,162	731	2,328	497	4,581
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	50	2	-	-	28	1	130	15	146
<b>Total 12.31.2019</b>	<b>7,533</b>	<b>253</b>	<b>194</b>	<b>1,431</b>	<b>1,190</b>	<b>732</b>	<b>2,458</b>	<b>512</b>	<b>4,727</b>
<b>Total 12.31.2018</b>	<b>6,757</b>	<b>354</b>	<b>151</b>	<b>1,314</b>	<b>1,337</b>	<b>940</b>	<b>3,931</b>	<b>542</b>	<b>8,516</b>

The amounts past due over 90 days and related to Stage 1 and Stage 2 exposures refer to loans that do not meet the definition of Non-performing past due (below the materiality threshold).

##### A.1.2 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS									
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1					FINANCIAL ASSETS CLASSIFIED IN STAGE 2				
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
<b>Opening balance (gross amount)</b>	<b>1,136</b>	<b>36</b>	<b>7</b>	<b>281</b>	<b>899</b>	<b>1,758</b>	<b>8</b>	<b>1</b>	<b>268</b>	<b>1,499</b>
Increases in acquired or originated financial assets	216	2	-	-	218	133	-	-	-	133
Reversals different from write-offs	(156)	(4)	-	(7)	(153)	(145)	-	-	(7)	(138)
Net losses/recoveries on credit impairment	(454)	15	(2)	(38)	(403)	309	(3)	-	23	284
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	2	-	-	-	2	-	-	-	-	-
Write-off	(9)	-	-	-	(9)	(3)	-	-	-	(3)
Other changes	356	(5)	-	(30)	380	(198)	-	-	44	(243)
<b>Closing balance (gross amount)</b>	<b>1,091</b>	<b>44</b>	<b>5</b>	<b>206</b>	<b>934</b>	<b>1,854</b>	<b>5</b>	<b>1</b>	<b>328</b>	<b>1,532</b>
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	(1)	-	-	-	(1)	(17)	-	-	-	(17)

## Part E - Information on risks and hedging policies

continued: A.1.2 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS						TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	ASSETS BELONGING TO THIRD STAGE					OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS				
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT					
							STAGE 1	STAGE 2	STAGE 3	
Opening balance (gross amount)	24,204	-	60	16,850	7,414	26	183	78	880	28,351
Increases in acquired or originated financial assets	444	-	-	368	76	2	44	14	74	927
Reversals different from write-offs	(784)	-	(46)	(566)	(264)	-	(22)	(9)	(201)	(1,367)
Net losses/recoveries on credit impairment	3,541	-	(13)	2,559	970	(1)	(54)	6	41	3,386
Contractual changes without cancellation	10	-	-	11	(1)	(4)	-	-	-	10
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	2
Write-off	(5,342)	-	(4,256)	(3,932)	(5,665)	(9)	-	-	-	(9,610)
Other changes	(4,529)	-	4,626	(1,292)	1,388	5	17	1	(10)	258
Closing balance (gross amount)	17,544	-	371	13,998	3,918	19	168	90	784	21,957
Recoveries from financial assets subject to write-off	140	-	-	70	70	-	-	-	-	140
Write-off are not recognised directly in profit or loss	(401)	-	(50)	(241)	(209)	-	-	-	-	(469)

### A.1.3 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

PORTFOLIOS/RISK STAGES	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	19,152	10,225	1,941	472	2,504	470
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	49	-	6	-
4. Loan commitments and financial guarantees given	5,805	1,891	72	46	242	37
<b>Total 12.31.2019</b>	<b>24,957</b>	<b>12,116</b>	<b>2,062</b>	<b>518</b>	<b>2,752</b>	<b>507</b>
<b>Total 12.31.2018</b>	<b>16,961</b>	<b>19,213</b>	<b>1,886</b>	<b>584</b>	<b>2,717</b>	<b>860</b>

## Part E - Information on risks and hedging policies

## A.1.4 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT 12.31.2019		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS <sup>(*)</sup>
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	2	X	2	-	-
<i>of which: forborne exposures</i>	-	X	-	-	-
b) Unlikely to pay	4	X	4	-	-
<i>of which: forborne exposures</i>	-	X	-	-	-
c) Non-performing past due	-	X	-	-	-
<i>of which: forborne exposures</i>	-	X	-	-	-
d) Performing past due	X	11	-	11	-
<i>of which: forborne exposures</i>	X	-	-	-	-
e) Other performing exposures	X	125,349	45	125,304	-
<i>of which: forborne exposures</i>	X	-	-	-	-
<b>Total (A)</b>	<b>6</b>	<b>125,360</b>	<b>51</b>	<b>125,315</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	-	X	-	-	-
b) Performing	X	37,345	8	37,337	-
<b>Total (B)</b>	<b>-</b>	<b>37,345</b>	<b>8</b>	<b>37,337</b>	<b>-</b>
<b>Total (A+B)</b>	<b>6</b>	<b>162,705</b>	<b>59</b>	<b>162,652</b>	<b>-</b>

Note:

(\*) Value shown for information purposes.

On-balance sheet exposures to banks include all balance-sheet assets regardless of their belonging portfolio (held-for-trading, assets designed and mandatorily at fair value through profit or loss, assets at fair value through other comprehensive income, assets at amortised cost and assets held for sale).

Off-balance sheet exposures to banks comprise guarantees given, irrevocable commitments, derivatives regardless of each transaction's classification category and the revocable commitments to disburse funds.

## A.1.5 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT 12.31.2019		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS <sup>(*)</sup>
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	13,553	X	10,266	3,287	2,587
<i>of which: forborne exposures</i>	3,342	X	2,374	968	208
b) Unlikely to pay	13,204	X	7,329	5,875	24
<i>of which: forborne exposures</i>	7,400	X	4,395	3,005	5
c) Non-performing past due	1,378	X	464	914	-
<i>of which: forborne exposures</i>	236	X	63	173	-
d) Performing past due	X	14,375	445	13,930	-
<i>of which: forborne exposures</i>	X	1,128	135	993	-
e) Other performing exposures	X	619,854	2,510	617,344	-
<i>of which: forborne exposures</i>	X	4,784	348	4,436	-
<b>Total (A)</b>	<b>28,135</b>	<b>634,229</b>	<b>21,014</b>	<b>641,350</b>	<b>2,611</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	3,770	X	872	2,898	-
b) Performing	X	321,008	266	320,742	-
<b>Total (B)</b>	<b>3,770</b>	<b>321,008</b>	<b>1,138</b>	<b>323,640</b>	<b>-</b>
<b>Total (A+B)</b>	<b>31,905</b>	<b>955,237</b>	<b>22,152</b>	<b>964,990</b>	<b>2,611</b>

Note:

(\*) Value shown for information purposes.



## Part E - Information on risks and hedging policies

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).

### A.1.6 Regulatory consolidation - On-balance sheet exposures with banks: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>41</b>	<b>4</b>	<b>-</b>
<i>of which sold non-cancelled exposures</i>	-	-	-
<b>B. Increases</b>	<b>1</b>	<b>-</b>	<b>-</b>
B.1 Transfers from performing loans	-	-	-
B.2 Transfers from acquired or originated impaired financial assets	-	-	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	-	-
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	1	-	-
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Reductions</b>	<b>40</b>	<b>-</b>	<b>-</b>
C.1 Transfers to performing loans	-	-	-
C.2 Write-offs	40	-	-
C.3 Collections	-	-	-
C.4 Sale proceeds	-	-	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other non-performing exposures	-	-	-
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	-	-	-
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>2</b>	<b>4</b>	<b>-</b>
<i>of which sold non-cancelled exposures</i>	-	-	-

Sub-items "B.5 Other increases" and "C.3 Collections" include amounts recovered during the year concerning impaired exposures which were derecognised in their entirety.

### A.1.6bis Regulatory consolidation - On-balance sheet exposures with banks: changes by credit quality in gross forbore exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2019	
	FORBORN EXPOSURES: NON PERFORMING	FORBORN EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	<b>4</b>	<b>-</b>
<i>of which sold non-cancelled exposures</i>	-	-
<b>B. Increases</b>	<b>-</b>	<b>-</b>
B.1 Transfers from performing non-forborne exposures	-	-
B.2 Transfers from performing forbore exposures	-	X
B.3 Transfers from non-performing forbore exposures	X	-
<i>of which: business combinations</i>	X	-
B.4 Other increases	-	-
<i>of which: business combinations - mergers</i>	-	-
<b>C. Reductions</b>	<b>4</b>	<b>-</b>
C.1 Transfers to performing non-forborne exposures	X	-
C.2 Transfers to performing forbore exposures	-	X
C.3 Transfers to non-performing forbore exposures	X	-
C.4 Write-offs	4	-
C.5 Collections	-	-
C.6 Sale proceeds	-	-
C.7 Losses from disposal	-	-
C.8 Other reductions	-	-
<i>of which: business combinations</i>	-	-
<b>D. Closing balance (gross amount)</b>	<b>-</b>	<b>-</b>
<i>of which sold non-cancelled exposures</i>	-	-

## Part E - Information on risks and hedging policies

Off-balance sheet exposures to customers comprises guarantees given, irrevocable commitments, derivatives regardless of each transaction's classification category and the revocable commitments to disburse funds.

The total amount of forbore exposures (net of those belonging to disposal groups/held for sale) is €17.6 billion (€11.3 billion non performing and €6.3 billion performing). These exposures refers for 62% to the Italian perimeter, while the remaining amount refer for 21% to CEE countries, to Germany for 13% and for the 4% to Austria.

For a description of the rules for identification of forbore exposures refer to Part E - Information on risks and hedging policies - Section 1 Credit Risk, Paragraph 2.5 (Non-performing exposures).

On-balance sheet impaired gross exposures connected to the proposals for recourse to an arrangement with creditors made by the debtor, for the positions that have been converted into a Debt restructuring agreement pursuant to article 182-bis of the Bankruptcy Law or continuity of business, as well as the positions not yet assigned or with liquidatory purposes, amounted to a total of €1,904 million at 31 December 2019, against which specific impairments have been made for €1,421 million, with a total coverage level of 75%.

### A.1.7 Regulatory consolidation - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>21,883</b>	<b>16,984</b>	<b>1,374</b>
<i>of which sold non-cancelled exposures</i>	<i>461</i>	<i>1,034</i>	<i>10</i>
<b>B. Increases</b>	<b>5,227</b>	<b>6,085</b>	<b>1,797</b>
B.1 Transfer from performing loans	1,274	2,693	1,700
B.2 Transfer from acquired or originated impaired financial assets	4	103	-
<i>of which: business combinations</i>	<i>-</i>	<i>-</i>	<i>-</i>
B.3 Transfer from other non-performing exposures	2,717	761	19
B.4 Contractual changes with no cancellations	-	3	-
B.5 Other increases	1,232	2,525	78
<i>of which: business combinations - mergers</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>C. Decreases</b>	<b>13,557</b>	<b>9,865</b>	<b>1,793</b>
C.1 Transfers to performing loans	207	870	169
C.2 Write-offs	3,625	704	5
C.3 Collections	2,185	2,446	367
C.4 Sale proceeds	1,899	969	19
C.5 Losses on disposals	58	80	-
C.6 Transfers to other non-performing exposures	139	2,554	804
C.7 Contractual changes with no cancellations	-	20	-
C.8 Other decreases	5,444	2,222	429
<i>of which: business combinations</i>	<i>18</i>	<i>3</i>	<i>2</i>
<b>D. Closing balance (gross amount)</b>	<b>13,553</b>	<b>13,204</b>	<b>1,378</b>
<i>of which sold non-cancelled exposures</i>	<i>372</i>	<i>840</i>	<i>7</i>

Sub-items "B.5 Other increases" and "C.3 Collections" include amounts recovered during the year concerning impaired exposures which were derecognised in their entirety.

## Part E - Information on risks and hedging policies

## A.1.7bis Regulatory consolidation - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2019	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	<b>14,353</b>	<b>5,577</b>
<i>of which sold non-cancelled exposures</i>	730	224
<b>B. Increases</b>	<b>3,888</b>	<b>4,402</b>
B.1 Transfers from performing non-forborne exposures	884	2,397
B.2 Transfers from performing forborne exposures	614	X
B.3 Transfers from non-performing forborne exposures	X	554
<i>of which: business combinations</i>	X	-
B.4 Other increases	2,390	1,451
<i>of which: business combinations - mergers</i>	-	-
<b>C. Reductions</b>	<b>7,263</b>	<b>4,067</b>
C.1 Transfers to performing non-forborne exposures	X	1,551
C.2 Transfers to performing forborne exposures	554	X
C.3 Transfers to non-performing forborne exposures	X	614
C.4 Write-offs	958	4
C.5 Collections	2,025	1,555
C.6 Sale proceeds	649	9
C.7 Losses from disposal	35	-
C.8 Other reductions	3,042	334
<i>of which: business combinations</i>	1	-
<b>D. Closing balance (gross amount)</b>	<b>10,978</b>	<b>5,912</b>
<i>of which sold non-cancelled exposures</i>	794	62

## A.1.8 Regulatory consolidation - On-balance sheet non-performing credit exposures with banks: changes in overall write-downs

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>41</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-
<b>B. Increases</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2 Other write-downs	-	-	-	-	-	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	1	-	-	-	-	-
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	<b>40</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Write-backs from valuation	-	-	-	-	-	-
C.2 Write-backs from collections	-	-	-	-	-	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	40	4	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.1.9 Regulatory consolidation - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORN EXPOSURES	TOTAL	OF WHICH FORBORN EXPOSURES	TOTAL	OF WHICH FORBORN EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>15,945</b>	<b>2,857</b>	<b>7,953</b>	<b>4,579</b>	<b>409</b>	<b>45</b>
<i>of which sold non-cancelled exposures</i>	295	39	421	362	2	-
<b>B. Increases</b>	<b>5,351</b>	<b>1,434</b>	<b>4,238</b>	<b>2,497</b>	<b>569</b>	<b>52</b>
B.1 Write-downs of acquired or originated impaired financial assets	74	X	342	X	6	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2 Other write-downs	3,242	624	2,995	2,076	186	9
B.3 Losses on disposal	58	10	80	25	-	-
B.4 Transfers from other categories of non-performing exposures	1,492	562	398	28	7	3
B.5 Contractual changes with no cancellations	-	X	20	X	-	X
B.6 Other increases	485	238	403	368	370	40
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	<b>11,030</b>	<b>1,917</b>	<b>4,862</b>	<b>2,681</b>	<b>514</b>	<b>34</b>
C.1 Write-backs from valuation	1,031	232	962	578	23	1
C.2 Write-backs from collections	670	183	396	136	45	2
C.3 Gains from disposals	88	14	98	33	-	-
C.4 Write-offs	3,625	564	704	394	5	-
C.5 Transfers to other categories of non-performing exposures	99	20	1,437	563	361	10
C.6 Contractual changes with no cancellations	-	X	1	X	-	X
C.7 Other decreases	5,517	904	1,264	977	80	21
<i>of which: business combinations</i>	(16)	-	(2)	-	(1)	-
<b>D. Closing balance (gross amount)</b>	<b>10,266</b>	<b>2,374</b>	<b>7,329</b>	<b>4,395</b>	<b>464</b>	<b>63</b>
<i>of which sold non-cancelled exposures</i>	273	132	394	338	2	-



## Part E - Information on risks and hedging policies

## A.2.2 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

EXPOSURES	AMOUNT AS AT 12.31.2019									NO RATING	TOTAL
	INTERNAL RATING CLASSES										
	1	2	3	4	5	6	7	8	9		
A. Financial assets at amortised cost											
- Stage 1	38,077	7,725	149,123	219,127	63,507	41,229	15,704	3,634	1,726	54,616	594,468
- Stage 2	152	667	4,219	6,599	8,573	8,766	6,159	4,381	4,188	3,042	46,746
- Stage 3	-	-	114	73	10	76	2	-	36	26,922	27,233
B. Financial assets at fair value through other comprehensive income											
- Stage 1	18,258	1,488	37,784	9,993	973	105	4	-	-	10,618	79,223
- Stage 2	-	-	-	-	392	8	2	-	1	-	403
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stage 1	-	70	98	118	221	158	142	2	-	595	1,404
- Stage 2	-	-	-	1	3	5	30	2	-	4	45
- Stage 3	-	-	-	-	-	-	-	13	23	638	674
Total (A+B+C)	56,487	9,950	191,338	235,911	73,679	50,347	22,043	8,032	5,974	96,435	750,196
of which: acquired or originated impaired financial assets	-	-	-	1	2	7	3	2	7	99	121
D. Loan commitments and financial guarantees given											
- Stage 1	4,551	7,460	60,572	63,387	15,301	11,749	3,306	706	230	43,766	211,028
- Stage 2	65	1,566	3,700	3,815	2,814	1,662	999	818	295	406	16,140
- Stage 3	-	-	78	6	-	12	-	-	-	1,923	2,019
Total (D)	4,616	9,026	64,350	67,208	18,115	13,423	4,305	1,524	525	46,095	229,187
Total (A+B+C+D)	61,103	18,976	255,688	303,119	91,794	63,770	26,348	9,556	6,499	142,530	979,383

The table contains exposures grouped according to the counterparties' internal rating.

Ratings are assigned to individual counterparties using Group banks' internally-developed models included in their credit risk management processes. The internal models validated by the regulators are either 'Group-wide' (e.g. for banks, multinationals and sovereigns) or bank-specific, by segment (e.g. retail or corporate).

The various rating scales of these models are mapped onto a single master-scale of 9 classes based on Probability of Default (PD).

76.3% of internally-rated exposures were investment grade (classes 1 to 4), while exposures towards unrated counterparties were 14.6% of the total. No rating is assigned to these counterparties as either they belong to a segment not yet covered by the models, or the appropriate model is still in the roll-out phase.

Internal Ratings are used for Capital Requirements calculation by the Legal Entities/portfolios that were authorised for the IRB approach from Central bank. Legal Entities currently authorised are: UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG, UniCredit Bank Ireland p.l.c., UniCredit Banka Slovenija d.d., UniCredit Bulbank AD, UniCredit Bank Czech Republic and Slovakia a.s., UniCredit Bank Hungary zrt, UniCredit Tiriak Bank S.A., ZAO UniCredit Bank and UniCredit Leasing GmbH and related subsidiaries UniCredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH.

## Part E - Information on risks and hedging policies

## A.3 Distribution of secured credit exposures by type of security

## A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT		12.31.2019			
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	24,349	24,348	-	1	9,219	14,620
of which non-performing	-	-	-	-	-	-
1.2 Partially secured	7,283	7,282	-	-	6,466	124
of which non-performing	-	-	-	-	-	-
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	1,555	1,555	-	-	882	73
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	1,888	1,888	-	-	15	26
of which non-performing	-	-	-	-	-	-

continued: A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

(€ million)										
AMOUNT AS AT 12.31.2019										
GUARANTEES (2)										
CREDIT DERIVATIVES						SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
OTHER CREDIT DERIVATIVES					GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES		
CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES						
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	102	392	11	-	24,345
of which non-performing	-	-	-	-	-	-	-	-	-	-
1.2 Partially secured	-	-	-	-	-	366	108	42	-	7,106
of which non-performing	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	108	3	10	1,076
of which non-performing	-	-	-	-	-	-	-	-	-	-
2.2 Partially secured	-	-	-	-	-	45	57	6	291	440
of which non-performing	-	-	-	-	-	-	-	-	-	-



## Part E - Information on risks and hedging policies

## A.3.2 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

			AMOUNT AS AT 12.31.2019			
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	240,489	230,370	108,810	12,338	57,901	17,884
of which non-performing	15,254	6,128	2,755	1,131	69	359
1.2 Partially secured	94,553	92,672	32,699	437	1,704	6,235
of which non-performing	2,464	1,296	567	5	21	68
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	50,146	49,946	3,033	-	13,261	1,577
of which non-performing	804	642	193	-	24	54
2.2 Partially secured	41,651	41,550	2,169	-	695	1,975
of which non-performing	357	275	32	-	10	57

continued: A.3.2 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

AMOUNT AS AT 12.31.2019										
GUARANTEES (2)										
CREDIT DERIVATIVES						SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
OTHER CREDIT DERIVATIVES										
CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES		
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	5,316	840	3,336	20,759	227,184
of which non-performing	-	-	-	-	-	64	14	77	695	5,164
1.2 Partially secured	-	-	-	-	-	9,466	669	532	2,457	54,199
of which non-performing	-	-	-	-	-	226	28	29	47	991
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	2,002	1,099	2,559	15,006	38,537
of which non-performing	-	-	-	-	-	2	36	10	268	587
2.2 Partially secured	-	-	-	-	-	957	441	215	2,623	9,075
of which non-performing	-	-	-	-	-	6	5	7	54	171

## Part E - Information on risks and hedging policies

## A.4 Regulatory consolidation - Financial and non-financial assets obtained by taking possession of collaterals

(€ million)

	CANCELLED CREDIT EXPOSURE	GROSS AMOUNT	OVERALL WRITE- DOWNS	CARRYING VALUE	
					OF WHICH OBTAINED DURING THE YEAR
<b>A. Property, plant and equipment</b>	<b>575</b>	<b>583</b>	<b>106</b>	<b>476</b>	<b>189</b>
A.1 Used in business	1	1	-	-	-
A.2 Held for investment	17	74	42	32	1
A.3 Inventories	557	508	64	444	188
<b>B. Equity instruments and debt securities</b>	<b>-</b>	<b>5</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>C. Other assets</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>D. Non-current assets and disposal groups classified as held for sale</b>	<b>16</b>	<b>88</b>	<b>44</b>	<b>44</b>	<b>13</b>
D.1 Property, plant and equipment	16	88	44	44	13
D.2 Other assets	-	-	-	-	-
<b>Total 12.31.2019</b>	<b>591</b>	<b>678</b>	<b>154</b>	<b>522</b>	<b>202</b>
<b>Total 12.31.2018</b>	<b>402</b>	<b>400</b>	<b>82</b>	<b>318</b>	<b>192</b>

## B. Distribution and concentration of credit exposures

## B.1 Regulatory consolidation - Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ million)

EXPOSURES/COUNTERPARTIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	8	54	200	408	3	2	2,633	8,114	446	1,690
of which: forbore exposures	-	1	127	121	2	2	735	2,043	106	209
A.2 Unlikely to pay	152	14	395	351	1	-	4,282	6,073	1,046	891
of which: forbore exposures	-	-	235	244	1	-	2,241	3,644	529	507
A.3 Non-performing past-due	3	1	1	-	-	-	525	218	385	245
of which: forbore exposures	-	-	-	-	-	-	156	54	17	9
A.4 Performing exposures	141,187	84	105,580	179	2,752	1	255,928	1,553	128,579	1,139
of which: forbore exposures	3	-	117	2	1	-	3,640	285	1,669	196
<b>Total (A)</b>	<b>141,350</b>	<b>153</b>	<b>106,176</b>	<b>938</b>	<b>2,756</b>	<b>3</b>	<b>263,368</b>	<b>15,958</b>	<b>130,456</b>	<b>3,965</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	1	-	126	17	-	-	2,712	851	58	4
B.2 Performing exposures	14,549	5	50,646	24	1,853	1	235,229	213	19,326	24
<b>Total (B)</b>	<b>14,550</b>	<b>5</b>	<b>50,772</b>	<b>41</b>	<b>1,853</b>	<b>1</b>	<b>237,941</b>	<b>1,064</b>	<b>19,384</b>	<b>28</b>
<b>Total (A+B)</b>										
<b>12.31.2019</b>	<b>155,900</b>	<b>158</b>	<b>156,948</b>	<b>979</b>	<b>4,609</b>	<b>4</b>	<b>501,309</b>	<b>17,022</b>	<b>149,840</b>	<b>3,993</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>168,386</b>	<b>235</b>	<b>130,437</b>	<b>1,116</b>	<b>5,136</b>	<b>6</b>	<b>500,930</b>	<b>19,757</b>	<b>151,295</b>	<b>7,291</b>

## Part E - Information on risks and hedging policies

### B.2 Regulatory consolidation - Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	1,729	6,813	1,479	3,329	28	35	19	26	32	63
A.2 Unlikely to pay	3,786	5,494	1,840	1,762	85	55	1	1	163	17
A.3 Non-performing past-due	396	157	511	306	5	-	1	1	1	-
A.4 Performing exposures	271,432	1,245	329,139	1,667	13,356	23	11,969	15	5,378	5
<b>Total (A)</b>	<b>277,343</b>	<b>13,709</b>	<b>332,969</b>	<b>7,064</b>	<b>13,474</b>	<b>113</b>	<b>11,990</b>	<b>43</b>	<b>5,574</b>	<b>85</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	2,272	341	586	520	37	9	2	-	1	1
B.2 Performing exposures	123,847	53	173,976	200	17,128	9	4,354	4	445	-
<b>Total (B)</b>	<b>126,119</b>	<b>394</b>	<b>174,562</b>	<b>720</b>	<b>17,165</b>	<b>18</b>	<b>4,356</b>	<b>4</b>	<b>446</b>	<b>1</b>
<b>Total (A+B)</b>										
<b>12.31.2019</b>	<b>403,462</b>	<b>14,103</b>	<b>507,531</b>	<b>7,784</b>	<b>30,639</b>	<b>131</b>	<b>16,346</b>	<b>47</b>	<b>6,020</b>	<b>86</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>400,109</b>	<b>19,662</b>	<b>501,887</b>	<b>8,375</b>	<b>26,596</b>	<b>196</b>	<b>16,117</b>	<b>56</b>	<b>6,338</b>	<b>111</b>

### B.3 Regulatory consolidation - Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	-	-	-	1	-	-	-	1	-	-
A.2 Unlikely to pay	-	-	-	-	-	4	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	21,289	2	94,549	26	4,356	1	3,942	14	1,179	2
<b>Total (A)</b>	<b>21,289</b>	<b>2</b>	<b>94,549</b>	<b>27</b>	<b>4,356</b>	<b>5</b>	<b>3,942</b>	<b>15</b>	<b>1,179</b>	<b>2</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,075	1	21,364	2	1,258	-	6,689	4	1,625	1
<b>Total (B)</b>	<b>3,075</b>	<b>1</b>	<b>21,364</b>	<b>2</b>	<b>1,258</b>	<b>-</b>	<b>6,689</b>	<b>4</b>	<b>1,625</b>	<b>1</b>
<b>Total (A+B)</b>										
<b>12.31.2019</b>	<b>24,364</b>	<b>3</b>	<b>115,913</b>	<b>29</b>	<b>5,614</b>	<b>5</b>	<b>10,631</b>	<b>19</b>	<b>2,804</b>	<b>3</b>
<b>Totale (A+B)</b>										
<b>12.31.2018</b>	<b>12,922</b>	<b>3</b>	<b>95,522</b>	<b>38</b>	<b>4,710</b>	<b>4</b>	<b>10,381</b>	<b>45</b>	<b>2,864</b>	<b>1</b>

### B.4 Large exposures

	12.31.2019
a) Amount book value (€ million)	159,250
b) Amount weighted value (€ million)	2,333
c) Number	7

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 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.

### C. Securitisation transactions

#### Qualitative information

In securitisation transactions the Group plays, as the case may be, the role of originator, sponsor or investor.

#### The Group as originator

The Group's origination of traditional transactions consists in the sale of on-balance sheet receivables portfolios to vehicles set up as securitisation companies under Law 130/99 or similar non-Italian legislation.

## Part E - Information on risks and hedging policies

The transferee company finances the purchase of the receivables portfolios by issuing bonds of varying seniority and transfers its issue proceeds to the Group.

The yield and maturity of the bonds issued by the buyer therefore mainly depend on the cash flow expected from the assets being sold.

As a further form of security to bondholders, these transactions may include special types of credit enhancement, e.g., subordinated loans, financial guarantees, standby letters of credit, etc.

The Group's objectives when carrying out these transactions are usually the following:

- to originate securities that can be used to secure repos with Banca d'Italia and the ECB (i.e. counterbalancing capacity);
- to obtain funding through the placement of securities on the market. This also allows a diversification of the funding sources and of the investors' basis with improvements in reducing the cost of Group's funding;
- to free up economic and regulatory capital by carrying out transactions that reduce capital requirements under current rules by reducing credit risk of the underlying portfolio;
- to reduce the exposures towards non-performing customers;
- to optimise the recoveries of exposures portfolios towards non-performing customers, referring to specific asset classes (e.g. Pillarstone and Sandokan transactions).

The Group carries out both traditional securitisations whereby the receivables portfolio is sold to the SPV and synthetic securitisations which use financial guarantees to purchase protection over all or part of the underlying credit risk of the portfolio. The latter, on the contrary to traditional securitisations, is not sold to vehicles but remains also legally within the Group.

Under traditional securitisations generally the Group, in addition to provide servicing role, retains the first loss in the form of junior bonds or similar exposure and in some cases provides further credit enhancement as described above. This enables the Group to benefit from the portion of the sold receivables' yield in excess of the yield due to the senior and mezzanine tranches.

Retention by the Group of the first loss risk and the corresponding yield means that most of the risk and return on the portfolio is retained.

Consequently these transactions are recognised in the accounts as loans and no profits arising out of the transfer of the assets are recognised and the sold receivables are not derecognised.

In the consolidated financial statements, exposure to the variability deriving from maintenance of the risk of first loss together with the role of servicer of the underlying assets determines control by the Group over these securitisation vehicles. Therefore they are subject to full consolidation.

Differently, in order to improve the quality of its assets and optimise the capital allocation, the Group also carries out transactions that involve the portfolios' derecognition and the related significant risk transfer, by subscribing a limited portion of securities issued by vehicles of securitisation, in compliance with the rules for maintaining a net economic interest in the securitisation transaction according to the current regulatory requirements (Retention Rule).

Eventually, synthetic securitisations also entail retention of the receivables subject to credit default protection on the balance sheet. Moreover, the financial guarantees purchased as protection of such receivables are also booked on the balance sheet as well as the impacts on the income statement related to them.

The Group's main objectives in its securitisation transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

The crisis in the markets experienced since the second half of 2007 made it advisable to use securitisation as a means of increasing counterbalancing capacity, i.e. the availability of assets that can be readily used to create liquidity, by retaining the securities issued by the vehicle within the Group. Eventually traditional securitisations have been used also for corporate re-organisation's or divestment's purposes, for assets deleveraging, for business projects' purposes or for recovery's activity and sale of non-performing loans as well.

Analysis and realisation of securitisation transactions are carried out within the Parent in close cooperation with the Group originator entities involved and with UniCredit Bank AG, as preferred counterparty, as Arranger and potential Investment Banking. This process requires an economic feasibility study to assess the impact of transactions (according to their nature and aims), on regulatory and economic capital, on risk-adjusted profitability measures and on the level of Group's liquidity. If this initial phase produces a positive result, a technical and operational feasibility study is carried out to identify the assets to be securitised and define the structure of the transaction. Once technical feasibility has been established, the transaction is realised.

Eventually it should be noted that "self-securitisations" and transactions in warehousing phase are not included in the quantitative tables of Part C, as required by regulations.

## Part E - Information on risks and hedging policies

### **Developments of the period**

The Group makes limited use of this type of transactions. The amount of securitised loans<sup>33</sup>, net of the transactions in which the Group has acquired all the liabilities issued by the SPVs (the so-called self-securitisations), accounts for 1.70% of the Group's credit portfolio. Self-securitisations in turn account for 4.53% of the loan portfolio.

During 2019 the Group carried out six new transactions by UniCredit S.p.A., of which 2 traditional and 4 synthetic ones:

- Prisma - traditional;
- Impresa Two - traditional (self-securitisation);
- Bond Italia 6 Investimenti- synthetic;
- Bond Italia 6 Misto- synthetic;
- Bond Italia 7 - synthetic;
- EaSI Microcredito - synthetic.

Details are given in the tables published in the "Annexes", which also describe transactions, traditional and synthetic, carried out in previous financial years.

It should also be noted that, again during 2019:

- the transactions Cordusio RMBS Securitisation - Serie 2006 (traditional), Arts Midcap 2 (synthetic) e UniCredit Midcap 2014 (synthetic) were closed;
- additional notes for size increase have been issued with reference to Sandokan 1 securitisation, as a consequence of other claims transferred by UniCredit S.p.A. during 2018;
- a new securitisation transaction called Sandokan 2 was launched, concerning the sale of non-performing mortgage exposures portfolios of UniCredit S.p.A., in warehousing as at 31 December 2019, pending the issuance of ABS securities by the Special Purpose Vehicle.

### **The Group as sponsor**

The Group defines the role of sponsor as that performed by an entity, other than the transferor, which organises and administers a securitisation or asset-backed commercial paper structure in which financial assets are purchased from third parties.

The Group acts as sponsor of asset backed commercial paper vehicles (i.e. commercial paper issuing conduits) set up in order to allow customers the access to the securitisations' market (multi-seller Customer conduits).

Customer conduits require the formation and management of a bankruptcy-remote company (i.e., one that would be immune from any financial difficulties of the originator) which directly or indirectly buys receivables created by companies outside the Group.

The receivables underlying these transactions are not bought directly by the conduit set up by the Group, but by a purchase company which in turn is wholly funded by the conduit by means of commercial paper or medium term notes.

In some circumstances purchase companies fund further SPVs which buy loan portfolio.

The main purpose of these transactions is to give corporate customers access to the securitisation market and thus to lower funding costs than would be borne with direct funding.

The conduits' purchase of assets is financed by short-term commercial paper and medium-term note issues.

Payment of interest and redemption of the securities issued by the conduit therefore depends on cash flow from the receivables purchased (credit risk) and the ability of the conduit to roll over or replace its market funding on maturity (liquidity risk).

To guarantee prompt redemption of the securities issued by the conduit, these transactions are guaranteed by a standby letter of credit covering the risk of default both of specific assets and of the whole programme.

The underwriters of issued securities also benefit from security provided by specific liquidity lines which the conduit may use if it unable to place new commercial paper to repay maturing paper, e.g. during market turmoil.

These liquidity lines may not however be used to guarantee redemption of securities issued by the conduit in the event of default by the underlying assets.

In its role as sponsor, the Group selects the asset portfolios purchased by conduits or purchase companies, provides administration of the assets and both standby letters of credit and liquidity lines and purchases commercial papers issued when required by market conditions.

<sup>33</sup> We refer to loans sold, also synthetically, but not derecognised from balance sheet.

## Part E - Information on risks and hedging policies

For these services the Group receives fees and also benefits from the spread between the return on the assets purchased by the SPV and the securities issued.

These circumstances put the Group in the condition of having the power over the assets of the conduits and being at the same time exposed to the variability deriving from such assets. Therefore the conduits sponsored by the Group have come within the perimeter of consolidation starting from 2007, in application of the conditions provided for in IFRS10 and previously by SIC12.

In addition to the Customer Conduits, purchase companies may also be consolidated if the Group is exposed to the variability of yields deriving from funding provided directly or indirectly, through the conduit, and also has the power to manage the underlying assets.

### ***The Group as investor***

The Group also invests in structured credit products issued by special-purpose entities that are not consolidated pursuant to the accounting rules in force, insofar as such instruments do not bear most of the risk or receive most of the returns associated with the activity carried out by these special-purpose entities.

With regard to these activities, the Group holds within the Global ABS portfolio exposures of securitisations established by third-parties such as RMBS, CMBS, CDO, CBO/CLO and other ABS.

In line with the development of the financial markets and, specifically, the securitisation market, the Global ABS Portfolio was transformed from a separate portfolio in liquidation to strategic investment portfolio for the Group in 2011 and was integrated into the Markets Strategic Portfolio ("MSP"), managed with a view to generating a profit margin and creating an appreciable capital return through long-term investments in fixed-income securities.

The development of client-related operations is also an integral part of MSP activities and includes actions to strengthen the customer base and support securitisations. This portfolio is subject to monitoring and reporting by the business and risk management functions. All activities relating to the MSP are carried out in conformity with established policies and procedures, specifically credit approval procedures.

The analysis of investments in ABS focuses specifically on the following elements:

- structural analysis of all internal and external risks inherent to a similar investment, e.g. Default Risk, Dilution Risk, Residual Value Risk, Servicer Risk, Interest Rate Risk, Liquidity Risk, Commingling Risk, Legal Risk, Adequacy of performance triggers, etc. These risks may differ according to the underlying assets class;
- analysis of the underlying portfolio, including the analysis of all performance indicators significant for each underlying asset class;
- cash flows/quantitative analysis/modelling;
- credit rating and experience of the participants e.g. vendor/servicer - financial soundness, capacity and availability to service assets.

## Part E - Information on risks and hedging policies

### Quantitative information

The tables below do not include information on the so-called "self-securitisations", i.e. securitisation transactions in which the Group has acquired all the liabilities issued by the SPVs, and transactions in warehousing phase.

#### C.1 Regulatory consolidation - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

(€ million)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS
<b>A. Totally derecognised</b>	<b>1,489</b>	<b>-</b>	<b>169</b>	<b>-</b>	<b>52</b>	<b>-</b>
A.1 CLO/CBO OTHERS	1,489	-	169	-	52	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>1</b>	<b>1</b>
B.1 CLO/CBO Others	-	-	33	-	1	1
<b>C. Not-derecognised</b>	<b>4,259</b>	<b>-</b>	<b>323</b>	<b>-</b>	<b>873</b>	<b>(124)</b>
C.1 RMBS Prime	435	-	181	-	275	(54)
C.2 CLO/SME	253	-	-	-	5	-
C.3 CLO/CBO Others	3,571	-	142	-	494	(70)
C.4 CONSUMER LOANS	-	-	-	-	-	-
C.5 LEASES	-	-	-	-	99	-
C.6 OTHERS	-	-	-	-	-	-

continued C.1 Regulatory consolidation - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETSEXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
<b>A. Totally derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
A.1 CLO/CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 CLO/CBO Others	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO/SME	-	-	-	-	-	-
C.3 CLO/CBO Others	258	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-
C.5 LEASES	-	-	-	-	-	-
C.6 OTHERS	-	-	-	-	-	-

continued C.1 Regulatory consolidation - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
<b>A. Totally derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
A.1 CLO/CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 CLO/CBO Others	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO/SME	-	-	-	-	-	-
C.3 CLO/CBO Others	9	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-
C.5 LEASES	-	-	-	-	-	-
C.6 OTHERS	-	-	-	-	-	-



## Part E - Information on risks and hedging policies

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2019 only.

With reference to transactions with own underlying assets it should be noted that the decrease in balance-sheet net exposures relating to transactions not derecognised and partially derecognised to €1,605 million as at December 2019 from €1,998 million as at December 2018 was due to the natural development of the transactions.

Moreover, the decrease in balance-sheet net exposures concerning synthetic transactions from €5,292 million in December 2018 to €3,885 million in December 2019 was due to the natural development of the transactions, only partially offset by four new transactions called Bond Italia 6 Investimenti, Bond Italia 6 Misto, Bond Italia 7 e EaSI Microcredito.

Finally, it should be noted that:

- the net balance-sheet exposure totally derecognised refers to the securitisations of FINO Project and to the new 2019 traditional securitisation Prisma, for which see the information provided in Consolidated report on operations - Other information;
- the net balance-sheet exposure partially derecognised refers to the transaction Pillarstone Italy - Premuda.

### C.2 Regulatory consolidation - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

(€ million)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS
A.1 RMBS PRIME	2,173	-	7	-	-	-
A.2 RMBS NON CONFORMING	60	-	21	-	-	-
A.3 RMBS US SUBPRIME	1	-	-	-	-	-
A.4 CMBS	34	-	27	-	-	-
A.5 CDO OF ABS	-	-	-	-	-	-
A.6 CDO - BALANCE SHEET	21	-	-	-	-	-
A.7 CDO - PREFERRED STOCK	18	-	-	-	-	-
A.8 CDO OTHER	-	-	-	-	-	-
A.9 CLO SME	61	-	-	-	-	-
A.10 CLO ARBITRAGE/BALANCE SHEET	-	-	-	-	-	-
A.11 CLO OTHER	2,927	-	12	-	-	-
A.12 CONSUMER LOANS	2,733	-	36	-	-	-
A.13 STUDENT LOANS	62	-	-	-	-	-
A.14 LEASES	422	-	-	-	-	-
A.15 OTHER	189	-	4	-	51	-
A.16 CONDUITS <sup>(*)</sup>	3,155	-	-	-	-	-

**Note:**

(\*) Exposure of subsidiaries included in the scope of consolidation, but not belonging to the banking group.

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2019 only.

## Part E - Information on risks and hedging policies

continued C.2 Regulatory consolidation - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
A.1 RMBS PRIME	-	-	-	-	-	-
A.2 RMBS NON CONFORMING	-	-	-	-	-	-
A.3 RMBS US SUBPRIME	-	-	-	-	-	-
A.4 CMBS	-	-	-	-	-	-
A.5 CDO OF ABS	-	-	-	-	-	-
A.6 CDO - BALANCE SHEET	-	-	-	-	-	-
A.7 CDO - PREFERRED STOCK	-	-	-	-	-	-
A.8 CDO OTHER	-	-	-	-	-	-
A.9 CLO SME	-	-	-	-	-	-
A.10 CLO ARBITRAGE/BALANCE SHEET	-	-	-	-	-	-
A.11 CLO OTHER	-	-	-	-	-	-
A.12 CONSUMER LOANS	-	-	-	-	-	-
A.13 STUDENT LOANS	-	-	-	-	-	-
A.14 LEASES	-	-	-	-	-	-
A.15 OTHER	-	-	-	-	-	-
A.16 CONDUITS	-	-	-	-	-	-

continued C.2 Regulatory consolidation - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
A.1 RMBS PRIME	-	-	-	-	-	-
A.2 RMBS NON CONFORMING	-	-	-	-	-	-
A.3 RMBS US SUBPRIME	-	-	-	-	-	-
A.4 CMBS	-	-	-	-	-	-
A.5 CDO OF ABS	-	-	-	-	-	-
A.6 CDO - BALANCE SHEET	-	-	-	-	-	-
A.7 CDO - PREFERRED STOCK	-	-	-	-	-	-
A.8 CDO OTHER	-	-	-	-	-	-
A.9 CLO SME	-	-	-	-	-	-
A.10 CLO ARBITRAGE/BALANCE SHEET	-	-	-	-	-	-
A.11 CLO OTHER	-	-	-	-	-	-
A.12 CONSUMER LOANS	-	-	-	-	-	-
A.13 STUDENT LOANS	23	-	-	-	-	-
A.14 LEASES	-	-	-	-	-	-
A.15 OTHER	17	-	-	-	-	-
A.16 CONDUITS	3,091	-	19	-	-	-

The transactions with third-party underlying assets are those in which the group acts as sponsor or investor.

With reference to transactions in which the Group acts as sponsor, the total amount of net exposure is equal to €6,265 million (€5,875 million as at 31 December 2018), broken down into asset backed commercial paper and loans for €3,155 million and undrawn credit lines for €3,110 million. It should be noted that the lines of credit shown are the difference between total credit lines granted and the amount of commercial paper underwritten by the Group. This figure is the additional risk exposure incurred by the Group in addition to the underwritten commercial paper.

With reference to transactions in which the Group acts as investor, refer to the subsequent tables 'Exposures toward other consolidated SPVs' and "C.4 Regulatory consolidation - Special Purpose Vehicles for securitisation not subject to consolidation" that shows the exposure of the Group toward these SPVs.

With reference to sponsor exposures the following table provides information about exposures held toward conduits in which the Group acts as sponsor.

## Part E - Information on risks and hedging policies

## Exposures sponsored by the Group

(€ million)

	AMOUNTS AS AT 12.31.2019
<b>Asset Backed Commercial Paper</b>	<b>3,155</b>
- Arabella Finance DAC	2,395
- Elektra Purchase No. 28 DAC	-
- Elektra Purchase No. 31 DAC	-
- Elektra Purchase No. 32 S.A. - Compartment 1	-
- Elektra Purchase No. 33 DAC	-
- Elektra Purchase No. 34 DAC	-
- Elektra Purchase No. 36 DAC	-
- Elektra Purchase No. 37 DAC	-
- Elektra Purchase No. 38 DAC	-
- Elektra Purchase No. 39 DAC	410
- Elektra Purchase No. 41 DAC	-
- Elektra Purchase No. 43 DAC	-
- Elektra Purchase No. 44 DAC	-
- Elektra Purchase No. 46 DAC	-
- Elektra Purchase No. 54 DAC	-
- Elektra Purchase No. 55 DAC	-
- Elektra Purchase No. 56 DAC	-
- Elektra Purchase No. 57 DAC	-
- Elektra Purchase No. 63 DAC	-
- Elektra Purchase No. 64 DAC	-
- Elektra Purchase No. 71 DAC	-
- Elektra Purchase No. 718 DAC	350
- Elektra Purchase No. 911 Ltd	-
<b>Credit facilities</b>	<b>3,110</b>
- Arabella Finance DAC	-
- Elektra Purchase No. 28 DAC	140
- Elektra Purchase No. 31 DAC	71
- Elektra Purchase No. 32 S.A. - Compartment 1	262
- Elektra Purchase No. 33 DAC	146
- Elektra Purchase No. 34 DAC	119
- Elektra Purchase No. 36 DAC	397
- Elektra Purchase No. 37 DAC	75
- Elektra Purchase No. 38 DAC	114
- Elektra Purchase No. 39 DAC	-
- Elektra Purchase No. 41 DAC	37
- Elektra Purchase No. 43 DAC	199
- Elektra Purchase No. 44 DAC	79
- Elektra Purchase No. 46 DAC	56
- Elektra Purchase No. 54 DAC	36
- Elektra Purchase No. 55 DAC	107
- Elektra Purchase No. 56 DAC	212
- Elektra Purchase No. 57 DAC	351
- Elektra Purchase No. 63 DAC	183
- Elektra Purchase No. 64 DAC	197
- Elektra Purchase No. 71 DAC	38
- Elektra Purchase No. 718 DAC	5
- Elektra Purchase No. 911 Ltd	286

The lines of credit shown are the difference between total credit lines granted and the amount of commercial paper underwritten by the Group. This figure is the additional risk exposure incurred by the Group in addition to the underwritten commercial paper.

Moreover, it should be noted that as at 31 December 2019 there were no SPVs of third parties securitisations, where the group acts as investor, subject to consolidation.

## Part E - Information on risks and hedging policies

## C.3 SPVs for securitisations

(€ million)

NAME OF SECURITISATION/NAME OF VEHICLE	COUNTRY OF INCORPORATION	CONSOLIDATION	ASSETS			LIABILITIES		
			LOANS AND RECEIVABLES	DEBT SECURITIES	OTHERS	SENIOR	MEZZANINE	JUNIOR
Arabella Finance DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	4,891	-	-	4,881	-	-
Capital Mortgage S.r.l. - CAP. MORTGAGE 2007 - 1	Piazzetta Monte 1 - 37121 Verona	Yes	541	-	29	395	74	67
Corfusio RMBS - UCFn S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	381	-	24	187	148	13
Corfusio RMBS Securitisation S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	671	-	22	397	236	2
Elektra Purchase No. 28 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	176	-	0	176	-	-
Elektra Purchase No. 31 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	22	-	0	22	-	-
Elektra Purchase No. 32 S.A. - Compartment 1	52-54 avenue du X Septembre, L-2550 Luxembourg	Yes	242	-	-	242	-	-
Elektra Purchase No. 33 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	169	-	0	169	-	-
Elektra Purchase No. 34 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	105	-	0	105	-	-
Elektra Purchase No. 36 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	500	-	0	500	-	-
Elektra Purchase No. 37 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	92	-	0	92	-	-
Elektra Purchase No. 38 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	107	-	0	107	-	-
Elektra Purchase No. 39 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	410	-	0	410	-	-
Elektra Purchase No. 41 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	47	-	0	47	-	-
Elektra Purchase No. 43 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	250	-	0	250	-	-
Elektra Purchase No. 44 DAC	11-12 Warrington Place, Dublin 2	Yes	100	-	0	100	-	-
Elektra Purchase No. 46 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	27	-	0	27	-	-
Elektra Purchase No. 54 DAC	Haddington Road, 1-2 Victoria Buildings, D04 XN32 Dublin	Yes	45	-	0	45	-	-
Elektra Purchase No. 55 DAC	Haddington Road 2 Victoria Buildings, D04 XN32, Dublin 4	Yes	126	-	0	126	-	-
Elektra Purchase No. 56 DAC	1-2 Victoria Buildings, 4 Dublin	Yes	235	-	0	235	-	-
Elektra Purchase No. 57 DAC	1-2 Victoria Buildings, 4 Dublin	Yes	437	-	3	437	-	-
Elektra Purchase No. 63 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	230	-	0	230	-	-
Elektra Purchase No. 64 DAC	Haddington Road, 1-2 Victoria Buildings, 4, Dublin	Yes	248	-	0	248	-	-
Elektra Purchase No. 71 DAC	Haddington Road, 1-2 Victoria Buildings, D04XN32, Dublin	Yes	47	-	0	47	-	-
Elektra Purchase No. 718 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	350	-	0	350	-	-
Elektra Purchase No. 911 Ltd	OGIER HOUSE, THE ESPLANADE, ST. HELIER, JE4 9WG - Jersey	Yes	360	-	-	360	-	-
F-E Mortgages S.r.l. - 2003	Piazzetta Monte 1 - 37121 Verona	Yes	91	-	26	22	57	8
F-E Mortgages S.r.l. - 2005	Piazzetta Monte 1 - 37121 Verona	Yes	153	-	13	65	37	32
Heliconus S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	45	-	13	10	27	9
Ice Creek Pool No. 1 DAC	1st Fl, 1-2 Victoria Buildings, Haddington Road, D04 XN32, Dublin	Yes	164	-	-	164	-	-
LARGE CORPORATE ONE SRL	Piazzetta Monte 1 - 37121 Verona	Yes	157	-	130	258	-	38
SUCCESS 2015 B.V.	Barbara Strozzi 101, 1083HN Amsterdam	Yes	188	-	0	81	-	94
ARCOBALENO FINANCE SRL	FORO BUONAPARTE, 70 20121 MILANO	No	55	-	4	11	-	55
Chapel 2007 B.V.	FREDERIK ROESKESTRAAT 123 1076 EE AMSTERDAM - NETHERLANDS	No	836	-	-	836	-	-
CREDIARC SPV SRL	FORO BUONAPARTE, 70 20121 MILANO	No	23	-	2	18	-	26
Elektra Purchase No. 8 Limited	OGIER HOUSE, THE ESPLANADE, ST. HELIER, JE4 9WG - Jersey	No	130	-	-	130	-	-
Elektra Purchase 17 S.A. RE COMPARTMENT 14	52-54 avenue du X Septembre, L-2550 Luxembourg	No	19	-	-	19	-	-
Elektra Purchase No. 17 S.A. (Re Compartment 18)	52-54 avenue du X Septembre, L-2550 Luxembourg	No	63	-	-	63	-	-
Elektra Purchase No. 25 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	No	123	-	-	123	-	-
Elektra Purchase No. 29 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	No	331	-	-	331	-	-
Elektra Purchase No. 45 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	No	121	-	-	121	-	-
Elektra Purchase No. 60 DAC	1-2 Victoria Buildings, D04, Dublin	No	38	-	-	38	-	-
Elektra Purchase No. 61 DAC	Haddington Road, 1-2 Victoria Buildings, D04, Dublin	No	32	-	-	32	-	-
Elektra Purchase No. 62 DAC	1-2 Victoria Buildings, Dublin 4, Dublin	No	339	-	-	339	-	-
Elektra Purchase No. 66 DAC	Haddington Road, 1-2 Victoria Buildings, D04XN32, Dublin	No	25	-	-	25	-	-
FCT GK	Ref FCT GK Immeubles Les. F-93500 Pantin	No	200	-	-	164	-	-
FINO 1 SECURITISATION SRL	VIALE LUIGI MAJNO 45, 20122 MILANO	No	506	-	104	380	70	50
FINO 2 SECURITISATION SRL	VIALE LUIGI MAJNO 45, 20122 MILANO	No	313	-	221	267	201	40
ONIF FINANCE SRL	VIA ALESSANDRO PESTALOZZA 12/14, 20131 MILANO	No	256	-	24	37	112	99
Pillarstone Italy SPV S.r.l. - Burgo	Via Pietro Mascagni 14, 20122 MILANO	No	176	-	10	6	132	27
Pillarstone Italy SPV S.r.l. - Premuda	Via Pietro Mascagni 14, 20122 MILANO	No	142	-	90	5	201	90
Pillarstone Italy SPV S.r.l. - Rainbow	Via Pietro Mascagni 14, 20122 MILANO	No	41	-	58	1	47	106
PRISMA SPV S.R.L.	VIA VITTORIO ALFIERI 1, 31015 Conegliano	No	1,249	-	169	1,210	80	30
Sestante Finance S.r.l.	Via Bonomi, 5 - 20123 Milano	No	208	-	-	145	90	9
YANEZ SPV S.R.L.	VIA VITTORIO ALFIERI 1, 31015 Conegliano	No	575	-	41	4	288	750

## Part E - Information on risks and hedging policies

### C.4 Regulatory consolidation - Special Purpose Vehicles for securitisation not subject to consolidation

As mentioned before in the context of securitisation transactions the Group may operate as investor, sponsor and originator.

The following table provides indication on assets and liabilities recognised in the balance sheet as well as off-balance exposures of the Group toward non-consolidated securitisation vehicles and broken down by role of the Group. The maximum exposure to loss has been calculated by grossing up the difference between assets and liabilities with off balance sheet positions, irrevocable credit lines and financial guarantees, held toward these vehicles and reported in column "difference between maximum exposure to loss and accounting value".

#### Exposures to Securitisation SPVs not subject to consolidation

AMOUNTS AS AT 12.31.2019							(€ 'million)
BALANCE SHEET ITEM/SPV TYPE	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
<b>ABS Issuing vehicles (Investor)</b>		<b>8,696</b>		<b>94</b>	<b>8,602</b>	<b>8,625</b>	<b>23</b>
	HFT	17	Deposits	94			
	DFV	111	Securities	-			
	MFV	37	HFT	-			
	FVOCI	-	DFV	-			
	AC	8,531		-			
<b>Commercial Paper Conduits (Sponsor)</b>		<b>-</b>		<b>66</b>	<b>(66)</b>	<b>1,446</b>	<b>1,512</b>
	HFT	-	Deposits	66			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	-		-			
<b>Own securitisations (Originator)</b>		<b>1,711</b>		<b>304</b>	<b>1,407</b>	<b>1,407</b>	<b>-</b>
	HFT	-	Deposits	304			
	DFV	-	Securities	-			
	MFV	82	HFT	-			
	FVOCI	1,379	DFV	-			
	AC	250		-			
<b>Total</b>		<b>10,407</b>		<b>464</b>	<b>9,943</b>	<b>11,478</b>	<b>1,535</b>

#### Notes:

HFT = Financial assets held for trading

DFV = Financial assets designated at fair value

MFV = Financial assets mandatorily at fair value

FVOCI = Financial assets at fair value through other comprehensive income

AC = Financial assets at amortised cost

Deposits = Deposits from Customers

Securities = Debt securities in issue

HFT = Financial liabilities held for trading

DFV = Financial liabilities designated at fair value

Exposures toward ABS Issuing vehicles are constituted for the most part, €8,660 million, by exposures in Asset Backed Securities.

The remaining part is constituted by loans.

The good credit quality of this portfolio is borne out by the fact that over 90% of these instruments are rated A or better and over 62% of the portfolio is triple-A rated while at 31 December 2018 over 98% of these exposures were rated A and 69% of the portfolio was rated triple-A.

Over 84% of the exposure is toward countries belonging to European Union. Exposure to Greece, Ireland, Portugal and Spain accounts for 11.51%, most of which concerns exposures to Spanish underlying assets (9.15%).

## Part E - Information on risks and hedging policies

## Structured credit product exposures broken down by rating class

EXPOSURE TYPE	AAA	AA	A	BBB	BB	B	CCC	CC	C	NR
RMBS	41.27%	52.38%	5.55%	0.54%	0.16%	0.10%	0.00%	0.00%	0.00%	0.00%
CMBS	49.69%	21.33%	0.00%	28.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CDO	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CLO/CBO	97.56%	2.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other ABS	47.08%	26.24%	2.46%	1.11%	0.20%	0.00%	0.04%	0.00%	0.00%	22.87%
<b>Total</b>	<b>62.86%</b>	<b>24.67%</b>	<b>2.83%</b>	<b>0.77%</b>	<b>0.12%</b>	<b>0.03%</b>	<b>0.02%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>8.70%</b>

## Structured credit product exposures broken down by geographical area

EXPOSURE TYPE	ITALY	OTHER UE COUNTRIES	OTHER EUROPEAN COUNTRIES (NON UE)	ASIA	USA	REST OF THE WORLD
RMBS	30.06%	69.74%	0.00%	0.00%	0.04%	0.16%
CMBS	0.00%	93.86%	0.00%	0.00%	6.14%	0.00%
CDO	0.00%	0.00%	0.00%	0.00%	45.53%	54.47%
CLO/CBO	2.03%	55.75%	0.00%	0.00%	21.07%	21.15%
Other ABS	35.84%	63.60%	0.00%	0.00%	0.05%	0.51%
<b>Total</b>	<b>22.21%</b>	<b>62.41%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.57%</b>	<b>7.81%</b>

Exposures toward Commercial Paper Conduit comprise credit line provided to the purchase companies that acquire the receivables from the originators external to the Group. These credit line are granted by credit enhancements (deferred purchase price and credit insurance) so that the Group does not bear the variability of the underlying portfolio.

Exposures toward own securitisation comprise securities and off balance sheet exposure toward SPV that are not consolidated as the conditions required by IFRS10 are not fulfilled. Absent the conditions requested by IFRS9 the securitised loans have not been derecognised from the balance sheet of the originator.

For further information on these securitisations refer to the tables published in the "Annexes".

During the period the Group has not provided financial support to any non-consolidated securitisation vehicle in absence of contractual obligation to do so. The Group has not the current intention to provide such support.

The Group does not act as sponsor of securitisation vehicles in which it has not exposures at the end of the reporting period.

## C.5 Regulatory consolidation - Servicer activities - Collections of securitised loans and redemptions of securities issued by the securitisation's vehicle

(€ million)

SERVICER	SPECIAL PURPOSE VEHICLE	SECURITISED ASSETS (YEAR END FIGURES)		LOANS COLLECTED DURING THE YEAR		PERCENTAGE OF SECURITIES REDEEMED (YEAR END FIGURES)					
		IMPAIRED	PERFORMING	IMPAIRED	PERFORMING	SENIOR		MEZZANINE		JUNIOR	
						IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS
UniCredit Leasing (Austria) GmbH	SUCCESS 2015 B.V.	5	183	-	154	-	64.95%	-	-	-	-
UniCredit S.p.A.	Capital Mortgage S.r.l.	22	519	9	93	-	83.40%	-	-	-	-
	Cordusio RMBS Securitisation S.r.l. - SERIE 2007	21	650	11	164	-	89.18%	-	-	-	-
	Cordusio RMBS UCFin S.r.l.	15	366	6	89	-	91.97%	-	-	-	-
	F-E Mortgage S.r.l. - SERIE 2003	3	88	2	16	-	100.00%	-	3.26%	-	-
	F-E Mortgage S.r.l. - SERIE 2005	6	148	3	22	-	93.18%	-	10.31%	-	10.31%
	Heliconus S.r.l.	2	43	1	9	-	100.00%	-	12.61%	-	-
	Large Corporate One S.r.l.	-	157	-	158	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ARABELLA FINANCE DAC	CAPITAL MORTGAGE S.R.L.	CORDUSIO RMBS - UCFIN S.R.L.
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Piazzetta Monte 1 37121 Verona	Piazzetta Monte 1 37121 Verona
<b>A. Securitised assets</b>	<b>4,887</b>	<b>541</b>	<b>381</b>
A.1 Loans	4,887	541	381
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>3</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>16</b>	<b>19</b>
C.1 Loans (including bank current account)	-	16	19
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>14</b>	<b>4</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	14	4
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>4,891</b>	<b>570</b>	<b>404</b>
<b>E. Bond issued</b>	<b>4,881</b>	<b>494</b>	<b>348</b>
E.1 Senior	4,881	395	187
E.2 Mezzanine	-	74	148
E.3 Junior	-	25	13
<b>F. Loans received</b>	<b>-</b>	<b>42</b>	<b>-</b>
F.1 Senior	-	-	-
F.2 Mezzanine	-	-	-
F.3 Junior	-	42	-
<b>G. Other liabilities</b>	<b>10</b>	<b>34</b>	<b>56</b>
G.1 Derivatives	5	-	3
G.2 Due to originator	-	34	51
G.3 Other liabilities	5	-	2
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>4,891</b>	<b>570</b>	<b>404</b>
<b>H. Interest expense</b>	<b>32</b>	<b>3</b>	<b>3</b>
H.1 Interest expense on bond issued	32	-	1
H.2 Interest expense on loans received	-	-	-
H.3 Interest expense on derivatives	-	2	2
<b>I. Commissions and fees related to the transaction</b>	<b>20</b>	<b>1</b>	<b>3</b>
I.1 for servicing	20	1	2
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>3</b>	<b>23</b>	<b>11</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	3	23	11
<b>TOTAL COSTS (H+I+J)</b>	<b>56</b>	<b>27</b>	<b>16</b>
<b>K. Interest generated by securitised assets</b>	<b>17</b>	<b>8</b>	<b>7</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>39</b>	<b>19</b>	<b>10</b>
M.1 Additional returns for exposure junior	-	17	7
M.2 Other revenues	39	2	2
<b>TOTAL REVENUES (K+L+M)</b>	<b>56</b>	<b>27</b>	<b>16</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	CORDUSIO RMBS SECURITISATION S.R.L. - SERIE 2007	ELEKTRA PURCHASE N.28 DAC	ELEKTRA PURCHASE N.31 DAC
COUNTRY OF INCORPORATION	Piazzetta Monte 1 37121 Verona	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised assets</b>	<b>671</b>	<b>176</b>	<b>22</b>
A.1 Loans	671	176	22
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>11</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	11	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>11</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	11	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>693</b>	<b>177</b>	<b>22</b>
<b>E. Bond issued</b>	<b>636</b>	<b>-</b>	<b>-</b>
E.1 Senior	397	-	-
E.2 Mezzanine	236	-	-
E.3 Junior	2	-	-
<b>F. Loans received</b>	<b>-</b>	<b>176</b>	<b>22</b>
F.1 Senior	-	176	22
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>57</b>	<b>-</b>	<b>-</b>
G.1 Derivatives	3	-	-
G.2 Due to originator	24	-	-
G.3 Other liabilities	30	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>693</b>	<b>177</b>	<b>22</b>
<b>H. Interest expense</b>	<b>5</b>	<b>-</b>	<b>1</b>
H.1 Interest expense on bond issued	3	-	-
H.2 Interest expense on loans received	-	-	1
H.3 Interest expense on derivatives	2	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>6</b>	<b>-</b>	<b>1</b>
I.1 for servicing	5	-	1
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>15</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	15	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>26</b>	<b>1</b>	<b>2</b>
<b>K. Interest generated by securitised assets</b>	<b>7</b>	<b>1</b>	<b>2</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>19</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	13	-	-
M.2 Other revenues	6	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>26</b>	<b>1</b>	<b>2</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.32 S.A. - COMPARTMENT 1	ELEKTRA PURCHASE N.33 DAC	ELEKTRA PURCHASE N.34 DAC
COUNTRY OF INCORPORATION	52-54 Avenue du X Septembre, L-2550 Luxembourg	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised assets</b>	<b>242</b>	<b>169</b>	<b>105</b>
A.1 Loans	242	169	105
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>242</b>	<b>169</b>	<b>105</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>242</b>	<b>169</b>	<b>105</b>
F.1 Senior	242	169	105
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>242</b>	<b>169</b>	<b>105</b>
<b>H. Interest expense</b>	<b>1</b>	<b>4</b>	<b>-</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	1	4	-
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1</b>	<b>2</b>	<b>2</b>
I.1 for servicing	1	2	2
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>2</b>	<b>6</b>	<b>2</b>
<b>K. Interest generated by securitised assets</b>	<b>2</b>	<b>6</b>	<b>2</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>2</b>	<b>6</b>	<b>2</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.36 DAC	ELEKTRA PURCHASE N.37 DAC	ELEKTRA PURCHASE N.38 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised assets</b>	<b>500</b>	<b>92</b>	<b>107</b>
A.1 Loans	500	92	107
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>500</b>	<b>92</b>	<b>107</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>500</b>	<b>92</b>	<b>107</b>
F.1 Senior	500	92	107
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>500</b>	<b>92</b>	<b>107</b>
<b>H. Interest expense</b>	<b>-</b>	<b>-</b>	<b>1</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	-	-	1
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1</b>	<b>-</b>	<b>1</b>
I.1 for servicing	1	-	1
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>K. Interest generated by securitised assets</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.39 DAC	ELEKTRA PURCHASE N.41 DAC	ELEKTRA PURCHASE N.43 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised assets</b>	<b>410</b>	<b>47</b>	<b>250</b>
A.1 Loans	410	47	250
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>410</b>	<b>47</b>	<b>250</b>
<b>E. Bond issued</b>	<b>410</b>	<b>-</b>	<b>250</b>
E.1 Senior	410	-	250
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>-</b>	<b>47</b>	<b>-</b>
F.1 Senior	-	47	-
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>410</b>	<b>47</b>	<b>250</b>
<b>H. Interest expense</b>	<b>1</b>	<b>-</b>	<b>-</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	1	-	-
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>2</b>	<b>1</b>	<b>1</b>
I.1 for servicing	2	1	1
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>K. Interest generated by securitised assets</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.44 DAC	ELEKTRA PURCHASE N.46 DAC	ELEKTRA PURCHASE N.54 DAC
COUNTRY OF INCORPORATION	11-12 Warrington Place; Dublin 2	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Haddington Road, 1-2 Victoria Buildings, D04 XN32 Dublin
<b>A. Securitised assets</b>	<b>100</b>	<b>27</b>	<b>45</b>
A.1 Loans	100	27	45
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>100</b>	<b>27</b>	<b>45</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>100</b>	<b>27</b>	<b>45</b>
F.1 Senior	100	27	45
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>100</b>	<b>27</b>	<b>45</b>
<b>H. Interest expense</b>	<b>-</b>	<b>-</b>	<b>-</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	-	-	-
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1</b>	<b>1</b>	<b>1</b>
I.1 for servicing	1	1	1
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>K. Interest generated by securitised assets</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.55 DAC	ELEKTRA PURCHASE N.56 DAC	ELEKTRA PURCHASE N.57 DAC
COUNTRY OF INCORPORATION	Haddington Road, 2 Victoria Buildings, D04 XN32, Dublin 4	1-2 Victoria Buildings, 4 Dublin	1-2 Victoria Buildings, 4 Dublin
<b>A. Securitised assets</b>	<b>126</b>	<b>235</b>	<b>437</b>
A.1 Loans	126	235	437
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>3</b>
D.1 Derivatives	-	-	3
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>126</b>	<b>235</b>	<b>440</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>126</b>	<b>235</b>	<b>437</b>
F.1 Senior	126	235	437
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>3</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	-	3
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>126</b>	<b>235</b>	<b>440</b>
<b>H. Interest expense</b>	<b>-</b>	<b>6</b>	<b>1</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	-	6	1
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>-</b>	<b>1</b>	<b>-</b>
I.1 for servicing	-	1	-
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>1</b>	<b>6</b>	<b>1</b>
<b>K. Interest generated by securitised assets</b>	<b>1</b>	<b>6</b>	<b>1</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>1</b>	<b>6</b>	<b>1</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.63 DAC	ELEKTRA PURCHASE N.64 DAC	ELEKTRA PURCHASE N.71 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Haddington Road; 1-2 Victoria Building; 4; Dublin	Haddington Road; 1-2 Victoria Buildings; D04XN32; Dublin
<b>A. Securitised assets</b>	<b>230</b>	<b>248</b>	<b>47</b>
A.1 Loans	230	248	47
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>230</b>	<b>248</b>	<b>47</b>
<b>E. Bond issued</b>	<b>-</b>	<b>248</b>	<b>-</b>
E.1 Senior	-	248	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>230</b>	<b>-</b>	<b>47</b>
F.1 Senior	230	-	47
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>230</b>	<b>248</b>	<b>47</b>
<b>H. Interest expense</b>	<b>-</b>	<b>-</b>	<b>-</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	-	-	-
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>-</b>	<b>-</b>	<b>-</b>
I.1 for servicing	-	-	-
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>K. Interest generated by securitised assets</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	ELEKTRA PURCHASE N.718 DAC	ELEKTRA PURCHASE N.911 LTD	F-E MORTGAGES S.R.L. - 2003
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey	Piazzetta Monte 1, 37121 Verona
<b>A. Securitised assets</b>	<b>350</b>	<b>360</b>	<b>91</b>
A.1 Loans	350	360	91
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>26</b>
C.1 Loans (including bank current account)	-	-	26
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>350</b>	<b>360</b>	<b>117</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>65</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	57
E.3 Junior	-	-	8
<b>F. Loans received</b>	<b>350</b>	<b>360</b>	<b>22</b>
F.1 Senior	350	360	22
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>30</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	27
G.3 Other liabilities	-	-	3
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>350</b>	<b>360</b>	<b>117</b>
<b>H. Interest expense</b>	<b>14</b>	<b>1</b>	<b>1</b>
H.1 Interest expense on bond issued	-	-	1
H.2 Interest expense on loans received	14	1	-
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1</b>	<b>1</b>	<b>-</b>
I.1 for servicing	1	1	-
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>3</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	3
<b>TOTAL COSTS (H+I+J)</b>	<b>15</b>	<b>2</b>	<b>4</b>
<b>K. Interest generated by securitised assets</b>	<b>15</b>	<b>2</b>	<b>1</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>2</b>
M.1 Additional returns for exposure junior	-	-	1
M.2 Other revenues	-	-	1
<b>TOTAL REVENUES (K+L+M)</b>	<b>15</b>	<b>2</b>	<b>4</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation— Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019		
	F-E MORTGAGES S.R.L. - 2005	HELICONUS S.R.L.	Ice Creek Pool No. 1 DAC
COUNTRY OF INCORPORATION	Piazzetta Monte 1, 37121 Verona	Piazzetta Monte 1, 37121 Verona	1st Fl., 1-2 Victoria Building; Haddington Road; D04 XN32; Dublin
<b>A. Securitised assets</b>	<b>153</b>	<b>45</b>	<b>164</b>
A.1 Loans	153	45	164
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>13</b>	<b>13</b>	<b>-</b>
C.1 Loans (including bank current account)	13	13	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>167</b>	<b>58</b>	<b>164</b>
<b>E. Bond issued</b>	<b>134</b>	<b>36</b>	<b>-</b>
E.1 Senior	65	-	-
E.2 Mezzanine	37	27	-
E.3 Junior	32	9	-
<b>F. Loans received</b>	<b>-</b>	<b>10</b>	<b>164</b>
F.1 Senior	-	10	164
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>33</b>	<b>12</b>	<b>-</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	28	11	-
G.3 Other liabilities	4	-	-
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>167</b>	<b>58</b>	<b>164</b>
<b>H. Interest expense</b>	<b>1</b>	<b>-</b>	<b>1</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	-	-	1
H.3 Interest expense on derivatives	1	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>-</b>	<b>-</b>	<b>1</b>
I.1 for servicing	-	-	1
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>6</b>	<b>1</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	6	1	-
<b>TOTAL COSTS (H+I+J)</b>	<b>7</b>	<b>2</b>	<b>2</b>
<b>K. Interest generated by securitised assets</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>5</b>	<b>1</b>	<b>-</b>
M.1 Additional returns for exposure junior	4	-	-
M.2 Other revenues	1	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>7</b>	<b>2</b>	<b>2</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued C.6 Regulatory consolidation - Consolidated securitisation vehicles

(€ million)

SPECIAL PURPOSE VEHICLE	12.31.2019	
	LARGE CORPORATE ONE SRL	SUCCESS 2015 B.V.
COUNTRY OF INCORPORATION	Piazzetta Monte 1, 37121 Verona	Barbara Strozzi laan 101, 1083HN Amsterdam
<b>A. Securitised assets</b>	<b>157</b>	<b>188</b>
A.1 Loans	157	188
A.2 Bonds	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>120</b>	<b>-</b>
C.1 Loans (including bank current account)	120	-
C.2 Bonds	-	-
<b>D. Other assets</b>	<b>10</b>	<b>-</b>
D.1 Derivatives	1	-
D.2 Other assets	9	-
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>287</b>	<b>188</b>
<b>E. Bond issued</b>	<b>289</b>	<b>175</b>
E.1 Senior	251	81
E.2 Mezzanine	-	-
E.3 Junior	38	94
<b>F. Loans received</b>	<b>6</b>	<b>-</b>
F.1 Senior	6	-
F.2 Mezzanine	-	-
F.3 Junior	-	-
<b>G. Other liabilities</b>	<b>-8</b>	<b>13</b>
G.1 Derivatives	-	-
G.2 Due to originator	-8	-
G.3 Other liabilities	-	13
G.4 Own funds	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>287</b>	<b>188</b>
<b>H. Interest expense</b>	<b>9</b>	<b>2</b>
H.1 Interest expense on bond issued	9	2
H.2 Interest expense on loans received	-	-
H.3 Interest expense on derivatives	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1</b>	<b>1</b>
I.1 for servicing	1	1
I.2 for other services	-	-
<b>J. Other charges</b>	<b>-</b>	<b>3</b>
J.1 Additional positive returns for exposure junior	-	3
J.2 Other costs	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>10</b>	<b>6</b>
<b>K. Interest generated by securitised assets</b>	<b>1</b>	<b>6</b>
<b>L. Interest income on derivatives</b>	<b>5</b>	<b>-</b>
<b>M. Other revenues</b>	<b>4</b>	<b>-</b>
M.1 Additional returns for exposure junior	4	-
M.2 Other revenues	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>10</b>	<b>6</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

## D. Sales Transactions

## A. Financial assets sold and not fully derecognised

## Quantitative information

## D.1 Regulatory consolidation - Financial assets sold and fully recognised and associated financial liabilities: book value

(€ million)

	FINANCIAL ASSETS SOLD AND FULLY RECOGNISED				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION	OF WHICH NON- PERFORMING	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION
<b>A. Financial assets held for trading</b>	<b>2,487</b>	<b>-</b>	<b>2,487</b>	<b>X</b>	<b>2,473</b>	<b>-</b>	<b>2,473</b>
1. Debt securities	2,487	-	2,487	X	2,473	-	2,473
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	<b>2,000</b>	<b>338</b>	<b>1,662</b>	<b>8</b>	<b>1,632</b>	<b>-</b>	<b>1,632</b>
1. Debt securities	1,973	311	1,662	-	1,632	-	1,632
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	27	27	-	8	-	-	-
<b>C. Financial assets designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	<b>18,055</b>	<b>-</b>	<b>18,055</b>	<b>-</b>	<b>16,916</b>	<b>-</b>	<b>16,916</b>
1. Debt securities	18,055	-	18,055	-	16,916	-	16,916
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>E. Financial assets at amortised cost</b>	<b>42,711</b>	<b>29,556</b>	<b>12,847</b>	<b>976</b>	<b>11,981</b>	<b>1,266</b>	<b>10,715</b>
1. Debt securities	21,318	8,471	12,847	-	10,715	-	10,715
2. Loans	21,393	21,085	-	976	1,266	1,266	-
<b>Total 12.31.2019</b>	<b>65,253</b>	<b>29,894</b>	<b>35,051</b>	<b>984</b>	<b>33,002</b>	<b>1,266</b>	<b>31,736</b>
<b>Total 12.31.2018</b>	<b>65,598</b>	<b>21,084</b>	<b>42,338</b>	<b>868</b>	<b>42,230</b>	<b>1,870</b>	<b>38,526</b>

## Part E - Information on risks and hedging policies

## D.2 Regulatory consolidation - Financial assets sold and partially recognised and associated financial liabilities: book value

(€ million)

	ORIGINAL GROSS VALUE OF ASSETS BEFORE SALE	BOOK VALUE OF ASSETS STILL PARTIALLY RECOGNISED	OF WHICH NON- PERFORMING	BOOK VALUE OF ASSOCIATED FINANCIAL LIABILITIES
<b>A. Financial assets held for trading</b>	-	-	X	-
1. Debt securities	-	-	X	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	X	-
4. Derivative instruments	-	-	X	-
<b>B. Other financial assets mandatory at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>E. Financial assets at amortised cost</b>	60	33	33	8
1. Debt securities	-	-	-	-
2. Loans	60	33	33	8
<b>Total 12.31.2019</b>	60	33	33	8
<b>Total 12.31.2018</b>	60	30	30	6

## D.3 Regulatory consolidation - Sale transactions relating to financial liabilities with repayment exclusively based on assets sold and not fully derecognised: fair value

(€ million)

	FULLY RECOGNISED	PARTIALLY RECOGNISED	TOTAL	
			12.31.2019	12.31.2018
<b>A. Financial assets held for trading</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
4. Derivative instruments	-	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	338	-	338	335
1. Debt securities	311	-	311	312
2. Equity instruments	-	-	-	-
3. Loans	27	-	27	23
<b>C. Financial assets designated at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	-	-	-	403
1. Debt securities	-	-	-	403
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
<b>E. Financial assets at amortised cost (fair value)</b>	30,396	32	30,428	21,348
1. Debt securities	8,471	-	8,471	8,471
2. Loans	21,925	32	21,957	12,877
<b>Total associated financial assets</b>	30,734	32	30,766	22,086
<b>Total associated financial liabilities</b>	1,133	8	X	X
<b>Total net amount 12.31.2019</b>	29,601	24	29,625	X
<b>Total net amount 12.31.2018</b>	18,354	22	X	18,376

## Part E - Information on risks and hedging policies

### B. Financial assets sold and fully derecognised with recognition of continuous involvement

#### Qualitative and quantitative information

At the end of the year there were no disposals of financial assets that had been fully derecognised, which required the recognition of continuing involvement.

### C. Financial assets sold and fully derecognised

#### Quantitative information

Following Banca d'Italia's communication dated 23 December 2019 to the title "Financial statements of banks and financial entities closed or in progress as of 31 December 2019", this is the quantitative information requested regarding the sales of financial assets to Investment Funds, receiving as consideration units issued by the same Funds.

For more information on these transactions, refer to Annex 4 - Sales of financial assets to Investment Funds, receiving as consideration units issued by the same Funds - qualitative tables.

### C. Regulatory Consolidation - Financial assets sold and fully derecognised

	(€ million)		
	ORIGINAL BOOK VALUE OF ASSETS BEFORE SALE	OF WHICH NON- PERFORMING	BOOK VALUE OF THE UNITS OF THE FUND UNDERWRITTEN
<b>A. Financial assets held for trading</b>	-	X	-
1. Debt securities	-	X	-
2. Equity instruments	-	X	-
3. Loans	-	X	-
4. Derivative instruments	-	X	-
<b>B. Other financial assets mandatorily at fair value</b>	-	-	-
1. Debt securities	-	-	-
2. Equity instruments	-	X	-
3. Loans	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-
1. Debt securities	-	-	-
2. Loans	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	6	-	-
1. Debt securities	-	-	-
2. Equity instruments	6	X	-
3. Loans	-	-	-
<b>E. Financial assets at amortised cost</b>	253	253	260
1. Debt securities	-	-	-
2. Loans	253	253	260
<b>Total 12.31.2019</b>	<b>259</b>	<b>253</b>	<b>260</b>

The units of Investment Funds underwritten are classified in the portfolio Financial assets mandatorily at fair value.

### D.4 Regulatory consolidation - Covered Bond Transactions

In 2008 the Group initiated a first Covered Bond (OBG or Obbligazioni Bancarie Garantite) Programme with residential mortgage loans as the underlying assets and in 2012 a second Covered Bond Programme with both residential and commercial mortgage loans as underlying assets, in line with Law 130/99, the MEF decree dated 14 December 2006 and Banca d'Italia instructions dated 17 May 2007 as amended on 24 March 2010 and on 24 June 2014.

Under these programmes:

- UniCredit S.p.A. is issuer and also acts as transferor of suitable assets and servicer;
- UniCredit BpC Mortgage S.r.l. and UniCredit OBG S.r.l. (special purpose vehicles set up within the banking group as expressly authorised by Banca d'Italia) are guarantors of the OBG holders of the first and the second programme respectively, within the limits of the cover pools; and
- the auditing firm BDO Italia S.p.A. is Asset Monitor for both the programmes.

The first programme, guaranteed by UniCredit BpC Mortgage S.r.l., is characterized by a Soft Bullet method<sup>34</sup> of reimbursement and is rated by Fitch (AA), S&P (AA-), Moody's (Aa3).

The second programme, guaranteed by UniCredit OBG S.r.l., is characterized by a Conditional Pass-Through method<sup>35</sup> of reimbursement and is rated by Moody's (Aa3).

<sup>34</sup> Soft Bullet repayment method: in case the issuer is insolvent and the OBG guarantor has insufficient funds to repay in full the OBG at the maturity date, the maturity date is automatically extended by 1 year and any unpaid and due amount shall be payable by such date. In case the OBG guarantor is not able to redeem the OBG at the extended maturity all the outstanding OBG become due and payable and the guarantor has to sale the whole underlying portfolio.

## Part E - Information on risks and hedging policies

The Group's main aims in issuing OBGs are to diversify its funding sources and fund at competitive rates. As with the securitisations, the difficulties in the markets made it advisable to use securitisation as a means of increasing the Group's counterbalancing capacity by retaining with the Group part of the securities issued by the vehicle.

An integral feature of OBG Programme management is maintaining a balance between the characteristics of the assets sold and the issues. This is necessary to maintain the efficacy of the guarantee given by the SPV to the bondholders.

Given the complexity of the transaction, a system of first- and second-level controls and procedures has been set up, as required by Banca d'Italia instructions, to identify units, functions, duties and responsibilities, and specific policies have been issued to this end.

The policies were as approved by the competent committees, the Statutory Auditors and the Board of Directors of UniCredit S.p.A.

As required by Banca d'Italia instructions on controls:

- UniCredit's Risk Management function is charged with the management of the issuer's risks and checks:
  - the quality, suitability and integrity of the assets sold to guarantee the OBGs;
  - that the maximum ratio of OBGs issued to assets sold to guarantee them is adhered to;
  - that limits on sales and supplementary sales procedures are followed;
  - the effectiveness and adequacy of the hedges provided by any derivatives contracts entered into in relation to the Programme; and
  - the trend in the balance between the cash flow arising from the cover pool and that absorbed by the OBGs in issue;
- the Asset Monitor is an outside independent entity charged with checking at least annually the regularity of the transactions and the integrity of the guarantee to the bondholders;
- UniCredit's internal audit department is responsible for a complete audit (to be conducted at least once a year) of the adequacy of the controls performed;
- the results of the audits performed by the Asset Monitor and the issuer's internal audit department are submitted to the governing bodies.

At 31 December 2019 the series of covered bonds issued under the two programmes totalled 35 and were worth €30,656 million, of which €21,500 million was repurchased by UniCredit S.p.A.

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE)
Originator:	UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A.)
Issuer:	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.
Arranger:	UniCredit Bank AG, London Branch
Target transaction:	Funding
Type of asset:	Private Mortgage loans
Quality of Asset:	performing
Book value of the underlying assets at the end of accounting period (€ million):	8,447
Covered Bonds issued at the end of accounting period (€ million):	6,606
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loans of total €9.445 million
Rating Agencies:	S & P - Moody's - Fitch
Rating:	AA- (since 03/20/2017) - Aa3 (since 10/24/2018) - AA (since 04/27/2017)

35 Conditional pass-through repayment method: in case the issuer is insolvent and the OBG guarantor has insufficient funds to repay in full the OBG at the maturity date, the OBG turns in to "pass-through" and the maturity date is extended by 38 years. During the extended period the OBG guarantor has the option to attempt a selected sale of the underlying portfolio every 6 months in order to redeem the pass-through OBG.



## Part E - Information on risks and hedging policies

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE) II PROGRAMME
Originator:	UniCredit S.p.A.
Issuer:	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.
Arranger:	UniCredit Bank AG, London Branch
Target transaction:	Funding - Counterbalancing Capacity
Type of asset:	Private Mortgage loans
Quality of Asset:	Performing
Book value of the underlying assets at the end of accounting period (€ million):	24,629
Covered Bonds issued at the end of accounting period (€ million):	24,050
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of total €27,031 million
Rating Agencies:	Moody's
Rating:	Aa3 (Since 10/24/2018)

### Information on Sovereign Exposures

It should be reminded that, as a result of IFRS9 adoption since 1 January 2018, Sovereign debt securities are classified in the categories specified by the standard in consideration of the business model followed and the related cash flow features (Solely Payment of Principal and Interests - SPPI Test).

It should also be reminded that starting from 2018 the changed market circumstances also suggested the adoption of a "held to collect" business model for new purchases of Italian sovereign debt securities which, consequently, have to be measured at amortised cost subject to verification of the features of the related cash flows. Finally, it should be noted that no changes have been made to the business models adopted as at 1 January 2018 and, consequently, the sovereign debt securities have not been subject to subsequent reclassification.

With reference to the Group's sovereign exposures<sup>36</sup>, the book value of sovereign debt securities as at 31 December 2019 amounted to €105,370 million<sup>37</sup>, of which about 88% concentrated in eight countries; Italy, with €43,849 million, represents about 42% of the total. For each of the eight countries, the following table shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 31 December 2019.

<sup>36</sup> Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. ABSs are not included.

<sup>37</sup> Information on Sovereign exposures refers to the scope of the UniCredit Consolidated financial statements as at 31 December 2019, determined under IAS/IFRS.

Based on these accounting principles, the Koc/Yapi Kredi Group (Turkey), being subject to joint control (for further information see Part B - "Section 7 - Equity Investments - Item 70" chapter "Reduction of UniCredit stake in Yapi Kredi Bank below 32%"), is consolidated using the equity method and therefore the Sovereign exposures of the mentioned Group are not included in this section.

For information on Sovereign exposures with reference to the regulatory scope of consolidation see UniCredit Group Disclosure (Pillar III) as at 31 December 2019 - Credit Risk.

## Part E - Information on risks and hedging policies

## Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 12.31.2019		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>- Italy</b>	<b>42,238</b>	<b>43,849</b>	<b>44,691</b>
financial assets/liabilities held for trading (net exposure*)	(505)	(981)	(981)
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	50	62	62
financial assets at fair value through other comprehensive income	19,543	21,045	21,045
financial assets at amortised cost	23,150	23,723	24,565
<b>- Spain</b>	<b>16,023</b>	<b>17,415</b>	<b>17,429</b>
financial assets/liabilities held for trading (net exposure*)	81	103	103
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	11,144	11,961	11,961
financial assets at amortised cost	4,798	5,351	5,365
<b>- Germany</b>	<b>11,019</b>	<b>11,259</b>	<b>11,299</b>
financial assets/liabilities held for trading (net exposure*)	(40)	(42)	(42)
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	7,510	7,641	7,641
financial assets at fair value through other comprehensive income	2,514	2,623	2,623
financial assets at amortised cost	1,035	1,037	1,077
<b>- Japan</b>	<b>6,178</b>	<b>6,223</b>	<b>6,226</b>
financial assets/liabilities held for trading (net exposure*)	-	-	-
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	3,110	3,134	3,134
financial assets at amortised cost	3,068	3,089	3,092
<b>- Austria</b>	<b>5,119</b>	<b>5,669</b>	<b>5,673</b>
financial assets/liabilities held for trading (net exposure*)	102	169	169
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	105	142	142
financial assets at fair value through other comprehensive income	4,819	5,264	5,264
financial assets at amortised cost	93	94	98
<b>- United States of America</b>	<b>3,610</b>	<b>3,715</b>	<b>3,715</b>
financial assets/liabilities held for trading (net exposure*)	126	125	125
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	3,484	3,590	3,590
financial assets at amortised cost	-	-	-
<b>- Romania</b>	<b>2,010</b>	<b>2,099</b>	<b>2,099</b>
financial assets/liabilities held for trading (net exposure*)	107	113	113
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,903	1,986	1,986
financial assets at amortised cost	-	-	-
<b>- Hungary</b>	<b>1,750</b>	<b>1,980</b>	<b>1,981</b>
financial assets/liabilities held for trading (net exposure*)	68	76	76
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,465	1,674	1,674
financial assets at amortised cost	217	230	231
<b>Total on-balance sheet exposures</b>	<b>87,947</b>	<b>92,209</b>	<b>93,113</b>

## Notes:

(\*) Including exposures in Credit Derivatives.

Negative amount indicates the prevalence of liabilities positions.

## Part E - Information on risks and hedging policies

The weighted duration of the sovereign bonds shown in the table above, divided by the banking<sup>38</sup> and trading book, is the following:

### Weighted duration

	BANKING BOOK	TRADING BOOK (years)	
		ASSETS POSITIONS	LIABILITIES POSITIONS
- Italy	3.61	2.82	4.30
- Spain	3.65	14.77	8.55
- Germany	3.25	5.41	6.40
- Japan	3.17	0.95	-
- Austria	3.84	11.40	6.59
- United States of America	4.45	0.74	1.03
- Romania	3.47	4.18	7.02
- Hungary	3.63	6.08	3.13

The remaining 12% of the total of sovereign debt securities, amounting to €13,161 million with reference to the book values as at 31 December 2019, is divided into 35 countries, including Bulgaria (€1,677 million), Croatia (€1,537 million), Czech Republic (€1,172 million), Poland (€1,033 million), Serbia (€922 million), France (€848 million) and Portugal (€556 million). The sovereign exposure to Greece is immaterial.

With respect to these exposures, as at 31 December 2019 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 31 December 2019 there are also debt securities towards Supranational Organisations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €3,065 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 (banking book)

	AMOUNTS AS AT 12.31.2019 (€ million)				
	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	TOTAL
Book value	-	8,220	62,693	34,120	105,033
% Portfolio	0.00%	44.19%	78.66%	5.45%	14.49%

<sup>38</sup> The banking book includes financial assets designated at fair value, those mandatorily at fair value, those at fair value through other comprehensive income and those at amortised cost.

## Part E - Information on risks and hedging policies

In addition to the exposures to sovereign debt securities, loans<sup>39</sup> given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount as at 31 December 2019 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, representing over 92% of the total.

### Breakdown of sovereign loans by country

(€ million)

COUNTRY	AMOUNTS AS AT 12.31.2019 BOOK VALUE
- Germany <sup>(*)</sup>	6,758
- Austria <sup>(**)</sup>	6,312
- Italy	4,970
- Croatia	2,441
- Qatar	389
- Hungary <sup>(***)</sup>	219
- Slovenia	214
- Indonesia	193
- Bulgaria	189
- Kenya	176
- Turkey	163
- Laos	162
- Bosnia and Herzegovina	155
<b>Total on-balance sheet exposures</b>	<b>22,341</b>

#### Notes:

(\*) of which €2,744 million in financial assets held for trading and those mandatorily at fair value.

(\*\*) of which €354 million in financial assets held for trading and those mandatorily at fair value.

(\*\*\*) of which €10 million 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 "US Hard Landing" scenarios in chapter Stress test of the Section 2.2 - Market risk below and for liquidity management policies see Section 2.4 - Liquidity risk below.

#### Other transactions

With reference to the indications of Banca d'Italia/Consob/IVASS document No.6 of 8 March 2013 - Booking of "long-term structured repos" instructions, there are no transactions of this kind to report.

In 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 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, was completed in 2012 and finally matured during the year.

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, 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 has been used more easily for refinancing operations until the reverse repo maturity during the year.

The term repo and the term reverse repo was subject to netting (whose value was collateralised by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause was 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 was amortised on a pro-rata basis according to the current accounting rules.

<sup>39</sup> Tax items are not included.

## Part E - Information on risks and hedging policies

### *Information on structured trading derivatives with customers and exposures in the renewable energy sector*

#### **1. OTC Trading derivatives with customers**

The business model governing OTC derivatives trading with customers provides for the centralisation of market risk in the CIB Division - Markets Area, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g. structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

UniCredit group trades OTC derivatives on a wide range of underlying, e.g. interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalisation: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and controls in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not (usually) entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to 'credit-risk mitigation' (CRM) techniques, by using netting and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:

- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong-Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit & loan-credit default swaps, in order to obtain a value in terms of 'expected loss' (EL) to be used for items designated and measured at fair value maximising the usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flows according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20. a) Financial assets held for trading" and of balance-sheet liability item "20. Financial liabilities held for trading".

For the purpose of the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular 262 as for its 6<sup>th</sup> update of 30 November 2018 (which was used for the preparation of the accounts) was used as a reference.

Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross-currency swaps) and/or leverage effects.

Fair values of OTC derivatives managed through Central Clearing counterparties are reported on a net basis. The related reduction of balances is €25,101 million and €29,569 million on trading asset and liabilities, respectively.

The balance of item "20. a) Financial assets held for trading" of the Consolidated accounts with regard to derivative contracts totaled €34,351 million (with a notional value of €1,651,536 million) including €22,417 million with customers. The notional value of derivatives with customers amounted to €1,050,908 million including €1,037,640 million in plain vanilla (with a fair value of €21,870 million) and €13,268 million in structured derivatives (with a fair value of €547 million).

The notional value of derivatives with banking counterparties totaled €600,628 million (fair value of €11,934 million) including €18,592 million relating to structured derivatives (fair value of €511 million).

## Part E - Information on risks and hedging policies

The balance of item "20. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €28,692 million (with a notional value of €1,593,760 million) including €12,221 million with customers. The notional value of derivatives with customers amounted to €968,972 million including €963,047 million in plain vanilla (with a fair value of €12,044 million) and €5,925 million in structured derivatives (with a fair value of €177 million).

The notional value of derivatives with banking counterparties totaled €624,788 million (fair value of €16,471 million) including €10,960 million relating to structured derivatives (fair value of €321 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 owned a wind farm named BARD Offshore1 (BO1). For additional information see consolidated financial statements 2018.

According to management intention to proceed with the divestment and fulfilled IFRS5 requirements also in light of the signing, in August 2019 of an agreement for the disposal, the exposures has been classified as at 30 June 2019 to "Non-current assets and disposal groups classified as held for sale" and subsequently sold in December 2019 to Macquarie Infrastructure and Real Assets.

### *E. Prudential perimeter - Credit risk measurement models*

As at 31 December 2019 the expected loss on the credit risk perimeter was 0.37% of total UniCredit Group credit exposure. The result does not include the exposures which have migrated to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario.

As at 31 December 2019, the ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 2.69%.

As far as UniCredit S.p.A. quantitative information, reference is made to the paragraph Part E - Notes to the accounts of the parent company UniCredit S.p.A. Section 1 - Credit Risk - Quantitative information - F. Credit risk measurement models, which is herewith quoted entirely.

## **2.2 Market risk**

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading book, as well as those posted in the Banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within UniCredit group accordingly includes all the activities relating to cash transactions and capital structure management, both for the Parent company, as well as for the individual entities of the Group.

The current organisational model guarantees the ability to steer, coordinate and control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centres (Portfolio Risk Managers), completely focused and specialised on such risks, under a Group and interdivisional perspective.

According to this organisation, the structure at first level of reporting to "Group Risk Management", dedicated to market risk governance is the "Group Financial Risk" department.

### ***Risk management strategies and processes***

The Parent company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to the risks assumed.

The Parent company has defined Global Rules in order to manage and control market risk, including strategies and processes to be followed. Market risk strategies are set by the Parent company at least on an annual basis, in line with the definition of the overall Group Risk appetite and then cascaded to the legal entities. Market risk appetite is also fundamental for the development of the Group's business strategy, ensuring the consistence between the budgeted revenues and the setting of Value-at-Risk limits.

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.

For this purpose, Market Risk Management of the Parent company gathers the information needed to set up the Group Market Risk Strategy for the following year. In particular, Group Market Risk Management receives from the competent function the Group Risk Appetite Framework, which sets, among others, Market Risk KPIs and from local Market Risk functions the list of legal entities (LEs)/Business Lines allowed to assume market risk exposures, the severities of the related limits and the proposals for the review of market risk levels.

Based on these inputs, the Group Market Risk strategy is defined including the following information:

- the proposed Market Risk Takers Map;
- limits and Warning Levels (WLs) proposal in accordance with the proposed Market Risk Takers Map;
- any change occurred to the risk limit framework compared to the previous year;

## Part E - Information on risks and hedging policies

- overview on the macro-economic scenario and related risks for the Group;
- market risk RWA history and expected development;
- market risk KPIs benchmarking;
- the business strategy and key initiatives to support the limit proposal.

After that all the Group relevant Bodies have approved the Group Market Risk Strategy and given the relevant NBOs for local market risk limits, the approval is communicated to the local functions.

In terms of monitoring, the LEs carry out periodical activities (e.g. daily monitoring of VaR, weekly monitoring of IRC and SVaR, monthly monitoring of Stress Test Warning Level) under the coordination of the Parent company Market Risk Management function and the breaches are timely escalated locally to Senior Management and to the Parent company.

Ultimately, it has to be highlighted that detailed Global Rules on market risk strategy definition, limits setting, monitoring, escalation and reporting activities are in place and applied at Group level.

### Trading Book

In accordance with the Capital Requirements Regulation, and as defined in the current policy "Eligibility Criteria for the Regulatory Trading book assignment", the Trading book is defined as all positions in financial instruments and commodities held either with trading intent, or in order to hedge positions held with trading intent. Books held with trading intent are composed of:

- positions arising from client servicing and market making
- positions intended to be resold in the short term
- positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

In addition, Trading book may include internal or intra-group hedging derivatives transferring risk from Banking book into Trading book, entitled to manage the relevant risk and having access to the derivatives market.

The essential requirement for the Regulatory Trading book assignment is a clear "trading intent", as defined above, which the trader has to commit to and has to confirm on an ongoing basis. Additionally, the so called "tradability", "marketability" and "hedgeability" requirements have to be assessed in order to evaluate the appropriateness for the Trading book assignment:

- tradability refers to positions free of restrictions on their tradability and coherently reflected within the "Trader Mandate" of the risk taker;
- marketability refers to the positions for which a reliable Fair Value can be evaluated based to the largest extent on independently verified observable market parameters;
- hedgeability refers to positions for which a hedge could be put in place. The hedgeability is meant to concern the "material" risks of a position which implies not necessarily that all the various risk features are to be hedgeable.

When opening a new book, the book manager makes the proposal whether the book should be managed as a Trading book or a Banking book based on the planned trading activity. This has to be in line with the bank's internal rules and criteria for the assignment to either Trading book or Banking book. The book manager is required to clearly declare the trading intent and therefore to explain the business strategy behind the request for the Regulatory Trading assignment. The book manager is then responsible for all the positions held in his book and the eligibility criteria are expected to be fulfilled on an ongoing basis.

Concerning the monitoring phase, to demonstrate adequate trading intent, the following minimum criteria have to be fulfilled at book level and are checked at least on a quarterly basis:

- minimum of 5 trades during the past 90 trading days;
- minimum of 5% of the volume of each book traded during the past 90 trading days with reference to the last day of the period.

In case a breach of the trading intent criteria, the possibility to re-classify the book has to be assessed.

With reference to the methodology used to ensure that the policies and procedures implemented for the management of the Trading book are appropriate, first of all it has to be noted that any new/updated regulation has to be preliminary shared with the main impacted functions/LEs in order to collect their feedback. The competent Group function also assesses the compliance risks with reference to the regulations falling within its direct scope of competence. In addition, before the issuance, the owner of the rule submits to the competent Body/function for the approval.

The financial instruments (an asset or a liability, cash or derivative) held by the Group are exposed to changes over time driven by moves of market risk factors. The market risk factors are classified in the following five standard market risk asset classes:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes, issuer correlation and recovery rates;
- Equity risk: the risk that the value of the instrument decreases due to increase/decrease of index/stock prices, equity volatilities, implied correlation;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes, basis risk, interest rates volatility;



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- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes, foreign exchange rates volatility;
- Commodity risk: the risk that the value of the instrument decreases due to changes of the commodity prices, e.g. gold, crude oil, commodity prices volatility

Market risk in UniCredit group is measured and limited mainly through two sets of metrics: Broad Market Risk measures and Granular Market Risk measures:

- **Broad Market Risk measures:** these measures are meant to set a boundary to the economic and/or regulatory capital absorption and to the economic loss accepted for Trading book and/or the overall Trading book and Banking book activities. Limitations on Broad Market Risk measures must be reviewed at least annually in the context of the drafting of the Group and Local Market Risk Strategies and must be consistent with assigned budget of revenues, the defined risk taking capacity (ICAAP process) and Group Risk Appetite KPIs. The set of all limitations on Broad Market Risk measures assigned to a specific market risk taker must be consistent with each other.

The consistency must be checked whenever a level for a Broad Market Risk Measure is defined. The legal entity Market Risk Function needs to provide evidence of such consistency when required. Broad Market Risk measures are:

- Value at Risk ("VaR"), the potential 1-day loss in value of a portfolio for a 99% single-tail confidence interval; calculated through historical simulation in full revaluation using the last 250 equally weighted daily observations;
- Stressed VaR ("SVaR"), the VaR of a portfolio calculated using a 250-day period of significant financial stress;
- Incremental Risk Charge ("IRC"), the amount of regulatory capital aimed at addressing the credit shortcomings (migration and default risks) that can affect a portfolio in one year at a 99.9% confidence level;
- 60 days PL, set as the 60 calendar days rolling period Accumulated Economic P&L without resetting at year end; the limitation on this metrics is called Loss Warning Level ("LWL");
- Worst Stress test result, defined as the worst conditional loss on a given portfolio resulting from the application of a predefined set of scenarios; the limitation on this metrics is called Stress Test Warning Level ("STWL"); for all STWL included in the Market Risk Taker Maps, Holding Company monitoring is based on the set of scenarios defined in the Group Market Risk Strategy; legal entities are allowed to add specific scenarios for local monitoring purposes.

The Group has undertaken a progressive review of Market Risk measure scope and, starting from 2019, Warning Levels for 60 days PL and Worst Stress test result have been defined on FVtPL and FVtOCI perimeters.

- **Granular Market Risk measures:** these measures allow a more detailed and stringent control of risk exposures than Broad Market Risk measures. Limitations on Granular Market Risk measures (so-called Granular Market Limits, GMLs) are specific limits to individual risk factors or group of risk factors:
  - sensitivity levels, which represent the change in the market value of a financial instrument due to small moves of the relevant market risk asset classes/factors. Among others, and not limited to, particularly relevant considering the asset and liability structure of the commercial bank are the Basis Point Value Sensitivity, that measures the change in the present value of the interest rate sensitive positions resulting from a 1bp parallel shift to interest rate, and the Credit Point Value Sensitivity, that measure the change in the present value of the credit risk sensitive positions resulting from a 1bp parallel shift to credit spread (per issuer, rating or industry);
  - stress scenario levels, which represent the change in the market value of a financial instrument due to large moves of the relevant market risk asset classes/factors;
  - nominal levels, which are based on the notional value of the exposure.

The main objectives of Granular Market Limits are:

- supporting the management of market risk;
- ensuring desk's focus to exposure under their mandate;
- restricting risk concentration, i.e. preventing the build-up of positions that, although consistent with allocated VaR limits, could become unmanageable in case of turmoil or in case of reduced market liquidity;
- complementing VaR when it does not cover sufficiently a specific risk factor;
- facilitating interaction with traders, who manage their books according to sensitivities or scenario analysis;
- limiting P&L volatility due to a specific risk factor;
- complementing the compliance framework (e.g. Volcker rule and the German Trennbanken act).

GMLs must be consistent with limitations on Broad Market Risk measures.

### 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.

## Part E - Information on risks and hedging policies

The Asset & Liability Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non-interest earning assets and non-interest bearing liabilities. The management of Banking book interest rate risk aims at optimising, in an on-going scenario, the risk/return profile and long-term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility. The main target of IRRBB strategy is reducing the net interest income volatility in a multiyear horizon. The strategy implies no intended directional or 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 profile is estimated on the basis of historical prepayment data as well as trend analysis. In Italy the prepayment expected profile is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk for the German mortgage portfolio is driven by the level of the interest rates and by the behaviour of customers regardless of the interest rates level. The interest rate sensitive prepayments are rather small at the current level of the interest rates and are hedged via swaptions. The non-interest rate sensitive prepayments are hedged via swaps according to the Interest Rate Risk strategy of the bank. The prepayment risk in Austrian and in the CEE countries loan portfolio is deemed residual therefore no prepayment hedging strategy is applied.

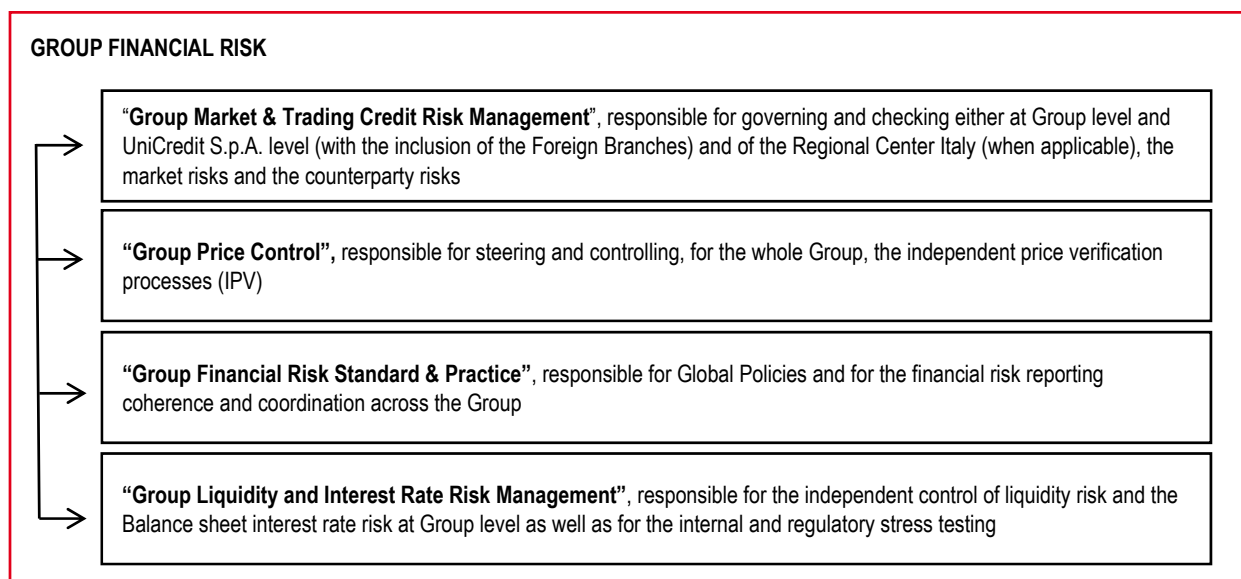
A third risk type is the FX risk. The sources of this exposure mainly refer to capital investment in foreign currency. The current strategy is not to hedge capital investments. The general policy is to hedge the foreign currency exposures from dividends and contributions to consolidate profit (loss) taking into account hedging cost and market circumstances. The exposure is most relevant for CEE legal entities. The FX exposure is hedged using forwards and options that are classified as Trading book. This general rule is valid for the Parent company. The hedge strategy is reviewed by the relevant risk committees on a regular basis.

### Structure and organisation

The Group Financial Risk department is responsible, at Group level, for the definition of the strategies of financial risk management of the Group to be submitted to the competent functions/ Bodies (i.e. liquidity risk, balance sheet interest rate risk, market risk and counterpart risk), ensuring that the control of the risks taken by UniCredit S.p.A. Foreign Branches are monitored and reported to the Group Chief Risk Officer and to the Senior Management. In addition, the structure governs the Group activities aimed to ensure the independent control of the prices and of the Front Office relevant parameters, for the fair value calculation.

The development and maintenance of Group methodologies, models and architectures regarding financial and behavioural risks as well as the pricing models validation are in charge of Group Financial Risk Methodologies & Models which reports to Group Risk Models & Credit Risk Governance.

The structure breaks down as follows:



## Part E - Information on risks and hedging policies

With reference to the communication mechanism among the different parties involved in market risk management, the responsible Committees are:

- Group Market Risk Committee;
- Group Assets & Liabilities Committee.

The "Group Market Risk Committee", whose participants/permanent guests are mainly representatives of Risk, Business, Compliance and Internal Audit, meets monthly and is responsible for monitoring market risks at Group level, for evaluating the impact of transactions, approved by the competent bodies, significantly affecting the overall market risk portfolio profile, for submitting to the "Group Risk & Internal Control Committee", for approval or information, market risk strategies, policies, methodologies and limits as well as periodical reporting on the market risk portfolio.

The Committee is also responsible for ensuring consistency in market risk policies, methodologies and practices across Business Functions and legal entities.

The "Group Assets and Liabilities Committee" is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and Banking book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities. It also ensures the consistency of the practices and methodologies relating to liquidity, FX and Banking book interest rate across Business Functions and legal entities, with the aim of optimising the usage of financial resources (e.g. liquidity and capital) in line with Risk Appetite and business strategies.

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.

### **Risk measurement and reporting systems**

#### **Trading Book**

In 2019, UniCredit group continued to improve and consolidate market risk models in order to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurements, further details can be reported in paragraph "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading book", while for both monthly and daily reporting process, Global Process Regulation are periodically updated.

Within the organisational context described above, the policy implemented by UniCredit group within the scope of market risk management is aimed at gradually adopting and using common principles, rules and processes in terms of appetite for risk, limit calculations, model development, pricing and risk model scrutiny.

The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.

The main tool used by UniCredit group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.

Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to the Senior Management and regulators regarding the market risk profile at consolidated level.

In addition to VaR and Basel 2 risk measures, stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

#### **Banking Book**

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking book lies in the bank's competent bodies. For instance, the Parent company is in charge of monitoring market risks for the Banking book at consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.

The Banking book interest rate risk measures cover both the economic value and net interest income risk aspects. In particular, the different and complementary perspectives involve:

- economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition, the economic value sensitivity for the SOT scenarios is also calculated according to EBA/GL/2018/02;

## Part E - Information on risks and hedging policies

- earnings at risk perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between the revenues generated by interest sensitive assets and the cost relating to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bps parallel shock of rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Additional stress test scenarios are performed on a regular basis to estimate the basis risk and non-parallel shocks.

Additionally to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such foreign exchange risk, equity risk, value risk due to credit spread fluctuations. In addition through economic value sensitivity measures and other granular indicators, these risk types are captured in a value at risk measure that includes all market risk factors. These values at risk measures are based on a historical simulation.

### ***Hedging policies and risk mitigation***

#### **Trading Book**

A set of risk indicators is provided to the Group Risk Committee on a quarterly basis through the Enterprise Risk Management Report and, on a monthly basis, to the Group Market Risk Committee through the Market Risk Overview report; these include VaR, Stressed VaR and IRC limit usages, Sensitivities, Sovereign Exposure, Stress test results and P&L.

At the same time limit breaches are reported both to the Group Market Risk Committee and to the Group Risk Committee (according to their severity); the escalation process being ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to be involve to establish the most appropriate course of action to restore exposure within the approved limits. If required, focus is provided from time to time on the activity of a specific business line/desk in order to ensure the highest level of understanding and discussion of the risks in certain areas which are deemed to deserve particular attention.

#### **Banking Book**

The ALCO evaluates the main market risk drivers on a monthly basis. Group Risk Management reports to the committee on the Banking book risk measures both from a value and income perspective. It proposes and monitors limits and warning levels that have been approved by the relevant competent bodies.

Breaches of limits and warning levels are reported, upon occurrence, to the relevant bodies. Consequently the escalation process is activated in line with the procedures set in the Policy, to establish the most appropriate course of action to restore exposure within the approved limits.

The execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. The strategic transactions in the Banking book is managed by the Asset and Liability Management department, ALM.

#### ***Internal model for price, interest rate and exchange rate risk of the regulatory trading book***

The current Market Risk internal model is based on Value-at-Risk (VaR) framework, integrated with other risk measures: incremental risk capital charge (IRC) and stressed Value-at-Risk (SVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk, in line with the European directives in force.

All the regulatory requirements in the market risk arena have been addressed via internal development of the necessary model and IT infrastructure as opposed to the external acquisition of ready-made solutions.

This enabled UniCredit to craft solutions that in many aspects can be considered on the sophisticated end of the spectrum of practices that can be found in the Industry. In this respect one distinctive feature of the market (and counterparty) risk frameworks implemented in UniCredit group is the full revaluation approach employing the same pricing libraries used in the Front Office.

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 250 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.

## Part E - Information on risks and hedging policies

Although a valuable guide to risk, VaR should always be viewed within its limitations:

- historical simulation relies on past occurrences to forecast potential losses. In case of regime shifts this might not be appropriate;
- the length of the time window used to generate the forecasted distribution will necessarily embed a trade-off between the responsiveness of the metric to recent market evolutions (short window) and the spectrum of scenarios that will embed (long window);
- assuming a constant one/ten day horizon there is no discrimination between different risk-factor liquidity.

Stressed VaR calculation is based on the very same methodology and architecture of the VaR, and it is analogously calculated with a 99% confidence level and 1 day time horizon on a weekly basis, but over a stressed observation period of 250 days. The chosen historical period identifies the 1-year observation window which produces the highest resulting measure for the current portfolio.

Stress windows are recalibrated on a monthly basis and are tailored to the portfolio of each legal entity of the Group, plus the Group itself (relevant for RWA calculation on a consolidated level). The SVaR window at Group level, at UniCredit Bank AG and UniCredit Bank Austria AG level corresponds to the "Lehman Crisis" (2008/2009), while for UniCredit S.p.A. it is the "Sovereign Debt Crisis" (2011/2012). The 10-day capital requirement is however obtained by extending the 1-day risk measure to the 10 day horizon taking the maximum of the square root of time scaling and a convolution approach that turns the one-day distribution into a 10-day distribution for both the VaR and the Stressed VaR. The 1-day measures are instead actively used for market risk management.

In order to validate the consistency of VaR internal models used in calculating capital requirements on market risks, back-testing is performed by comparing the internal model risk estimates with the portfolio profit and loss, in order to check if the 99% of the trading outcomes is covered by the 99<sup>th</sup> percentile of the risk measures.

The test is based on the last twelve months data (250 daily observations). In case the number of exceptions in the previous year exceeds what forecasted by the confidence level assumed, a careful revision of model parameters and assumptions is initiated. Group Internal Validation performed the periodic validation of the VaR/SVaR framework to assess the compliance with regulatory requirements including an independent back-testing analysis complemented with different parameterisations (e.g. different time horizon, percentile) and detailing the results for a set of representative portfolios of the bank.

The IRC capital charge captures default risk as well as migration risk for un-securitised credit products held in the Trading book. The internally developed model simulates via multivariate version of a Merton-type model the rating migration events of all the issuers relevant to the Group trading positions over a capital horizon of one year. The transition probabilities and the sector correlations are historically calibrated, while idiosyncratic correlations are derived from the IRB correlation formula. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In doing so a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1 year.

In each scenario all the relevant product inventory is revaluated under such spread and default events producing a simulated profit or loss (P&L) that fully reflects convexity, basis risk, portfolio effects and portfolio concentration risks.

In this way a high-number of paths Monte Carlo simulation generates a P&L distribution for the Group (and each leaf of its portfolio tree). IRC is defined as the 99.9 percentile of such loss distribution.

Additional capital charge for securitisations and credit products not covered by IRC is evaluated through the standardised approach.

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	1Y window, equally weighted
SVaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
IRC	Rating Migration & Default	1Y	99.9%	Monte Carlo	Through-the-cycle (min 8Y)

The IRC Model is subject to a quarterly program of Stress tests aimed at evaluating the robustness of the model. The relevant parameters as Recovery Rates, Transition Probabilities, idiosyncratic correlation are shocked and the impact on the IRC measure is computed.

"Group Internal Validation" performed its analyses in order to evaluate the conceptual soundness of the IRC model, to supplement the available analyses on that topic and to ensure the compliance of the resulting risk management environment with all the relevant regulatory requirements and internal standards.

As already remarked by the regulation, traditional back-testing procedures, regarding the 99.9% one-year soundness standard for IRC, are not applicable due to the 1-year time horizon of the measure.

Consequently, while validation of the IRC model relied heavily on indirect methods (including stress tests, sensitivity analysis and scenario analysis) in order to assess the qualitative and quantitative reasonableness of the model, special focus has indeed been given to the specific situation of UniCredit portfolios.

Group Internal Validation Unit kept the scope of their analyses as wide as possible in order to comprise the many diverse issues that are acting concurrently in such a model (general model design, regulatory compliance, numerical implementation, outcomes explanation).



## Part E - Information on risks and hedging policies

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, assessment on portfolio concentration, calculation of parameters sensitivity, marginal contribution analysis, alternative models comparisons. All major parameters were tested, i.e. correlation matrices, transition probabilities matrices, transition shocks, recovery rates, probabilities of default, number of scenarios.

To understand the overall performance of the model in replicating the real-world migration and default phenomena, Group Internal Validation performed also a historical performance exercise comparing the migrations and defaults predicted by UniCredit IRC model with the ones actually observed since 1981 (due to data availability).

Banca d'Italia authorised UniCredit Group to use internal models for the calculation of capital requirements for market risk. As of today CEE countries are the main entities of the Group that are using the standardised approach for calculating capital requirements relating to trading positions. However, the VaR measure is used for the management of market risk in the abovementioned entities.

For Trading book VaR, Stressed VaR and IRC, the bank differentiates between regulatory and managerial views. The managerial measure, are used for Risk monitoring and Business steering purposes as prescribed by Market Risk Framework: in particular VaR limits represent the main metric translating the Risk Appetite into the Market Risk framework.

The managerial VaR has a wider scope: it is used to monitor both Trading book and Overall perimeter (Trading book and Banking book), also including legal entities for which the standardised measurement method is applied for Regulatory purposes, in order to have a complete picture of risk.

The standardised measurement method is also applied to the calculation of capital covering the risk of holding Banking book exposure in foreign currencies for the legal entities (namely UniCredit S.p.A.) that do not have an approval for FX Risk simulation under Internal Model. In this respect the FX risk for both Trading and the Banking book is included in VaR and SVaR for Regulatory purposes as for the approved legal entities (UniCredit Bank AG and UniCredit Bank Austria AG); as regards the managerial view the FX Risk of Banking book is included in the Overall (Trading book and Banking book) VaR.

To sum up the Internal Model approach is used for Regulatory purposes for UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit Bank Austria group, while it is used for all legal entities (including CEE countries) for managerial purposes.

In the end Trading portfolios are subject to Stress tests according to a wide range of simple and complex scenarios. Simple scenarios which envisage the shock of single asset classes, are defined in the context of Interest Rate Risk/Price Risk/Exchange Rate Risk/Credit Spread Risk Sensitivity. Complex scenarios apply simultaneous changes on a number of risk factors. Both simple and complex scenarios are applied to the whole Trading book. Detailed descriptions are included in the paragraph on the Stress test.

Stress tests results are calculated in the Group Market Risk system (UGRM), thus ensuring a common methodological approach across the Group. Results are calculated applying a full revaluation approach meaning that all positions are revalued under stressed conditions; no ad hoc models or pricing functions are applied for stress testing.

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.

The decreasing trend in the IRC time series, during the second semester of 2019, is mainly due to a reduction of the position subject to the Credit Spread Risk of Republic of Italy in the Trading book of UniCredit S.p.A.

## Part E - Information on risks and hedging policies

## Risk on trading book

## Daily VaR on regulatory trading book

(€ million)

I-MOD PERIMETER	END OF DECEMBER 2019	AVERAGE LAST 60 DAYS	2019			2018
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	9.9	8.8	8.5	11.3	5.6	9.7

## Daily VaR on managerial trading book

(€ million)

STANDARDISED APPROACH PERIMETER	END OF DECEMBER 2019	AVERAGE LAST 60 DAYS	2019			2018
			AVERAGE	MAX	MIN	AVERAGE
Russia	0.5	0.5	1.3	2.4	0.2	1.5
Turkey	9.6	7.8	3.2	10.8	1.0	1.1
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.1	0.1	0.1	0.3	0.0	0.1
Romania	0.4	0.8	0.6	1.0	0.1	0.4
Bulgaria	0.1	0.2	0.2	0.3	0.1	0.1
Hungary	0.3	0.3	0.5	0.7	0.2	0.5
Czech Republic	1.5	1.4	1.7	2.7	1.0	3.7
Croatia	0.1	0.1	0.1	0.3	0.0	0.2
Slovenia	0.0	0.0	0.0	0.1	0.0	0.1
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Undiversified UniCredit group	23.6	22.9	19.3	26.4	12.9	20.0

## Risk on trading book

## SVaR on regulatory trading book

(€ million)

I-MOD PERIMETER	END OF DECEMBER 2019	AVERAGE LAST 12 WEEKS	2019			2018
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	25.1	26.2	23.0	32.0	15.0	37.4

## SVaR on managerial trading book

(€ million)

STANDARDISED APPROACH PERIMETER	END OF DECEMBER 2019	AVERAGE LAST 12 WEEKS	2019			2018
			AVERAGE	MAX	MIN	AVERAGE
Russia	6.8	2.5	11.2	25.7	0.8	13.3
Turkey	1.2	1.9	2.4	4.1	1.2	2.8
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.4	0.5	0.8	1.3	0.3	1.1
Romania	1.8	3.3	2.8	4.6	0.9	2.7
Bulgaria	2.3	1.9	1.4	2.3	0.6	0.6
Hungary	1.2	0.8	1.6	3.0	0.4	3.0
Czech Republic	2.2	2.3	4.8	7.1	1.6	5.8
Croatia	1.9	0.7	0.6	1.9	0.1	0.7
Slovenia	0.0	0.0	0.1	0.4	0.0	0.3
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Undiversified UniCredit group	46.8	48.7	61.1	81.7	41.6	75.1



## Part E - Information on risks and hedging policies

### Risk on trading book

#### IRC on regulatory trading book

(€ million)

I-MOD PERIMETER	END OF DECEMBER 2019	AVERAGE LAST 12 WEEKS	2019			2018
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	218.1	249.5	258.4	327.8	185.9	282.9

#### IRC on managerial trading book

(€ million)

STANDARDIZED APPROACH PERIMETER	END OF DECEMBER 2019	AVERAGE LAST 12 WEEKS	2019			2018
			AVERAGE	MAX	MIN	AVERAGE
Russia	0.3	0.7	6.9	30.9	0.0	25.7
Turkey	5.1	6.2	5.7	14.9	3.2	3.7
Serbia	10.2	15.7	12.4	19.2	7.0	12.8
Romania	6.7	16.8	16.6	33.5	4.7	14.4
Bulgaria	1.7	1.3	4.3	9.1	0.7	1.8
Hungary	9.5	18.9	26.5	43.6	9.5	25.5
Czech Republic	7.4	3.7	1.9	7.4	0.3	1.7
Croatia	1.6	0.7	0.5	3.3	0.0	4.7
Undiversified UniCredit group	292.8	430.9	498.2	672.6	292.8	532.3

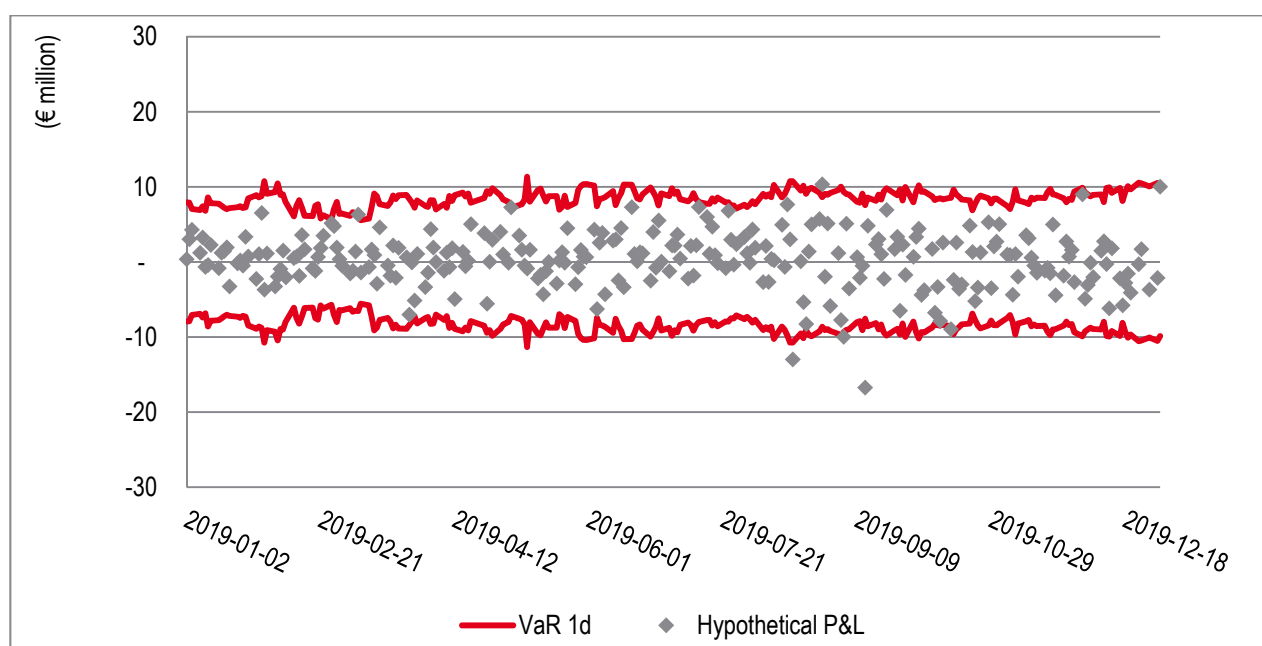
#### EU MR4 Comparison of VaR estimates with gain/losses

The following graph shows back-testing results referred to the market risk on the Trading Book, in which VaR results for the last twelve months are compared to the hypothetical "profit and loss" results for Group (I-Mod Perimeter).

During the 2019, four VaR overshootings were observed for UniCredit group:

- 16 August 2019
- 4 September 2019
- 12 September 2019
- 14 October 2019

The four overdraft were mostly caused by significant market movements on long EUR interest curves as a consequences of market reaction on the monetary policy decisions of ECB and on the GBP/EUR FX Spot rate driven by the Brexit developments.



## Part E - Information on risks and hedging policies

### Managerial VaR

Below are reported the Managerial diversified Trading book VaR as at end of December 2019 at Group and Regional Centre levels and the Undiversified Trading book VaR at Group level, calculated as sum of the values of all LEs (without considering diversification benefit). Difference with Regulatory Trading book was described above.

#### Daily VaR on managerial trading book

(€ million)

TRADING BOOK	END OF DECEMBER 2019
<b>Diversified UniCredit group as per internal model</b>	<b>10.6</b>
RC Germany	6.9
RC Italy	3.4
RC Austria	0.6
RC CEE	10.1
<b>Undiversified UniCredit group</b>	<b>23.7</b>

### Marginal Regulatory VaR

The table below provides a breakdown of 10-days VaR figure (i.e. referred to a 10-days' time horizon) according to the different market risks (debt, equity, FX, commodities) and its evolution during the year, in the form of template C24 of COREP.

#### Risk on trading book by instruments classes

##### 10-days VaR on regulatory trading book

(€ million)

	2019				2018
	Q1	Q2	Q3	Q4	Q4
Traded Debt Instruments	32.6	39.0	34.5	27.6	30.5
TDI - General Risk	16.2	16.2	22.5	26.3	16.7
TDI - Specific Risk	27.1	38.5	41.9	16.1	22.6
Equities	6.2	7.1	5.7	6.9	5.8
Equities - General Risk	-	-	-	-	-
Equities - Specific Risk	6.2	7.1	5.7	6.9	5.8
Foreign Exchange Risk	3.8	4.8	18.4	8.0	5.1
Commodities Risk	8.2	7.6	8.3	6.0	10.1
<b>Total Amount For General Risk</b>	<b>17.9</b>	<b>18.0</b>	<b>30.4</b>	<b>26.1</b>	<b>16.7</b>
<b>Total Amount For Specific Risk</b>	<b>20.1</b>	<b>29.5</b>	<b>32.9</b>	<b>13.5</b>	<b>21.7</b>

In the fourth quarter 2019, there has been a decrease of the specific risk on traded debt instruments, mainly due to a reduction of the position subject to the Credit Spread Risk of Republic of Italy in the Trading book of UniCredit S.p.A. While during the third quarter 2019, the exposure in the Trading book increased in terms of interest rate risk in UniCredit Bank AG, specifically in the business line Fixed Incomes & Currencies.

### 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.

## Part E - Information on risks and hedging policies

In the fourth quarter of 2019, the Own Fund Requirements due to CVA under Advance model decreased mainly due to reduced exposure profiles from interest rates dynamics and to some extension of central clearing perimeter.

### Risk on trading book

#### CVA trading book

(€ million)

	2019				2018
	Q1	Q2	Q3	Q4	Q4
CVA	159.4	162.2	159.2	128.7	157.7
CVA VaR	12.0	13.0	13.4	11.5	11.1
CVA SVaR	93.7	99.0	99.0	76.9	94.8
CVA SA	53.6	50.1	46.9	40.3	51.8

### 2.2.1 Interest rate risk and price risk - Regulatory trading book

#### Qualitative information

#### Interest rate risk

##### 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 basis of managerial responsibilities and not purely on regulatory criteria.

##### B. Risk management processes and measurement methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

As regards Stress Test refer to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to Stress Test paragraph.

In addition to the monitoring of Granular Market Limits, Group Market Risk functions conduct sensitivity analysis at least on monthly basis, in order to determine the effect on the income statement of changes in the value of individual risk factors or several risk factors of the same type. Additionally to the sensitivity of financial instruments to changes in the underlying risk factor, the sensitivity to the volatility of interest rates is also calculated assuming positive and negative shifts of 30% in volatility curves or matrices.

#### Price risk

##### A. General aspects

Price risk relating to equities, commodities, investment funds and related derivative products included in the Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.

Price risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTCs and recourse to security lending. Volatility trading strategies are implemented using options and complex derivatives.

##### B. Risk management processes and measurement methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models.

As regards stress test refers to the introduction on "Risk management strategies and processes" and for the complex scenarios' description to the "Stress test" paragraph.

## Part E - Information on risks and hedging policies

### Quantitative information

#### 1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

The table is not reported since a table showing Interest Rate sensitivity is described below, in accordance with internal model.

#### 2. Regulatory trading portfolio: distribution of equity exposures and equity indices for the main listing countries

The table is not reported since a table showing price risk sensitivity is described below, in accordance with internal model.

#### 3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

### Interest rate risk

#### Interest rate risk sensitivity

Sensitivity to changes in interest rates is determined using both parallel shifts of interest-rate curves, and changes in the curve itself.

The curves are analysed using parallel shifts of  $\pm 1\text{bp}/\pm 10\text{bps}$  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:

- +50bps/-50bps for the one-day bucket;
- 0bps for the one-year bucket;
- -50bps/+50bps for the 30-year plus bucket;
- for buckets between the above ones, the change to be set is found by linear interpolation.

The Group also calculates sensitivity to the volatility of Interest Rate assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.

The tables below show trading book sensitivities.

(€ million)

INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
<b>Total</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-0.0</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-13.2</b>	<b>5.7</b>	<b>-507.4</b>	<b>-78.8</b>	<b>-246.5</b>	<b>90.3</b>
<i>of which:</i>														
EUR	-0.0	-0.1	0.2	-0.0	-0.6	-0.3	-0.6	-1.5	-11.1	7.4	-483.1	-64.1	-247.7	92.9
USD	-0.1	0.3	0.0	-0.1	0.2	-0.1	0.0	0.3	1.5	-1.6	9.5	-19.7	17.5	-18.0
GBP	0.0	-0.0	0.0	-0.1	0.0	0.4	0.1	0.4	-3.7	3.7	-34.5	36.9	-14.3	13.6
CHF	0.0	-0.1	-0.0	-0.0	-0.0	0.0	0.0	-0.1	0.6	-0.6	6.0	-6.6	-2.0	2.0
JPY	0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	-0.0	0.4	-0.4	4.3	-4.4	-0.5	0.5

(€ million)

	-30%	+30%
<b>Interest Rates</b>	<b>182.0</b>	<b>-202.2</b>
EUR	180.8	-200.3
USD	4.5	-5.7

## Part E - Information on risks and hedging policies

### Price risk

#### Share-price sensitivity

Share-price sensitivity is expressed in two ways:

- as a “Delta cash-equivalent”, i.e. the euro equivalent of the quantity of the underlying that would expose the bank to the same risk arising from its actual portfolio;
- as the economic result of a rise or fall in spot prices of 1%, 10% and 20%.

The Delta cash-equivalent and the Delta 1% (i.e. the economic impact of a 1% rise in spot prices) are calculated both for each geographical region (assuming that all stock markets in the region are perfectly correlated) and on the total (assuming therefore that all stock markets are perfectly correlated). The sensitivity arising from changes of 10% and 20% is calculated solely on the total.

The Group also calculates sensitivity to the volatility of equities assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.

In addition, sensitivity to commodity price changes is calculated according to the above criteria. Given its secondary importance as compared to other risk exposures, this is calculated as a single class.

The tables below show trading book sensitivities.

(€ million)

EQUITIES ALL MARKETS	DELTA CASH-EQUIVALENT	-20%	-10%	-1%	+1%	+10%	+20%
Europe	52.6	-	-	-	0.5	-	-
USA	5.9	-	-	-	0.1	-	-
Japan	-2.7	-	-	-	-0.0	-	-
Asia ex-Japan	4.1	-	-	-	0.0	-	-
Latin America	0.8	-	-	-	0.0	-	-
Other	27.2	-	-	-	0.3	-	-
<b>Total</b>	<b>87.8</b>	<b>-21.8</b>	<b>3.4</b>	<b>0.3</b>	<b>0.9</b>	<b>24.2</b>	<b>73.8</b>
<b>Commodity</b>	<b>-42.3</b>	<b>2.5</b>	<b>3.5</b>	<b>0.4</b>	<b>-0.4</b>	<b>-5.4</b>	<b>-11.8</b>

(€ million)

	-30%	+30%
Equities	-22.3	32.1

### 2.2.2 Interest rate risk and price risk - Banking book

#### Qualitative information

##### Interest rate risk

#### A. General aspects, operational processes and methods for measuring interest rate risk

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 (Banking Book).

## Part E - Information on risks and hedging policies

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: involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition a simulation analysis includes the study of the impact on income from different shocks for the interest rates. Reference shock for a rate rise scenario is an instantaneous and parallel shock of +100bp. While the shocks for the rate fall scenario are applied in an asymmetric way. The currencies to which a shock of -30bp is applied are: EUR, BGN, JPY, CHF and BAM. For HUF, whose rates are only marginally negative, a shock of -60bp is applied. For other currencies the shock is -100bp. Further scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift and other parallel and non-parallel shifts, including the one required by the EBA guidelines (EBA/GL/2018/02).

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 related to hedging the commercial business.

### Price risk

#### A. General aspects, operational processes and methods for measuring price risk

Banking Book price risk primarily originates from equity interests held by the Parent company and its subsidiaries as stable investments, as well as units in mutual investment funds not included in the Trading Book as they are also held as stable investments.

As regards Stress Test refer to the introduction on Risk Management Strategies and Processes paragraph and for the complex scenarios' description to Stress Test paragraph.

## Part E - Information on risks and hedging policies

## Quantitative information

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities

(€ million)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2019						
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS
<b>1. On-balance sheet assets</b>	<b>132,164</b>	<b>339,400</b>	<b>61,628</b>	<b>43,290</b>	<b>168,854</b>	<b>70,473</b>	<b>37,373</b>
1.1 Debt securities	716	30,841	11,791	13,466	73,874	25,513	10,175
- With prepayment option	7	253	154	21	303	263	-
- Other	709	30,588	11,637	13,445	73,571	25,250	10,175
1.2 Loans to banks	27,083	90,687	8,464	4,006	7,787	6,778	224
1.3 Loans to customers	104,365	217,872	41,373	25,818	87,193	38,182	26,974
- Current accounts	31,303	1,617	67	248	1,154	36	553
- Other loans	73,062	216,255	41,306	25,570	86,039	38,146	26,421
- With prepayment option	11,537	56,819	8,328	3,823	16,182	7,781	8,169
- Other	61,525	159,436	32,978	21,747	69,857	30,365	18,252
<b>2. On-balance sheet liabilities</b>	<b>395,885</b>	<b>199,619</b>	<b>56,633</b>	<b>29,665</b>	<b>92,474</b>	<b>36,134</b>	<b>9,636</b>
2.1 Deposits from customers	369,293	89,633	10,016	12,312	9,740	1,523	1,333
- Current accounts	351,576	924	20	14	29	36	4
- Other	17,717	88,709	9,996	12,298	9,711	1,487	1,329
- With prepayment option	164	-	-	-	-	-	-
- Other	17,553	88,709	9,996	12,298	9,711	1,487	1,329
2.2 Deposits from banks	22,895	85,344	33,802	4,894	36,917	5,972	1,504
- Current accounts	11,608	45	-	-	-	-	-
- Other	11,287	85,299	33,802	4,894	36,917	5,972	1,504
2.3 Debt securities in issue	1,212	24,114	12,587	11,968	43,433	27,527	6,510
- With prepayment option	-	1,096	-	576	2,893	2,603	489
- Other	1,212	23,018	12,587	11,392	40,540	24,924	6,021
2.4 Other liabilities	2,485	528	228	491	2,384	1,112	289
- With prepayment option	5	-	-	-	2	-	-
- Other	2,480	528	228	491	2,382	1,112	289
<b>3. Financial derivatives</b>							
3.1 With underlying security							
- Option							
+ Long positions	-	107	-	76	390	344	797
+ Short positions	-	83	1	71	346	326	887
- Other derivatives							
+ Long positions	-	8,582	642	393	2,691	778	320
+ Short positions	-	8,463	643	393	2,691	778	251
3.2 Without underlying security							
- Option							
+ Long positions	29	8,833	3,653	7,121	49,401	44,319	47,583
+ Short positions	29	7,499	3,403	6,701	49,705	44,509	49,068
- Other derivatives							
+ Long positions	42,311	368,144	91,513	107,861	291,743	107,677	16,436
+ Short positions	15,077	426,833	92,946	89,104	299,915	76,994	21,834
<b>4. Other off-balance sheet transactions</b>							
+ Long positions	87,693	25,040	3,980	4,041	5,936	1,921	4,797
+ Short positions	103,244	13,269	3,677	4,111	4,052	785	3,160



## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: euro

(€ million)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2019							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>111,204</b>	<b>296,843</b>	<b>54,031</b>	<b>34,784</b>	<b>146,469</b>	<b>63,982</b>	<b>32,285</b>	<b>1,086</b>
1.1 Debt securities	558	26,248	10,598	12,450	68,270	22,710	6,672	-
- With prepayment option	7	232	154	21	303	263	-	-
- Other	551	26,016	10,444	12,429	67,967	22,447	6,672	-
1.2 Loans to banks	22,570	71,476	7,714	2,853	6,612	6,778	224	408
1.3 Loans to customers	88,076	199,119	35,719	19,481	71,587	34,494	25,389	678
- Current accounts	28,463	939	32	247	797	36	531	-
- Other loans	59,613	198,180	35,687	19,234	70,790	34,458	24,858	678
- With prepayment option	11,496	55,879	8,285	3,758	16,099	7,713	8,132	-
- Other	48,117	142,301	27,402	15,476	54,691	26,745	16,726	678
<b>2. On-balance sheet liabilities</b>	<b>350,295</b>	<b>170,551</b>	<b>52,563</b>	<b>26,630</b>	<b>77,594</b>	<b>34,942</b>	<b>6,769</b>	<b>819</b>
2.1 Deposits from customers	328,112	73,904	6,644	10,191	6,571	1,459	1,324	393
- Current accounts	314,105	465	1	2	8	8	-	-
- Other	14,007	73,439	6,643	10,189	6,563	1,451	1,324	393
- With prepayment option	163	-	-	-	-	-	-	-
- Other	13,844	73,439	6,643	10,189	6,563	1,451	1,324	393
2.2 Deposits from banks	19,075	74,066	33,231	4,203	34,341	5,759	1,483	8
- Current accounts	9,889	43	-	-	-	-	-	-
- Other	9,186	74,023	33,231	4,203	34,341	5,759	1,483	8
2.3 Debt securities in issue	858	22,061	12,474	11,772	34,464	26,682	3,673	411
- With prepayment option	-	1,096	-	576	2,893	2,603	489	-
- Other	858	20,965	12,474	11,196	31,571	24,079	3,184	411
2.4 Other liabilities	2,250	520	214	464	2,218	1,042	289	7
- With prepayment option	5	-	-	-	2	-	-	-
- Other	2,245	520	214	464	2,216	1,042	289	7
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	81	-	76	390	344	797	-
+ Short positions	-	57	1	71	346	326	887	-
- Other derivatives								
+ Long positions	-	1,858	122	143	560	44	138	-
+ Short positions	-	1,893	123	143	560	44	69	-
3.2 Without underlying security								
- Option								
+ Long positions	29	8,690	3,520	6,892	48,386	44,319	47,583	102
+ Short positions	29	7,356	3,270	6,472	49,064	44,509	49,068	103
- Other derivatives								
+ Long positions	42,265	323,068	82,846	102,224	265,006	93,722	15,851	349
+ Short positions	13,817	372,665	83,045	84,991	275,992	67,210	21,377	1,290
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	83,553	23,954	2,416	2,218	4,474	1,639	2,087	246
+ Short positions	98,803	12,007	2,117	2,286	2,592	503	922	246

## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: other currencies

(€ million)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2019							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>20,960</b>	<b>42,557</b>	<b>7,597</b>	<b>8,506</b>	<b>22,385</b>	<b>6,491</b>	<b>5,088</b>	<b>113</b>
1.1 Debt securities	158	4,593	1,193	1,016	5,604	2,803	3,503	-
- With prepayment option	-	21	-	-	-	-	-	-
- Other	158	4,572	1,193	1,016	5,604	2,803	3,503	-
1.2 Loans to banks	4,513	19,211	750	1,153	1,175	-	-	81
1.3 Loans to customers	16,289	18,753	5,654	6,337	15,606	3,688	1,585	32
- Current accounts	2,840	678	35	1	357	-	22	-
- Other loans	13,449	18,075	5,619	6,336	15,249	3,688	1,563	32
- With prepayment option	41	940	43	65	83	68	37	-
- Other	13,408	17,135	5,576	6,271	15,166	3,620	1,526	32
<b>2. On-balance sheet liabilities</b>	<b>45,590</b>	<b>29,068</b>	<b>4,070</b>	<b>3,035</b>	<b>14,880</b>	<b>1,192</b>	<b>2,867</b>	<b>37</b>
2.1 Deposits from customers	41,181	15,729	3,372	2,121	3,169	64	9	2
- Current accounts	37,471	459	19	12	21	28	4	-
- Other	3,710	15,270	3,353	2,109	3,148	36	5	2
- With prepayment option	1	-	-	-	-	-	-	-
- Other	3,709	15,270	3,353	2,109	3,148	36	5	2
2.2 Deposits from banks	3,820	11,278	571	691	2,576	213	21	31
- Current accounts	1,719	2	-	-	-	-	-	-
- Other	2,101	11,276	571	691	2,576	213	21	31
2.3 Debt securities in issue	354	2,053	113	196	8,969	845	2,837	4
- With prepayment option	-	-	-	-	-	-	-	4
- Other	354	2,053	113	196	8,969	845	2,837	-
2.4 Other liabilities	235	8	14	27	166	70	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	235	8	14	27	166	70	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	26	-	-	-	-	-	-
+ Short positions	-	26	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	6,724	520	250	2,131	734	182	-
+ Short positions	-	6,570	520	250	2,131	734	182	-
3.2 Without underlying security								
- Option								
+ Long positions	-	143	133	229	1,015	-	-	114
+ Short positions	-	143	133	229	641	-	-	114
- Other derivatives								
+ Long positions	46	45,076	8,667	5,637	26,737	13,955	585	2,037
+ Short positions	1,260	54,168	9,901	4,113	23,923	9,784	457	1,481
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	4,140	1,086	1,564	1,823	1,462	282	2,710	122
+ Short positions	4,441	1,262	1,560	1,825	1,460	282	2,238	122

## 2. Banking book: internal models and other methods for sensitivity analysis

## Interest rate risk

As at 31 December 2019, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€849 million.

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€3,377 million as at 31 December 2019<sup>40</sup>.

<sup>40</sup> The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

## Part E - Information on risks and hedging policies

### 2.2.3 Exchange rate risk

#### Qualitative information

##### A. General aspects, risk management processes and measurement methods

Exchange rate risk originates both from banks in the Group operating in currency areas other than the Eurozone and from positions taken by specialist centres holding the Group's market risk within the limits assigned.

Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC. Volatility trading strategies are implemented using options. Exchange rate risk is constantly monitored and measured by using internal models developed by Group companies.

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models. These models are also used to calculate capital requirements on market risks due to the exposure to such risk.

As regards stress test refer to the introduction on "Risk management strategies and processes" paragraph and for the complex scenarios' description to "Stress test" paragraph.

##### 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.

Regarding banking book the Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone, taking into account market circumstances for the hedging strategies.

#### Quantitative information

##### 1. Distribution by currency of assets and liabilities and derivatives

ITEMS	AMOUNTS AS AT 12.31.2019					
	CURRENCIES					
	U.S. DOLLAR	SWITZERLAND FRANC	JAPAN YEN	BRITISH POUND	POLAND ZLOTY	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>41,782</b>	<b>8,983</b>	<b>6,649</b>	<b>3,660</b>	<b>847</b>	<b>138,977</b>
A.1 Debt securities	8,929	315	6,223	1,065	347	25,219
A.2 Equity securities	920	208	22	166	2	244
A.3 Loans to banks	6,358	1,277	124	89	267	14,028
A.4 Loans to customers	25,554	7,133	280	2,335	231	99,251
A.5 Other financial assets	21	50	-	5	-	235
<b>B. Other assets</b>	<b>663</b>	<b>5</b>	<b>3</b>	<b>353</b>	<b>3</b>	<b>407</b>
<b>C. Financial liabilities</b>	<b>45,618</b>	<b>695</b>	<b>207</b>	<b>2,051</b>	<b>322</b>	<b>107,753</b>
C.1 Deposits from banks	13,905	44	3	1,158	28	16,806
C.2 Deposits from customers	19,912	505	96	840	231	74,975
C.3 Debt securities in issue	11,669	144	104	7	59	15,743
C.4 Other financial liabilities	132	2	4	46	4	229
<b>D. Other liabilities</b>	<b>35</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>404</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	467	23	7	45	2	346
+ Short positions	414	2	-	51	6	258
- Other derivatives						
+ Long positions	14,527	19,105	4,890	8,510	3,900	35,981
+ Short positions	7,625	20,010	2,794	10,560	3,820	34,412
<b>Total assets</b>	<b>57,439</b>	<b>28,116</b>	<b>11,549</b>	<b>12,568</b>	<b>4,752</b>	<b>175,711</b>
<b>Total liabilities</b>	<b>53,692</b>	<b>20,709</b>	<b>3,001</b>	<b>12,665</b>	<b>4,149</b>	<b>142,827</b>
<b>Difference (+/-)</b>	<b>3,747</b>	<b>7,407</b>	<b>8,548</b>	<b>(97)</b>	<b>603</b>	<b>32,884</b>

(€ million)

## Part E - Information on risks and hedging policies

### 2. Internal models and other methodologies for sensitivity analysis

Transactional FX risk (impact of fluctuations in foreign exchange rates on the Group's Profit & Loss in the period) measurement and reporting is part of the Group's market risk framework.

In UGRM, transactional exchange risk exposures are incorporated in the relevant risk calculation, limit monitoring and reporting.

Every Legal Entity is required to setup, as part of the respective Market Risk framework, a sound limit system for managing and controlling Transactional Exchange Risk. As a minimum requirement, the limit system shall envisage FX Delta limits for the main currencies which the business is exposed to or for aggregation of currencies.

FX Delta limits are part of the Granular Market Risk Limits and are ruled by the Group Policy "Market Risk Limits".

### Credit spread risk

#### Qualitative information

##### A. General aspects

Risk relating to credit spreads and related credit derivative products included in Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.

Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC.

##### B. Risk management processes and measurement methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to introduction on internal models.

As regards stress Test refer to the introduction on "Risk management strategies and processes" and for the complex scenarios' description to "Stress test" paragraph.

#### Quantitative information

##### Credit spread sensitivity

Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp/+10bp/+100bps in the credit spread curves.

These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

The table below shows trading book sensitivities.

(€ million)

	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	+10BP	+100BP
<b>Total</b>	0.0	-0.1	-0.1	-0.4	-0.5	0.3	-0.2	-0.9	-8.7	-80.7
<b>Rating</b>										
AAA	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0	-0.0	-0.1	-1.2	-2.8
AA	-0.0	-0.0	-0.0	-0.0	-0.1	-0.1	-0.0	-0.2	-1.9	-17.8
A	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0	0.0	-0.1	-1.4	-14.2
BBB	0.0	-0.1	-0.1	-0.2	-0.3	0.4	-0.1	-0.3	-3.5	-35.6
BB	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.4	-3.7
B	0.0	-0.0	-0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.1	-1.1
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-2.2
<b>Sector</b>										
<b>Sovereigns &amp; Related</b>	0.0	-0.1	-0.1	0.0	-0.3	0.4	-0.2	-0.2	-2.1	-11.1
<b>ABS and MBS</b>	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.1	-1.3
<b>Financial Services</b>	-0.0	0.0	-0.0	-0.3	-0.2	-0.0	-0.0	-0.5	-5.5	-53.8
<b>All Corporates</b>	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0	0.0	-0.1	-1.0	-12.4
Basic Materials	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	-0.1	-0.9
Communications	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	-1.5
Consumer Cyclical	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	-0.1	-1.2
Consumer Non cyclical	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.3	-2.8
Energy	-0.0	-0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.1	-1.4
Technology	0.0	0.0	-0.0	0.0	-0.0	-0.0	0.0	-0.0	-0.1	-1.1
Industrial	0.0	-0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.0	-0.1	-0.7
Utilities	-0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.1
All other Corporates	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

## Part E - Information on risks and hedging policies

### **Stress test**

Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

The description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors is reported below. For the description of simple scenarios, refer to the previous paragraphs.

As far as complex scenarios are concerned, different scenarios have been applied to the whole Group Trading Book on a monthly basis and reported to the Top Management.

### *Widespread contagion*

In this scenario, we assume an intensification of political risks across the EU. Confidence of financial markets, businesses and households sours, leading to tighter financial conditions and lower economic activity.

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.

In GDP space, Italy and Spain are most impacted. France follows suit, while Germany is the least affected. At the eurozone level, GDP is seen contracting 0.6% in 2020 and 2021, followed by a slow recovery to 0.7% in 2022. Overall, the cumulative loss vs. baseline over the three years is 3.8 pp.

Inflation in the eurozone would remain low in 2020-2022, reflecting a wider output gap and lower oil prices, while the weaker euro is expected to partially offset some of these drags.

The ECB would cut the deposit rate – now de facto the true policy rate – by a cumulative 30bp to -0.80% over the forecast horizon, while keeping the refi rate at 0.00%. The size of the rate reduction is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is close to the effective lower bound and side effects of negative rates could start surfacing before long. The rate cuts are likely to be accompanied by enhancement of mitigating measures to support profitability of the banking sector, for example an increase of the tiering multiplier. Another dose of QE appears likely at a time of meaningful deviation from the price stability target. The slow growth recovery in 2022 is unlikely to allow the ECB to raise the deposit rate.

Brexit, along with an escalation of political risks in the EU, weighs more heavily on business investment and consumer confidence in the UK. UK GDP growth is slightly negative in 2020 (-0.2%), with a modest recovery afterwards. The opening up of a sizable output gap and the fall in sterling import prices (with lower USD oil prices more than offsetting sterling depreciation) means inflation stays subdued for longer. The rise in unemployment and the lower inflation level moderates wage growth. Capital outflows induce some adjustment of the UK's large current account deficit. The response of fiscal authorities is to ease policy, while the BoE cuts rates to 0.00% and likely restarts QE.

The US economy should be less affected than the 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 lower stock prices, which directly affect US household finances and balance sheets. The adverse growth shock would lead the Fed to deliver more aggressive easing compared to the baseline. In this scenario we expect the Fed to cut policy rates to 0%.

### *Protectionism, China slowdown & Turkey shock*

In this risk scenario, we assume the introduction of protectionist policies in the US that generate meaningful retaliation by its trading partners, leading to an escalation of trade frictions globally. This intensifies downward pressure on GDP growth in emerging markets, especially China, where growth slows from 6% to 3%. On top of this, we assume a growth shock in Turkey, where economic fundamentals are weak and domestic political picture does not reassure foreign investors.

This is a more global shock than "Widespread Contagion" and the main transmission channels are trade and financial markets – the latter predominantly via an aggressive sell-off in risky assets and its negative impact on confidence and investment plans. Moreover, as China is a big commodity importer, its slowdown is expected to increase downward pressure on commodity prices, damaging commodity producers like Russia.

## Part E - Information on risks and hedging policies

The drag on eurozone GDP via the trade channel is supposed to come mostly from the financial and confidence channel rather than by a slowing trade activity. In general, we assume the overall drag to reflect the openness of the economy and the weight of China as an export destination. Exports to China amount to 1.5% of eurozone GDP. Among the main euro area countries, this share is highest in Germany (2.8%), followed by France (0.9%), Italy (0.7%) and Spain (0.5%). 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, the eurozone economy is assumed to contract both in 2020 and 2021 (-1.4% and -1.2%, respectively), with only a slow recovery in 2022 (+0.4%). Over three years, the cumulative GDP loss vs. baseline would be 5.5pp. Germany would experience a GDP contraction of 2.4% in 2020, 2.8% in 2021 and a stagnating economy in 2022. The negative impact of the trade and financial shock on the German economy is assumed to be partly mitigated by fiscal policy (with the main aim to support labor income), while in the other eurozone countries, where room for maneuver on fiscal policy is smaller, the fiscal deficit deterioration will largely reflect automatic stabilizers, like an increase in unemployment benefits. Lower oil prices work as automatic stabilizer, reducing the scale of the GDP shock in energy-importing countries.

Inflation in the eurozone will likely be lower compared to "Widespread Contagion", reflecting a bigger output gap and a larger decline in oil prices

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 30bp to -0.80% over the forecast horizon, while keeping the refi rate at 0.00%. The size of the rate reduction is still modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is close to the effective lower bound as side effects of negative rates could start surfacing before long. The rate cuts are likely to be accompanied by enhancement of mitigating measures to support profitability of the banking sector, for example an increase of the tiering multiplier. Another dose of QE appears likely at a time of meaningful deviation from the price stability objective.

The UK is an open economy, although direct trade exposure to China is relatively modest. We assume a large adverse growth impact via the shock to global confidence and capital flows. The UK economy contracts in 2020 and 2021. The steep fall in oil prices and other global commodity prices results in a lower path for UK inflation. Unemployment rises as the economy slows.

The US economy should be less affected than the eurozone, due to its stronger reliance on domestic demand and potentially some short term positive impact of protectionist measures. However, in this scenario of a more global shock, weaker global growth is expected to lead to a stagnating US economy in 2020 and to cause a modest recession in 2021 (-0.4%) through weaker exports and a cutback in investment activity, which eventually will weigh on the labor market and thus on consumer spending as well. The Federal Reserve is likely to cut rates aggressively to 0.00%.

### *US Hard Landing*

In this risk scenario, we assume that the longest expansion phase in US history comes to an abrupt end and the UK leaves the EU without a deal (at end-2020, but some of the effects are already brought forward as businesses start to make adjustments). The US enters a deep recession as the fading fiscal boost, a loss of labor market dynamics, and the drag from protectionist measures expose the vulnerabilities of the corporate sector. A no-deal Brexit leads to meaningful disruptions in UK imports causing a strong recession.

The US economy experienced a strong recession. The additional cumulative shock to real GDP between 2020 and 2022 amounts to about 5%. As a result, the jobless rate will almost double from currently 3½% to above 7%. This increasing slack will take the pressure off wage gains, and in combination with a sharp drop in commodity prices, push the inflation rate into negative territory in 2021. The sharp recession triggers policy easing by both monetary and fiscal authorities. The Federal Reserve will aggressively cut the target rate back to a range of 0.00-0.25%, and leave it there for the forecast horizon. The rate cuts will most likely be accompanied by an accommodative forward guidance on rates and a renewed expansion of the balance sheet. Automatic stabilizers and some discretionary fiscal stimulus will push the budget deficit to almost 8% in 2021, sending the general government's total debt-to-GDP ratio towards 120%.

The UK enters a deep recession, with the cumulative shock to GDP amounting to 6% of GDP to end-2022. Inflation initially rises (relative to the baseline) due the one-off impact of higher tariffs (the UK is assumed to lower MFN tariffs temporarily but overall tariffs will rise because imports from the EU will no longer be tariff-free), supply disruptions and, importantly, a large fall in the effective sterling exchange rate. After the first year the effects of a much more negative output gap and lower commodity prices start to dominate and inflation eases. Unemployment rises materially.

## Part E - Information on risks and hedging policies

The drag on eurozone GDP is likely to materialize both via trade and the financial and confidence channel. In general, we assume the overall drag to reflect the openness of the economy and the weight of the US and the UK as export destinations. Germany is expected to be the most damaged country in this risk scenario, while Spain is likely to be the least impacted. Austria's direct exposure to the US and UK is not particularly high (exports are about 4% of GDP), but given the country's very large exposure to Germany, in our estimates, the growth shock exceeds that for the eurozone.

In this risk scenario, eurozone growth is assumed to turn negative in 2020 (-0.6%), with the recession set to deepen in 2021 (-1.0%) and only a slow recovery in 2022 (+0.6%). Over three years, the cumulative GDP loss vs. baseline would be 4.3pp.

Inflation in the eurozone will likely be lower compared to "Widespread Contagion", reflecting the wider output gap and the larger decline in oil prices.

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 30bp to -0.80% over the forecast horizon, while keeping the refi rate at 0.00%. The size of the rate reduction is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is close to the effective lower bound as side effects of negative rates could start surfacing before long. The rate cuts are likely to be accompanied by enhancement of mitigating measures to support profitability of the banking sector, for example an increase of the tiering multiplier. Another dose of QE appears likely at a time of meaningful deviation from the price stability objective.

### Stress Test on Trading book

(€ million)

	END OF DECEMBER 2019		
	WIDESPREAD CONTAGION	PROTECTIONISM	IR SHOCK
<b>UniCredit group total</b>	<b>-106</b>	<b>-178</b>	<b>-103</b>
RC Germany	-82	-170	-119
RC Italy	-21	-12	13
RC Austria	-3	-3	4
RC CEE	0	7	-2

Most of conditional losses in Trading Book are in UCB AG and are mainly driven by CIB Fixed Income & Currencies and Equity and Commodity Trade business lines in all scenarios, due to widening in Credit Spreads, partially offset in US Hard Landing by depreciation of USD and GBP. In UniCredit S.p.A. conditional losses in Protectionism and Widespread Contagion scenarios, and conditional profits in US Hard Landing are respectively driven by appreciation and depreciation of USD impacting mainly CIB CVA Hedge business line.



## Part E - Information on risks and hedging policies

### 2.3 Derivative instruments and hedging policies

#### 2.3.1 Trading financial derivatives

##### A Financial Derivatives

##### A.1 Trading financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
1. Debt securities and interest rate indexes	1,859,146	697,761	117,853	40,663	1,340,947	421,799	119,978	54,714
a) Options	-	184,313	19,352	153	-	127,433	22,952	6,987
b) Swap	1,610,189	512,925	95,917	-	1,092,535	293,566	95,925	-
c) Forward	248,179	523	1,835	3	242,603	800	17	-
d) Futures	778	-	733	40,507	5,809	-	883	47,727
e) Other	-	-	16	-	-	-	201	-
2. Equity instruments and stock indexes	-	28,382	3,038	74,811	-	29,093	3,061	57,784
a) Options	-	21,919	2,924	46,749	-	19,627	2,890	34,111
b) Swap	-	6,463	5	-	-	9,466	1	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	28,062	-	-	-	23,673
e) Other	-	-	109	-	-	-	170	-
3. Gold and currencies	823	360,905	99,339	79	1,041	358,346	107,721	105
a) Options	-	57,423	9,923	-	-	51,092	11,007	-
b) Swap	-	141,991	21,813	-	-	145,679	22,873	-
c) Forward	823	55,944	45,388	-	1,041	60,591	46,930	-
d) Futures	-	-	-	79	-	-	-	105
e) Other	-	105,547	22,215	-	-	100,984	26,911	-
4. Commodities	-	3,019	3,084	8,810	-	2,712	2,648	6,492
5. Other	-	527	2,381	2,968	-	64	842	2,423
Total	1.859.969	1.090.594	225.695	127.331	1.341.988	812.014	234.250	121.518

This table refers to the notional values of financial derivatives according to classification within accounting trading portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## Part E - Information on risks and hedging policies

## A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

(€ million)

TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
1. Positive fair value								
a) Options	-	5,257	1,221	2,329	-	3,130	1,972	2,017
b) Interest rate swap	21,263	24,358	2,560	-	13,201	15,889	4,241	-
c) Cross currency swap	-	3,472	848	-	-	4,904	974	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	35	534	753	-	6	607	914	-
f) Futures	-	45	-	738	-	-	1	510
g) Other	-	1,174	338	2	-	1,048	496	2
Total	21,298	34,840	5,720	3,069	13,207	25,578	8,598	2,529
2. Negative fair value								
a) Options	-	6,084	333	2,642	-	4,961	279	1,974
b) Interest rate swap	25,435	19,757	1,471	-	14,448	15,135	862	-
c) Cross currency swap	-	3,474	501	-	-	4,809	736	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	37	662	971	-	12	784	1,016	-
f) Futures	-	-	1	1,060	-	-	1	2,947
g) Other	-	1,226	363	-	-	1,098	475	-
Total	25,472	31,203	3,640	3,702	14,460	26,787	3,369	4,921

This table presents distribution by product of the gross positive and negative financial derivatives' fair values according to classification within accounting trading portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## Part E - Information on risks and hedging policies

## A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2019			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	15,658	29,842	72,354
- Positive fair value	X	249	502	2,677
- Negative fair value	X	214	707	575
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	395	1,358	1,285
- Positive fair value	X	123	158	3
- Negative fair value	X	168	13	130
<b>3) Gold and currencies</b>				
- Notional amount	X	19,144	28,544	51,651
- Positive fair value	X	173	618	924
- Negative fair value	X	201	350	809
<b>4) Commodities</b>				
- Notional amount	X	1	301	2,782
- Positive fair value	X	-	7	276
- Negative fair value	X	2	15	193
<b>5) Other</b>				
- Notional amount	X	208	301	1,871
- Positive fair value	X	-	5	6
- Negative fair value	X	6	104	156
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	1,859,145	268,175	359,752	69,834
- Positive fair value	21,292	12,493	6,779	9,677
- Negative fair value	25,469	15,999	7,674	1,156
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	18,408	9,615	359
- Positive fair value	-	306	97	9
- Negative fair value	-	754	151	9
<b>3) Gold and currencies</b>				
- Notional amount	823	280,916	56,382	23,606
- Positive fair value	5	3,406	872	1,002
- Negative fair value	3	3,911	751	600
<b>4) Commodities</b>				
- Notional amount	-	381	196	2,441
- Positive fair value	-	21	13	164
- Negative fair value	-	7	18	157
<b>5) Other</b>				
- Notional amount	-	-	-	527
- Positive fair value	-	-	-	1
- Negative fair value	-	-	-	16

This table presents distribution by counterparty of the notional amount and gross positive and negative financial derivatives' fair values according to classification within accounting trading portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## Part E - Information on risks and hedging policies

## A.4 OTC financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	995,688	892,008	787,064	2,674,760
A.2 Financial derivative contracts on equity securities and stock indexes	15,187	11,238	4,995	31,420
A.3 Financial derivative contracts on exchange rates and hold	293,041	117,892	50,134	461,067
A.4 Financial derivative contracts on other values	4,158	1,690	255	6,103
A.5 Other financial derivatives	2,069	789	49	2,907
<b>Total 12.31.2019</b>	<b>1,310,143</b>	<b>1,023,617</b>	<b>842,497</b>	<b>3,176,257</b>
<b>Total 12.31.2018</b>	<b>961,227</b>	<b>832,076</b>	<b>594,948</b>	<b>2,388,251</b>

## B. Credit derivatives

## B.1 Trading credit derivatives: end of period notional amounts

(€ million)

CATEGORY OF TRANSACTIONS	TRADING DERIVATIVES	
	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
<b>1. Protection buyer's contracts</b>		
a) Credit default products	2,769	2,402
b) Credit spread products	-	-
c) Total rate of return swap	780	-
d) Other	-	-
<b>Total 12.31.2019</b>	<b>3,549</b>	<b>2,402</b>
<b>Totale 12.31.2018</b>	<b>7,637</b>	<b>6,309</b>
<b>2. Protection seller's contracts</b>		
a) Credit default products	2,116	2,219
b) Credit spread products	-	1,000
c) Total rate of return swap	972	-
d) Other	-	-
<b>Total 12.31.2019</b>	<b>3,088</b>	<b>3,219</b>
<b>Total 12.31.2018</b>	<b>7,393</b>	<b>6,461</b>

This table refers to the notional values of credit derivatives according to classification within accounting trading portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## B.2 Trading credit derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPES OF DERIVATIVE INSTRUMENTS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Positive fair value</b>		
a) Credit default products	79	203
b) Credit spread products	-	-
c) Total rate of return swap	35	8
d) Other	-	-
<b>Total</b>	<b>114</b>	<b>211</b>
<b>2. Negative fair value</b>		
a) Credit default products	103	215
b) Credit spread products	-	-
c) Total rate of return swap	157	139
d) Other	-	-
<b>Total</b>	<b>260</b>	<b>354</b>

This table presents distribution by product of the gross positive and negative credit derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## Part E - Information on risks and hedging policies

### B.3 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 12.31.2019			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	X	598	182	-
- Positive fair value	X	17	-	-
- Negative fair value	X	11	20	-
<b>2) Protection seller's contracts</b>				
- Notional amount	X	972	-	-
- Positive fair value	X	18	-	-
- Negative fair value	X	127	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	-	3,183	1,988	-
- Positive fair value	-	9	2	-
- Negative fair value	-	43	46	-
<b>2) Protection seller's contracts</b>				
- Notional amount	18	2,084	3,233	-
- Positive fair value	-	25	42	-
- Negative fair value	-	10	4	-

This table presents distribution by counterparty of the notional amount and gross positive and negative credit derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

### B.4 OTC trading credit derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY		OVER 1 YEAR UP TO 5 YEARS			TOTAL
		UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	
1. Protection buyer's contracts		3,714	2,473	120	6,307
2. Protection seller's contracts		3,365	1,993	592	5,950
<b>Total 12.31.2019</b>		<b>7,079</b>	<b>4,466</b>	<b>712</b>	<b>12,257</b>
<b>Total 12.31.2018</b>		<b>13,395</b>	<b>13,782</b>	<b>623</b>	<b>27,800</b>

This table refers to the notional values of credit derivatives according to classification within accounting trading portfolio applied in the separate financial statements of the legal entities belonging to Regulatory consolidation.

### B.5 Credit derivatives linked to fair value option: annual changes

No data to be disclosed.

### 2.3.2 Hedging policies

#### Qualitative information

Hedging derivative transactions are used to manage the exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations and are executed in accordance with internal policies.

Derivatives are mainly used to manage of the banking book interest rate risk with the following goals:

- reducing banking book interest rate risk profile according to *Risk Appetite Framework* approved by the Board of Directors and limits defined by relevant Committees or risk functions. Within *Risk Appetite Framework*, the banking book exposure to interest rate risk is defined either in terms of *Net Interest Income Sensitivity* and *Economic Value Sensitivity*;
- optimizing the natural hedge between the risk profile of assets and liabilities using derivatives to manage the mismatch, even temporary, between the volume and the rates of assets and liabilities with different repricing schedules;
- minimizing the net exposure of derivatives used for hedging either assets and liabilities.

#### A Fair value hedging activities

The objective of fair value hedge on assets/liabilities is to hedge the exposure to changes in fair value coming from the embedded risk factor subject to an hedging transaction.

## Part E - Information on risks and hedging policies

The fair value hedge is applied both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, fixed rate loans and non-maturity deposits).

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

The hedging strategy on identified financial instruments classified as *Held-to-Collect* (HTC) and *Held-to-Collect & Sell* (HTCS) considers the contractual features of each instruments and business intent.

The hedging strategy on portfolios of financial instruments refers to the amounts of money contained in the portfolio of interest rate exposures that are not already subject to "micro/specific" hedging and mirrors to the nominal amount and financial conditions of hedging derivatives

The objective of fair value hedge on assets/liabilities denominated in foreign currency is to hedge the exposure to changes in fair value by converting to Euro denominated assets/liabilities.

The hedging instruments used mainly consist of interest rate swaps, basis swaps, caps, floors and cross currencies swaps.

### *B. Cash flow hedging activities*

The objective of cash flow hedge on floating rate assets/liabilities is to hedge the exposure to changes in cash flows from borrowings/lendings that bear a floating interest rate.

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

The hedging instruments used mainly consist of interest rate swaps, caps, floors, cross-currency swaps with a maturity up to 20-30 years for some commercial assets.

### *C. Foreign net investments hedge activities*

No hedging strategy is in place on an investment in entities whose functional currency differs from the Group's functional currency.

The Group put in place some economic hedges on forecasted foreign currency revenues stemming from those entities. The objective of the economic hedge on is to reduce the volatility on the income statement coming from the foreign exchange risks. FX risk on forecasted foreign currency revenues is continuously monitored and hedging strategies are periodically assessed. The hedging strategy and the percentage to be hedged is defined on a case by case basis considering, inter alia, the diversification effect and taking into account the volatility and correlation in the FX rates.

The derivatives used consist mainly of currency options. These derivatives may not qualify or should be not qualify for hedge accounting even though achieves substantially the same economic results. The impact of economic hedge is accounted in Item 80 - Trading Income line.

### *D. Hedging instruments and E. Hedged elements*

Prospective hedge effectiveness is established by the fact that all derivatives must, at inception, have the effect of reducing interest rate risk in term of *Economic Value Sensitivity* (Fair Value Hedge) or *Net Interest Income Sensitivity* (Cash Flow Hedge) in the specific/portfolio of hedged underlyings.

Retrospectively the hedge effectiveness is quarterly measured by referring to the most stable portion of assets/liabilities using a portfolio hedge approach or by referring to the portion of risk being hedged using a micro/specific approach.

Sources of ineffectiveness comes from (i) the Euribor/Eonia basis for hedging derivatives transactions subject to a collateral agreement, (ii) Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair values, (iii) shortfall arising in the underlying's specifically associated with that hedge in term of nominal or reverse sensitivity due to prepayment or default on commercial assets or withdrawals on liabilities included such as commercial non maturity deposits and are presented in Item 90 - Net gains (losses) on hedge accounting.

## Part E - Information on risks and hedging policies

## Quantitative information

## A. Hedging financial derivatives

## A.1 Hedging financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
1. Debt securities and interest rate indexes	109,830	18,477	214,097	7,585	86,191	15,732	268,690	4,100
a) Options	-	1,691	-	-	-	2,412	-	-
b) Swap	109,277	16,786	10,529	-	85,634	13,320	11,331	-
c) Forward	553	-	-	-	557	-	-	-
d) Futures	-	-	203,568	7,585	-	-	257,359	4,100
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	-	7,394	1,001	-	-	9,013	3,259	-
a) Options	-	-	13	-	-	-	-	-
b) Swap	-	7,394	988	-	-	7,703	3,259	-
c) Forward	-	-	-	-	-	1,310	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	109,830	25,871	215,098	7,585	86,191	24,745	271,949	4,100

This table refers the notional value of cash-flow hedging derivatives according to classification within the accounting hedging portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

AMOUNT AS AT 12.31.2019					AMOUNT AS AT 12.31.2018					AMOUNT AS AT 12.31.2019	AMOUNT AS AT 12.31.2018
POSITIVE AND NEGATIVE FAIR VALUE					POSITIVE AND NEGATIVE FAIR VALUE						
OVER THE COUNTER				ORGANISED MARKETS	OVER THE COUNTER				ORGANISED MARKETS		
WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES		WITHOUT CENTRAL COUNTERPARTIES						
CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT					
TYPE OF DERIVATIVES	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS		
1. Positive fair value											
a) Options	-	19	-	-	-	18	-	-	-	-	
b) Interest rate	3,796	251	97	-	2,668	280	293	-	-	-	
c) Cross currency swap	-	56	8	-	-	62	32	-	-	-	
d) Equity swap	-	-	-	-	-	-	-	-	-	-	
e) Forward	-	-	-	-	-	4	-	-	-	-	
f) Futures	-	-	146	-	-	-	99	-	-	-	
g) Other	-	-	-	18	-	-	-	18	-	-	
Total	3,796	326	251	18	2,668	364	424	18	-	-	
2. Negative fair value											
a) Options	-	152	-	-	-	61	-	-	-	-	
b) Interest rate	1,159	681	274	-	994	508	148	-	-	-	
c) Cross currency swap	-	228	45	-	-	357	51	-	-	-	
d) Equity swap	-	-	-	-	-	-	-	-	-	-	
e) Forward	-	-	-	-	-	-	-	-	-	-	
f) Futures	-	-	166	1	-	-	99	-	-	-	
g) Other	-	-	-	1	-	-	-	1	-	-	
Total	1,159	1,061	485	2	994	926	298	1	-	-	

This table presents distribution by product of the gross positive and negative cash-flow hedging derivatives' fair values according to classification within the accounting hedging portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.



## Part E - Information on risks and hedging policies

## A.3 OTC hedging financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2019			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	213,611	392	95
- Positive fair value	X	238	3	2
- Negative fair value	X	403	36	1
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	X	950	36	14
- Positive fair value	X	8	-	-
- Negative fair value	X	41	4	-
<b>4) Commodities</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>5) Other</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	109,830	13,873	4,114	491
- Positive fair value	3,796	195	62	13
- Negative fair value	1,159	529	207	97
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	-	7,223	171	-
- Positive fair value	-	55	-	-
- Negative fair value	-	228	-	-
<b>4) Commodities</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>5) Other</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

This table presents distribution by counterparty of the notional amount and the gross positive and negative cash-flow hedging derivatives' fair values according to classification within the accounting hedging portfolio applied in the separate financial statements of the legal entities belonging to the Regulatory consolidation.

## A.4 OTC hedging financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY		UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates		152,365	143,350	46,690	342,405
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold		2,780	5,572	43	8,395
A.4 Financial derivative contracts on other values		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
<b>Total 12.31.2019</b>		<b>155,145</b>	<b>148,922</b>	<b>46,733</b>	<b>350,800</b>
<b>Total 12.31.2018</b>		<b>122,285</b>	<b>219,707</b>	<b>40,894</b>	<b>382,886</b>

## Part E - Information on risks and hedging policies

### *B. Hedging credit derivatives*

No data to be disclosed.

### *C. Hedging instruments not derivatives*

Note that, as provided by the Circular 262 of Banca d'Italia, the present table is not disclosed as 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.

### *D. Hedges instruments*

Note that 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.

## Part E - Information on risks and hedging policies

## Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT	12.31.2019
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
<b>A) Fair value hedge</b>		
<b>1. Assets</b>		
<b>1.1 Financial assets measured at fair value through other comprehensive income</b>	<b>49,241</b>	<b>7</b>
1.1.1 Interest rate	49,105	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	136	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
<b>1.2 Financial assets measured at amortised cost</b>	<b>32,394</b>	<b>2,532</b>
1.2.1 Interest rate	32,394	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
<b>2. Liabilities</b>		
<b>2.1 Financial liabilities measured at amortised costs</b>	<b>1,806</b>	<b>3,027</b>
2.1.1 Interest rate	1,806	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
<b>B) Cash flow hedge</b>		
<b>1. Assets</b>	<b>-</b>	<b>X</b>
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
<b>2. Liabilities</b>	<b>56</b>	<b>X</b>
2.1 Interest rate	56	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
<b>C) Hedge of net investments in foreign operations</b>	<b>-</b>	<b>X</b>
<b>D) Portfolio - Assets</b>	<b>X</b>	<b>944</b>
<b>E) Portfolio - Liabilities</b>	<b>X</b>	<b>2,139</b>

## E. Effects of hedging policy at equity

This table has to be filled in only by entities that apply IFRS9 hedge accounting rules.

## Part E - Information on risks and hedging policies

### 2.3.3 Other information on derivatives instruments (trading and hedging)

#### A. Financial and credit derivatives

##### A.1 OTC financial and credit derivatives: net fair value by counterparty

(€ million)

	AMOUNTS AS AT 12.31.2019			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>A. Financial derivatives</b>				
<b>1) Debt securities and interest rates</b>				
- Notional amount	1,928,842	280,793	354,779	85,455
- Positive net fair value	-	12,737	2,979	10,308
- Negative net fair value	-	16,485	4,301	1,397
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	18,771	10,879	474
- Positive net fair value	-	426	255	-
- Negative net fair value	-	922	160	29
<b>3) Gold and currencies</b>				
- Notional amount	-	269,256	79,095	48,323
- Positive net fair value	-	3,282	1,431	1,337
- Negative net fair value	-	3,938	1,027	830
<b>4) Commodities</b>				
- Notional amount	-	382	301	2,859
- Positive net fair value	-	21	16	242
- Negative net fair value	-	8	25	222
<b>5) Other</b>				
- Notional amount	-	-	255	2,309
- Positive net fair value	-	-	5	7
- Negative net fair value	-	-	102	170
<b>B. Credit derivatives</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	-	3,183	1,988	-
- Positive net fair value	-	9	2	-
- Negative net fair value	-	43	46	-
<b>2) Protection seller's contracts</b>				
- Notional amount	18	3,056	3,233	-
- Positive net fair value	-	43	42	-
- Negative net fair value	-	137	4	-

### 2.4 Liquidity risk

#### Qualitative information

##### A. General aspects, operational processes and methods for measuring liquidity risk

Liquidity risk is defined as the risk that the Group may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardising its day-to-day operations or its financial condition.

#### The key principles

##### The liquidity reference banks

The Group aims at maintaining liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.

To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, the Parent Company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at Group level, to ensure that liquidity position of any entity meets the requirements of the Group.

For these reasons, the Group is organised on a managerial perspective, according to the concept of the liquidity reference bank.

## Part E - Information on risks and hedging policies

The liquidity reference banks are legal entities that act in their responsibility as liquidity hub. They are in charge:

- of the liquidity management and concentration process of liquidity flows of the legal entities falling within their perimeter of responsibility;
- of the funding optimisation carried out on the relevant local markets and are responsible to coordinate the access to short-term and medium long term markets of the legal entities belonging to their perimeter;
- finally, of the implementation of the Group's liquidity rules at local level in line with Group's Governance Guideline and Policy and with local regulations.

A particularly important role is played by the Parent Company, as a "supervisory and overarching liquidity reference bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Parent company has the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or legal entities.

In particular, the Parent company functions are responsible for the following:

- outlining Group overall liquidity risk management strategies;
- developing liquidity risk metrics and methodologies;
- setting specific limits for liquidity risk exposures, in line with the Group risk appetite;
- optimising liquidity allocation amongst legal entities, in compliance to the local regulations and transferability limitation;
- coordinating access to financial markets for liquidity management;
- outlining the yearly Group funding and contingency funding plan, coordinating and monitoring their execution;
- assessing the adequacy of the liquidity reserves buffers at legal entity and Group level;
- coordinating the refinancing transactions with the ECB;
- defining, periodically reviewing the Group ILAAP and approving the Group ILAAP Report on yearly basis.
- The Parent Company, moreover, acts as the liquidity reference bank for the Italian perimeter.

### *The principle of "self-sufficiency"*

This organisational model allows self-sufficiency of the Group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Parent Company, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group<sup>41</sup>.

As a general rule, the large exposure regime, which came into force on 31 December 2010, limits interbank exposures to a maximum of 25% of Own Funds: this rule is also applicable to intra-group exposures.

However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many CEE countries the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the National law, the 25% of Own Funds limit is not applied to exposures towards the parent company, if located in the European Economic Area; finally, in Germany the national Regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.

In the absence of official limits valid at national level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their national banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.

For these reasons, the "Liquidity management & control group policy" provides for a further principle in order to enhance a sound liquidity risk management; each legal entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition, the Group rule states that each LE (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This self-sufficiency principle is reflected in a specific "limit structure": limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among legal entities.

This type of organisation promotes the self-sufficiency of the legal entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimising: i) the liquidity surpluses and deficits within the Group's legal entities ii) the overall costs of funding across the Group.

### *Roles and responsibilities*

At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the Group Financial Office competence line, and the Treasury function (within the "Markets" Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d'Italia).

<sup>41</sup> Also Banca d'Italia Rules, Circular 285, foresees that the Group should ensure the maintenance through the time of adequate reserves in each legal entity, in order to take into account possible regulatory constraints (First Part, Title IV, Chapter 6, Section III, paragraph 7).

## Part E - Information on risks and hedging policies

Specifically, the Risk Management function is responsible for the independent control of liquidity risk and of balance sheet interest rate and FX risk at Group level and for the internal and regulatory stress testing. In detail:

- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independent internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the risk tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the risk appetite framework;
- assessing and monitoring liquidity risk exposure trends at Group and Country level and confronting them with the respective limits and triggers;
- verifying the correct implementation of the agreed mapping rules;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- developing and performing the liquidity stress test at Group level, analysing the outcome, delineating new scenarios to be taken into account and centralising the action plan relating to the stress test results; it is also responsible of periodically reviewing the liquidity stress test framework;
- monitoring the liquidity risk and producing regular risk reporting at Group level in alignment with Basel Committee's "Principles for effective risk data aggregation and risk reporting", setting common standards in terms of presentations and communications.
- performing internal validation activities at Group level on systems for measuring liquidity risks on related processes and data quality and IT components, as well as on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;
- developing and back-testing the behavioural models for the measurement of the liquidity risk;
- validating, controlling the implementation and releases independent assessments on the models to map the liquidity profile of balance sheet items (i.e. deposit stickiness, prepayment, behavioural models, etc.).

Group Treasury acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group's legal entities, and applies the appropriate transfer prices to such funds movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets

Group Financial Office competence line is responsible for the coordination of the overall financial planning process at Group, liquidity reference banks and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term Group's funding strategy (including securitisation operations), coordinating the access to national and international capital markets for all the liquidity reference banks and relevant LEs, exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources. In addition to this, the function performs first level controls on liquidity positions managed by Group Finance and Group Treasury aimed at ensuring the proper P&L and liquidity workflow of the operations and defines conditions and rules for transfer price application.

All the relevant issues that concern the liquidity risk and management perspective of the Group are discussed in GALCO (Group assets & liabilities committee).

The main responsibilities of GALCO are:

- participating by advising and proposing the definition of the strategies, policies, methodologies and limits for liquidity risk, fund transfer pricing, funding plan and contingency funding plan;
- contributing to the definition of the Risk Appetite in terms of thresholds for liquidity risk, interest rate risk of the banking book and FX risk;
- optimising the liquidity risk profile of the Group within the defined limits;
- controlling the liquidity risk, including the periodical reports that have to be delivered to regulators;
- approving and validate the liquidity stress test scenarios and the related assumptions;
- approving the ILAAP proposal and the regulatory reporting to be submitted to Group risk & internal control committee (GR&ICC);
- approving the operational strategies for the evolution of the balance sheet and the application of fund transfer price for the Italian perimeter.

The optimisation of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual liquidity reference banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the Group's Risk Management to ensure that they comply with the metrics and the objectives of the Group's liquidity framework.

In addition, the regional rules must comply with national laws and regulatory requirements.

## Part E - Information on risks and hedging policies

### ***Risk measurement and reporting systems***

#### *Techniques for risk measurement*

The different types of liquidity risk managed by the bank are:

- short term liquidity risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year);
- market liquidity risk is the risk that the bank may face a considerable (and unfavourable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions;
- intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions";
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution;
- contingency risk, or stress liquidity relates to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business;
- intragroup liquidity risk, that might generate from an excessive exposure or dependency towards/from specific Group counterparts;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems;
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

The exposure of the Group and its legal entities to any of these risks is measured by associating to any of them a metric or a set of metrics. Every legal entity of the Group is exposed to the above mentioned risks at a different extent: a materiality analysis is performed in order to define the perimeter of the liquidity risk management and control.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators, among which: loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1 year maturity onwards.

#### *Strategies and processes to manage the liquidity risk*

The Group's liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterised by the following fundamental principles:

- short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs.
- structural liquidity risk management (structural risk), which considers the events that will impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimising the cost of funding;
- stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination thereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks relating to the transformation of maturity.

In addition, the liquidity risk is included in the Group's risk appetite framework through some specific liquidity indicators.

#### *Short-term liquidity management*

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.



## Part E - Information on risks and hedging policies

The standard measures taken for such purposes are the following:

- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilisation (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the liquidity reference banks.

The *operative maturity ladder* is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.

The *operative maturity ladder* is composed of the following building-blocks:

- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The counterbalancing capacity is considered at its "liquidity value" (i.e. the market value minus the applicable haircut).
- cumulative gap, which is the sum of the previous components;
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the Group risk appetite framework, with a limit of 0 on the 3 months bucket.

The Group also adopts the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

### *Structural liquidity management*

The Group's structural liquidity management aims at limiting refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, national markets, currencies of issuance and instruments used (realisation of the yearly funding plan).

The main metric used to measure the medium/long-term position is the net stable funding ratio, as described by Basel 3.

In general, the net stable funding ratio is calculated as the ratio between liabilities and assets. All the balance sheet items are mapped according to their contractual maturity. In addition, they are assigned a weight that reflect, for the liabilities, their stability within the balance sheet and, for the assets, the portion that is rolled-over by the bank or that, more in general, cannot be traded on the market in exchange of liquidity that would generate relief to the institution. The internal limit set at 101% means that stable liabilities have to fully cover the requirements of funding generated by the assets.

A key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap (an improved loans-to-deposits gap). It measures the need of funding, the bank has to finance on the wholesale market. The indicator is integrated in the risk appetite framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through Treasury/Finance activity.

### *Liquidity under stress*

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular the results of the stress tests are used to:

- determine liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the liquidity reference banks, the Group has a centralised approach to stress testing, requiring each local liquidity reference bank to run the same scenario set under the coordination of the Group risk management.

## Part E - Information on risks and hedging policies

The Group runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

The Group identifies three different types of potential liquidity crisis:

- market (systemic, global or sector): market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events relating to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or other Group legal entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the committed lines is considered.

The *combined scenario* is defined as a general negative development in the market environment and also as a factual or market-hypothesised problem specific to the Group.

In 2019 the Group liquidity stress test result on the combined scenario was always positive.

In addition to the internal stress test, the bank adopts and also monitors the liquidity coverage ratio (LCR), calculated in accordance with the provisions of Implementing Regulation (EU) 2016/322 in force from 1 October 2016. It is the ratio between the high quality liquid assets (HQLA) and the net cash outflows expected over the coming 30 days, under stress test conditions. The compliance with this regulatory requirement is constantly monitored by setting, in the risk appetite framework, internal limitations above the binding minimum level of 100%.

Among the liquidity outflows that occur in a stress scenario, the bank monitors on a monthly basis the impact in terms of additionally required collaterals that the bank may be required to provide given a downgrade of its own credit rating. All the relevant rating agencies are taken into account.

The testing is carried out on a legal entity level, but consolidated reporting is available to analyse the impact on group wide basis. Specific attention is dedicated to exposures towards special purpose vehicles (SPV).

At Group level the amount of material outflows due to deterioration of own credit quality, included in the components of the Liquidity Coverage Ratio, amount to €9,314 million as at 31 December 2019. The increasing trend compared to the end of June 2019 is mostly driven by new ABS issuances in Italy.

### **Risk mitigation**

#### *Monitoring and reporting*

In the Group the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions managerial and regulatory aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels.

The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

In case of limit breach or warning level activation at Group level, the Group risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

#### *Mitigation factors*

Liquidity risk is considered a relevant risk category for the risk appetite determination of the Group. The practices and processes are included in the "Liquidity management & control Group policy", that defines the principles that the Parent company and the legal entities have to apply for hedging and mitigating this risk and the roles to be interpreted by the different committees and functions.

Additionally to an adequate liquidity buffer to face unexpected outflows and robust and regular up-to-date stress testing performed on a regular basis, the main liquidity mitigation factors for UniCredit group are:

- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective contingency liquidity policy with feasible and up-to-date contingency action plan to be executed in case of crisis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Group to restore its safe liquidity profile.

## Part E - Information on risks and hedging policies

### *Funding plan*

The funding plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The funding plan, defined at each level (i.e. Group, liquidity reference bank and legal entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position.

The funding plan is updated at least on a yearly basis and is approved by the Board of Directors. In addition, it is aligned with the budgeting process and the risk appetite framework.

The Parent Company accesses the market for Group capital instruments.

The parent company UniCredit S.p.A. coordinates the market access of the liquidity reference banks and legal entities, while the liquidity reference banks coordinate the access of the legal entities falling within their perimeter.

Each legal entity or liquidity reference bank can access the markets for medium and long-term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialisation, safeguarding the optimisation of cost of funds of the Group.

Group Financial Office competence line is responsible for the elaboration of the funding plan. Risk management is responsible for providing an independent assessment of the funding plan.

### *Group contingency liquidity management*

The liquidity crises usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.

The ability to act in time is essential to minimise the potentially disruptive consequences of a liquidity crisis. The analysis of the stress tests will form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with the early warning Indicators the organisation may be able to reduce the negative liquidity effects in the initial stages of a crisis. Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined. In order to be able to proceed timely, a set of mitigating actions have been pre-defined. Depending on the situation some of these actions can then be approved for execution.

The *Group contingency liquidity management* global policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions and communications.

This is achieved through:

- a set of early warning indicators that may help to identify emerging vulnerabilities in the Group liquidity risk position;
- activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- a set of available standby mitigating liquidity actions;
- consistent internal and external communication.

A relevant part of the contingency liquidity management is the contingency funding plan. This plan consists of a set of potential but concrete management actions to be performed in time of crisis. These actions are described in terms of size, instrument, and timing of execution aimed at improving the bank's liquidity position during time of crisis. The contingency funding plan is developed on the basis of the annual Funding Plan.

A specific early warning indicators dashboard is in place, both at Group and legal entities level, in order to continuously monitor situations of stress, which may, among others, be originated by market, sector or name specific events. They are based either on macroeconomic or market indicators that also reflect the monetary policy stance of the Central Banks variables, or on specific internal metrics. The system of early warning indicators helps to identify emerging vulnerabilities in the Group's liquidity risk position or potential funding needs, triggering a potential response by the Senior management. A "traffic light approach" is adopted for each metric in order to have sufficient time to inform senior management of a deteriorating situation and allow to put in place adequate actions aimed at restoring the business-as-usual state.

### *Adequacy of the liquidity risk management*

In the yearly process of the ILAAP, the Senior management is requested to give a judgement on the adequacy of the liquidity position and stability of funding, called Liquidity Adequacy Statement (LAS). This assessment aims at showing the main drivers that had modified the liquidity position throughout the year and provides comment also on the evolution of the main metrics that are used to steer the different aspects of the liquidity risk. In the first half of 2019, the Group liquidity situation is deemed adequate and the liquidity risk management arrangements of the institution ensure that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The framework of measurement systems and of limits in place aims to ensure that the Group has always an internal liquidity buffer/reserve that allows it to face expected and unexpected payments.

## Part E - Information on risks and hedging policies

In the daily Treasury activity, the (managerial) liquidity reserve is represented by the Counterbalancing Capacity (CBC). Group Treasury, in its role of operational liquidity management function is entitled to monetise also the bonds belonging to the trading book, if this is necessary to restore the liquidity positions, prevailing on any existing business or risk management strategies.

From a regulatory perspective, the liquidity reserve is represented by the amount of high quality liquid assets (HQLA). This is the numerator of the LCR and is made of assets, which can be easily and immediately converted into cash at little or no loss of value even in periods of severe idiosyncratic and market stress. These assets are unencumbered, which means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign them.

The adequacy of the liquidity reserve under both perspectives is monitored and controlled through the limitations set on the operative maturity ladder (managerial) and on the liquidity coverage ratio (regulatory), as described above.

In 2019, the operative maturity ladder of the Group, measured considering the impediments in the transfer of liquidity among legal entities, was constantly above the Risk Appetite Trigger, defined at a level that ensures that the Group would have enough liquidity to survive to a period of stress.

Similarly the Group liquidity coverage ratio (LCR) was always well above the trigger (set above the minimum regulatory requirement of 100%), confirming that its liquidity reserve was large enough to cover one month of stress designed according to the regulatory hypothesis.

While the operative maturity ladder and the LCR restrictions ensure that the liquidity reserves are adequate, the respect of the funding gap and other structural liquidity metrics restrictions ensure that the bank maintains an appropriate balance between assets and liabilities in the medium-long term (beyond one year), preventing additional pressure on the short term liquidity position.

In 2019, both the funding gap and the net stable funding ratio were above the limitations set in the risk appetite framework, thus confirming the relative stability of the funding source of the Group.

### Quantitative information

#### 1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2019									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>101,049</b>	<b>39,400</b>	<b>28,493</b>	<b>31,735</b>	<b>71,259</b>	<b>38,826</b>	<b>55,343</b>	<b>256,265</b>	<b>217,615</b>	<b>34,618</b>
A.1 Government securities	38	101	41	556	1,429	2,453	9,766	56,197	32,882	-
A.2 Other debt securities	17	1,752	394	1,267	2,532	1,952	3,123	28,397	28,310	256
A.3 Units in investment funds	1,267	-	-	-	-	-	-	-	-	3,611
A.4 Loans	99,727	37,547	28,058	29,912	67,298	34,421	42,454	171,671	156,423	30,751
- Banks	33,575	9,020	10,284	7,790	25,157	8,647	5,744	10,646	8,576	27,978
- Customers	66,152	28,527	17,774	22,122	42,141	25,774	36,710	161,025	147,847	2,773
<b>B. On-balance sheet liabilities</b>	<b>401,474</b>	<b>61,914</b>	<b>27,112</b>	<b>33,613</b>	<b>54,018</b>	<b>46,107</b>	<b>30,689</b>	<b>105,722</b>	<b>65,106</b>	<b>2,956</b>
B.1 Deposits and current accounts	388,621	26,345	20,283	22,237	43,473	20,830	18,370	38,450	22,614	604
- Banks	30,596	15,674	12,884	8,381	18,640	13,988	6,040	28,471	19,731	32
- Customers	358,025	10,671	7,399	13,856	24,833	6,842	12,330	9,979	2,883	572
B.2 Debt securities	66	106	759	2,621	4,560	4,592	9,907	45,678	37,256	2,266
B.3 Other liabilities	12,787	35,463	6,070	8,755	5,985	20,685	2,412	21,594	5,236	86
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	146	13,449	7,474	8,372	25,761	18,343	14,687	75,873	25,250	-
- Short positions	146	13,793	6,885	8,393	25,110	15,656	12,573	79,324	33,511	-
C.2 Financial derivatives without capital swap										
- Long positions	26,645	2,836	2,577	5,801	6,496	10,793	15,518	41,986	29,780	2,461
- Short positions	25,674	3,014	2,461	5,754	7,220	10,696	14,851	42,376	28,219	2,456
C.3 Deposits and loans to be received										
- Long positions	223	9,433	-	240	1,870	1,382	30	-	-	-
- Short positions	-	5,257	1,229	1,915	364	1,716	1,616	30	-	-
C.4 Commitments to disburse funds										
- Long positions	73,404	5,244	240	1,512	6,419	6,768	5,217	13,264	7,883	2,134
- Short positions	88,700	756	200	303	3,627	6,344	3,642	11,130	4,857	2,134
C.5 Financial guarantees given	1,550	15	31	165	458	898	15,163	9,034	1,592	-
C.6 Financial guarantees received	25,697	5	5	55	5,188	577	791	7,343	14,425	4,759
C.7 Credit derivatives with capital swap										
- Long positions	-	780	-	-	313	595	1,131	1,006	226	-
- Short positions	-	780	-	-	267	754	1,444	1,450	309	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	9	-	125	10	-
- Short positions	-	-	-	-	-	9	-	125	10	-

## Part E - Information on risks and hedging policies

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: euro

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2019									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>79,816</b>	<b>33,879</b>	<b>20,853</b>	<b>27,932</b>	<b>61,434</b>	<b>34,388</b>	<b>46,896</b>	<b>226,217</b>	<b>192,036</b>	<b>34,457</b>
A.1 Government securities	33	54	38	495	1,159	2,270	9,303	50,035	24,653	-
A.2 Other debt securities	17	1,750	342	1,264	1,183	1,940	3,014	27,962	26,430	247
A.3 Units in investment funds	1,059	-	-	-	-	-	-	-	-	3,538
A.4 Loans	78,707	32,075	20,473	26,173	59,092	30,178	34,579	148,220	140,953	30,672
- Banks	28,542	4,476	3,409	5,735	20,424	7,855	3,871	9,379	8,100	27,917
- Customers	50,165	27,599	17,064	20,438	38,668	22,323	30,708	138,841	132,853	2,755
<b>B. On-balance sheet liabilities</b>	<b>361,009</b>	<b>57,308</b>	<b>20,169</b>	<b>21,964</b>	<b>47,497</b>	<b>41,903</b>	<b>26,517</b>	<b>89,915</b>	<b>58,182</b>	<b>2,934</b>
B.1. Deposits and current accounts	348,818	22,150	13,748	11,189	37,554	17,733	15,442	32,664	20,503	583
- Banks	26,464	14,077	10,691	6,620	16,869	13,322	5,298	25,228	18,289	11
- Customers	322,354	8,073	3,057	4,569	20,685	4,411	10,144	7,436	2,214	572
B.2 Debt securities	65	106	603	2,343	4,292	4,213	9,551	36,209	33,256	2,265
B.3 Other liabilities	12,126	35,052	5,818	8,432	5,651	19,957	1,524	21,042	4,423	86
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	53	7,128	3,543	3,528	10,641	8,364	5,526	32,264	13,297	-
- Short positions	89	7,535	2,384	2,815	11,303	6,556	4,246	33,316	21,644	-
C.2 Financial derivatives without capital swap										
- Long positions	24,671	1,599	1,204	4,376	5,055	6,648	9,166	22,244	12,954	2,148
- Short positions	23,656	2,101	1,048	3,601	5,293	5,735	7,099	21,912	13,333	2,145
C.3 Deposits and loans to be received										
- Long positions	50	9,399	-	240	1,870	1,382	30	-	-	-
- Short positions	-	5,250	1,037	1,915	360	1,715	1,614	30	-	-
C.4 Commitments to disburse funds										
- Long positions	72,030	5,056	177	1,396	5,862	1,698	3,122	10,897	5,882	930
- Short positions	86,873	491	176	204	3,079	1,286	1,547	8,764	3,330	930
C.5 Financial guarantees given	1,307	8	15	86	174	239	567	4,562	609	-
C.6 Financial guarantees received	25,224	3	3	47	4,735	533	533	6,949	13,885	3,655
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	31	476	432	578	226	-
- Short positions	-	-	-	-	113	636	575	680	257	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	9	-	125	10	-
- Short positions	-	-	-	-	-	9	-	125	10	-

## Part E - Information on risks and hedging policies

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: other currencies

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2019									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>21,233</b>	<b>5,521</b>	<b>7,640</b>	<b>3,803</b>	<b>9,825</b>	<b>4,438</b>	<b>8,447</b>	<b>30,048</b>	<b>25,579</b>	<b>161</b>
A.1 Government securities	5	47	3	61	270	183	463	6,162	8,229	-
A.2 Other debt securities	-	2	52	3	1,349	12	109	435	1,880	9
A.3 Units in investment funds	208	-	-	-	-	-	-	-	-	73
A.4 Loans	21,020	5,472	7,585	3,739	8,206	4,243	7,875	23,451	15,470	79
- Banks	5,033	4,544	6,875	2,055	4,733	792	1,873	1,267	476	61
- Customers	15,987	928	710	1,684	3,473	3,451	6,002	22,184	14,994	18
<b>B. On-balance sheet liabilities</b>	<b>40,465</b>	<b>4,606</b>	<b>6,943</b>	<b>11,649</b>	<b>6,521</b>	<b>4,204</b>	<b>4,172</b>	<b>15,807</b>	<b>6,924</b>	<b>22</b>
B.1 Deposits and current accounts	39,803	4,195	6,535	11,048	5,919	3,097	2,928	5,786	2,111	21
- Banks	4,132	1,597	2,193	1,761	1,771	666	742	3,243	1,442	21
- Customers	35,671	2,598	4,342	9,287	4,148	2,431	2,186	2,543	669	-
B.2 Debt securities	1	-	156	278	268	379	356	9,469	4,000	1
B.3 Other liabilities	661	411	252	323	334	728	888	552	813	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	93	6,321	3,931	4,844	15,120	9,979	9,161	43,609	11,953	-
- Short positions	57	6,258	4,501	5,578	13,807	9,100	8,327	46,008	11,867	-
C.2 Financial derivatives without capital swap										
- Long positions	1,974	1,237	1,373	1,425	1,441	4,145	6,352	19,742	16,826	313
- Short positions	2,018	913	1,413	2,153	1,927	4,961	7,752	20,464	14,886	311
C.3 Deposits and loans to be received										
- Long positions	173	34	-	-	-	-	-	-	-	-
- Short positions	-	7	192	-	4	1	2	-	-	-
C.4 Commitments to disburse funds										
- Long positions	1,374	188	63	116	557	5,070	2,095	2,367	2,001	1,204
- Short positions	1,827	265	24	99	548	5,058	2,095	2,366	1,527	1,204
C.5 Financial guarantees given	243	7	16	79	284	659	14,596	4,472	983	-
C.6 Financial guarantees received	473	2	2	8	453	44	258	394	540	1,104
C.7 Credit derivatives with capital swap										
- Long positions	-	780	-	-	282	119	699	428	-	-
- Short positions	-	780	-	-	154	118	869	770	52	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

### 2.5 Operational risks

#### Qualitative information

##### *A. General aspects, operational processes and methods for measuring operational risk*

###### Operational risk definition

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damages to the company's physical assets, business disruption and system failures, process management.

###### Group operational risk framework

UniCredit Group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and of the controlled entities.

The operational risk policies, applying to all Legal Entities, are common principles defining the roles of the company bodies, the operational risk management function, as well as the relationship with other functions involved in operational risk monitoring and management.

The parent company UniCredit S.p.A. coordinates the Legal Entities according to the internal regulation and the Group operational risk control rulebook. Specific Risks Committees (Group Risk & Internal Control Committee, Group Operational and Reputational Risks Committee) are set up to monitor risk exposure, mitigating actions, measurement and control methods within the Group. With particular reference to UniCredit S.p.A. the "Italian Operational & Reputational Risk Committee" (IORRIC) meets with the aim of monitoring the exposure to operational and reputational risks and evaluating the events with significant impact and the related mitigation actions with reference to UniCredit S.p.A. perimeter and its Italian subsidiaries. The methodologies for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement are set by the Group Operational & Reputational Risks structure and applied to all Legal Entities. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, which is under the responsibility of the Group Internal Validation department of the Group and is independent from the Group Operational & Reputational Risks structure.

Since March 2008 the UniCredit Group applies the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main Legal Entities of the Group.

###### Organisational structure

Senior Management is responsible for approving all aspects related to the Group operational risk framework and verifying the adequacy of the measurement and control system; it is regularly updated on changes to the risk profile and operational risk exposure, with the support of the appropriate risk committees if required.

The "Group Operational & Reputational Risks Committee" is responsible for the evaluation and monitoring of operational (including ICT and Cyber) and reputational risks at Group level. It enables the coordination among the control functions in identifying and sharing Group priorities concerning Operational & Reputational Risks (e.g. emerging risks) and monitors the effectiveness of initiatives put in place to oversee them. In detail:

The "Group Operational & Reputational Risks Committee" meets with functions of consultation and suggestion for the definition of proposals to be submitted to functions, decision-making bodies (i.e. "Group Risk & Internal Control Committee"/GR&ICC), managerial body (i.e. "Executive Management Committee"/EMC) or Legal Entities, for:

- sharing the overall strategies for operational risk optimisation, as well as monitoring the initiatives put in place for the related implementation;
- evaluating:
  - periodical group reporting provided by Group Operational & Reputational Risks function on operational losses (with particular focus on events having high impacts), Regulatory Capital, Risk Weighted Assets, Indicators and Scenario Analysis, ICT & Cyber Risks analysis;
  - issues concerning operational & reputational risks reported by Legal Entities committees;
  - external operational events having potential impact on Group risk profile;
  - evidences reported by Group Compliance function on carried out second level controls, as well as on current and expected impacts of monitored regulations, evidences reported by the Group Chief Operating Officer (COO) on incidents and assessments for ICT, Operations and Security topics as well as main group risks/criticalities highlighted by the Internal Audit function;



## Part E - Information on risks and hedging policies

- potential synergies for further improvements concerning the actions plans aiming at the mitigation of the main operational risks of the Legal Entities, highlighted by control functions and by the COO (including situations that led to emergencies), by verifying from time to time their effectiveness and the return to business as usual;
- yearly Regulatory Internal Validation Report on operational risk;
- disclosing the Group risk appetite proposals, including capitalisation targets capital allocation criteria for Group operational risks, as well as the Group insurance strategies proposed by the competent functions;
- disclosing fundamental modifications in measurement methodologies for operational & reputational risks;
- issuing opinions on reputational risk related to non-credit transactions identified by the Co-Head of CIB Division.

The “Group Operational & Reputational Risks Committee” provides to the “Group Risk & Internal Control Committee”/GR&ICC and/or “Executive Management Committee”/EMC a periodical information on main evidences of evaluations and on specific actions proposed or activated.

The “Group Operational & Reputational Risks Committee”/GORRIC receives from the Group Operational & Reputational Risks function a periodical aggregated information concerning either Holding and Legal Entities reports on all transactions inherent to reputational risks evaluation, including transactions reported by competent Committees (GMRC, GTCC, ITCC, ISTCC, DCMCC), based on current Global Rules on reputational risk.

The Committee periodically receives also the list of events reported by “Top Experts” commission and evaluated by them as “not material” for the Group reputational risk profile. The Committee, convened by the Chairman, meets at least on a quarterly basis, or whenever the meeting is deemed necessary by the Chairman.

The Reputational risk Committee is in charge of evaluating possible Reputational risks inherent transactions, on the basis of the current Reputational risk guidelines and policies.

The Reputational Risk Committee (RRC) is a dedicated body on Reputational Risk topics - related to the Credit and Business Risks - composed by:

- the Bank CRO/CLO;
- the Head of proponent Business function;
- the Head of Compliance;
- the Head of Group Institutional Affairs & Sustainability;
- other Specialist functions (e.g., Tax, Legal, ...) are involved on demand depending on the topic treated.

The RRC meets periodically and operates with the following main goals:

- to create a unique and dedicated body for discussion and decision for all transactions/initiatives/projects referring to Reputational Risk Sensitive Sectors - as regulated by the dedicated global policies - and for all other cases on Business proposal (e.g. other relevant sectors or relevant clients);
- to ensure increased attention and proper “tone from the top” on the overall evaluation and management of Reputational Risk.

The RRC decision is followed by the credit worthiness analysis and the final credit decision; for non-credit related transactions, the RRC decision is followed by the final decision from the competent body.

The Reputational Risk Committee is engaged before any other formal Committee/decision.

The Group Operational & Reputational Risks structure reports to the Head of Group Risk Management and is responsible for the governance and control of operational and reputational risks of the Group (including operational risks bordering on credit risk, alias Cross Credit risks); the structure is also responsible for the evaluation of the exposure to operational and reputational risks, grating their continual and independent monitoring, as well as of the definition of strategies to mitigate such risks and contain related losses for UniCredit S.p.A. perimeter.

In addition, the structure is responsible for the definition of operational risk losses optimisation program, leveraging on specific risk models and methodologies it has furthermore the responsibility of coordinating the activities performed by the subsidiaries of UniCredit S.p.A. that apply the AMA model (limited to Legal Entities not included in other Hub perimeter) according to Group Operational and Reputational Risks Framework and of coordinating, for the perimeter of competence, the corresponding functions within the Group Legal Entities, according to Group Managerial Golden Rule (“GMGR” and “GMGR Evolution”).

Furthermore, the structure ensure that risk control activities on related risks assumed in the foreign branches of UniCredit S.p.A. are monitored and reported to the Group Chief Risk Officer and is responsible for ensuring integrated reporting between the control functions (e.g. Compliance, Audit) on the main operational and reputational risks of the Group.

The structure is additionally responsible for the governance and control of ICT/Cyber Risks, through:

- the definition of the framework for the management of ICT/Cyber risks, the coordination and monitoring of the Legal Entities in the implementation of it;
- the measurement, assessment and control of ICT/Cyber risks for UniCredit S.p.A.;
- the monitoring at Group level of the implementation and results of mitigation actions to oversee ICT/Cyber risks in cooperation with the competent functions (e.g. “Group Information & Security Office”), also through the analysis of risk indicators.

## Part E - Information on risks and hedging policies

The structure is organized as follows:

- “Operational Risk Analytics and Oversight” responsible for defining the principles and rules at Group level for identification, assessment and control of operational risk, monitoring their correct application by the Legal Entities with focus on operational losses data collection and scenario analysis monitoring. The unit is responsible for defining risk capital measurement methodologies, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group's exposure to operational risk also based on operational risks analytics models. The unit is furthermore responsible for the reporting of operational risks and of the definition process of the Risk Appetite Framework/RAF metrics for competence risks, as well as the related periodical monitoring;
- “Operational & Reputational Risks Assessment and Strategies” responsible for defining and monitoring the strategic areas for the management of operational risk consistent with the RAF and the Group's strategic objectives, keeping the responsibility for coordinating/monitoring risk mitigation actions and coordinate the monitoring of operational risks in the CEE perimeter, directly supporting the “CRO CEE” structure. Furthermore it develops ad hoc analysis on specific issues of operational and reputational risk. Finally it is responsible of defining methodologies for assessing reputational risk by verifying its correct implementation and controlling the risk assessment activities for Italian transactions within the scope of the Global Rules related to reputation risk (e.g. weapons and nuclear energy sectors);
- “Operational Risk Management Italy & Lending Processes” responsible for overseeing the operational risks of UniCredit S.p.A., supports the business functions of the Italian perimeter with the inclusion of the foreign branches of UniCredit S.p.A. perimeter, in the identification, management and monitoring of operational risks, also by executing specific risk assessment activities (e.g. on relevant transactions). Furthermore, it is responsible for the governance, identification and monitoring of the operational and reputational risk in the underwriting processes and management of the credit risk for the Group (“cross credit risk”), with the aim of reducing operational losses (including those driven by external frauds). Moreover, the structure has a steering role on the Group Legal Entities for what concerns the specific perimeter, giving relevant information in the related committees, as well as in the appropriate context.

The Operational Risk Management functions of the controlled Entities provide specific operational risk training to the staff, realized also through intranet training programs, and are responsible for the correct implementation of the Group framework elements.

### Internal validation process

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up for the Group and for the relevant Legal Entities in order to verify the compliance with regulations and Group standards.

This process is under the responsibility of Group Internal Validation department.

Group methodologies for measuring and allocating the capital at risk and the IT system are validated at the Group level by the above mentioned department, as well as the implementation of the operational risk control and management system within the relevant Entities, which is firstly analysed through a self-assessment performed by local Operational Risk Management functions, following the technical instructions and policies issued by Group Internal Validation. The results of the local self-assessments are annually verified by Group Internal Validation, which also performs additional analysis on data and documentation. Such evidences are the basis for the release of specific Validation Reports to the relevant subsidiaries. The local self-assessment, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Legal Entities' competent governing bodies.

The validation outcomes on the operational risk control and measurement system, both at the Group and controlled Entities level, are annually consolidated with the annual validation report which, with the annual Internal Audit report, is presented to the UniCredit S.p.A. Board of Directors.

### Reporting

A reporting system has been developed by the Group to keep senior management and the Management Body regularly informed on the Group operational risk exposure and the risk mitigation actions.

In particular, weekly reports are provided on operational losses trend, the main initiatives undertaken to prevent or mitigate operational risk in the various business areas and main operational risk events. Quarterly updates are provided on capital-at-risk estimations and RAF metric monitoring. Moreover an operational loss trend report is provided monthly to Regulators.

### Operational risk management and mitigation

The identification of the Group and Legal Entity Operational & Reputational risk mitigation strategies is performed through a set of recurring yearly activities at Group and LEs level in order to assess the Group and LEs risk profile and define the most appropriate mitigation actions to reduce the risk. The process starts with the preliminary self-risk assessment: it is a qualitative evaluation on selected forward looking key risk drivers performed yearly by the Legal Entities ORMs leveraging on a list of key risk drivers provided by the parent company UniCredit S.p.A.

In order to select and provide the list of key risk drivers, it leverages on:

- the objectives of the Group multi-year plan;
- the areas of attention and any additional priority from the top management;
- the operational risk losses evolution and the most relevant internal/external events;
- the industry and market trends evolution (including the regulator trends);
- the current ongoing ORRMS (Operational & Reputational Risk Mitigation Strategies) and Group TOR (Top Operational Risks).

## Part E - Information on risks and hedging policies

The Legal Entity shall assess the relevance of each key risk driver supplied providing a qualitative risk evaluation with rationales and estimations on the related reputational risk.

Also the Legal Entity shall identify and evaluate additional key risk drivers affecting their own Legal Entity considering the local market, the business activities and the specificities (including relevant transformation/innovation in the business model).

### Stress test

Starting from 2017, the Group is performing regular sensitivity analysis and stress testing for operational risk, including complex scenarios as part of the Firm-wide Stress test exercise defined within the Group Stress Test Council, with the aim to verify the response of the loss model and the resulting capital at risk to changes in the underlying macro-economic factors data set. Scenarios are proposed by Research Department, discussed and finalised within the Group Stress Test Council.

Firm wide Scenarios will be run twice a year, or on demand if it is required, in order to assess the potential risks driven by changes in the macro-economic environment.

### Risk capital measurement and allocation mechanism

UniCredit S.p.A. developed an internal model for measuring the capital requirements. The system for measuring operational risk is based on internal loss data, external loss data, scenario analysis data and risk indicators.

Capital at risk is calculated per risk class. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution through simulation. The severity distribution is estimated on internal, external and scenario analysis data, while the frequency distribution is determined using only the internal data. An adjustment for key operational risk indicators is applied to each risk class. Annual loss distributions of each risk class are aggregated through a copula functions based method, considering also insurance coverage. Capital at risk is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes and for economic capital purposes, considering expected loss deduction. Through an allocation mechanism, the individual legal entities' capital requirements are identified, reflecting the legal entities' risk exposure.

### B. Legal risks

The parent company UniCredit S.p.A. and other UniCredit group companies are named as defendants in several legal proceedings. In particular, as at 31 December 2019, the parent company UniCredit S.p.A. and other UniCredit group companies were named as defendants in about 27,300 legal proceedings, of which approx. 9,400 involving the parent company UniCredit S.p.A. (excluding labour law cases, tax cases and credit recovery actions in which counterclaims were asserted or objections raised with regard to the credit claims of Group companies). In addition, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which UniCredit group may not lawfully know about or communicate.

The Group is also required to fulfil appropriately various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, EU, US and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead to additional litigation and investigations and subject the Group to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more Group companies and/or their current and/or former directors are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which the Group operates. These include investigations and/or proceedings relating, inter alia, to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant Group companies and/or its clients. Given the nature of UniCredit group's business and its reorganisation over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.

In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of possible losses. Where it is possible to estimate reliably the amount of possible losses and the loss is considered as likely to occur, provisions have been made in the financial statements to the extent the parent company UniCredit S.p.A., or any of the Group companies involved, deemed appropriate based on the circumstances of the case and in compliance with the International Accounting Standards (IAS).

To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labour law and tax cases), as at 31 December 2019, UniCredit group set aside a provision for risks and charges of €784 million, of which €465.5 million for the parent company UniCredit S.p.A.

As at 31 December 2019, the total amount of claimed damages relating to judicial proceedings other than labour, tax and debt collections proceedings amounted to approx. €10.7 billion, of which approx. €6.7 billion for the proceedings involving the parent company UniCredit S.p.A. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which UniCredit group companies are named as defendants.

The estimate for reasonably possible liabilities and the provisions are based upon the available information, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. Therefore any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.

Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving UniCredit group which are not considered groundless or in the ordinary course of the Group's business.

## Part E - Information on risks and hedging policies

This section also describes pending proceedings against the parent company UniCredit S.p.A. and/or other UniCredit group companies and/or employees (even former employees) that the parent company UniCredit S.p.A. considers relevant and which, at present, are not characterised by a defined claim or for which the respective claim cannot be quantified.

Unless expressly mentioned below, labour law and tax claims are excluded from this section and are described elsewhere in the notes of this section. In accordance with IAS37, information that would seriously prejudice the relevant company's position in the dispute may be omitted.

### Proceedings which involve the parent company UniCredit S.p.A.

#### **Madoff**

The parent company UniCredit S.p.A. and several of its direct and indirect subsidiaries (the "Companies") have been sued in the wake of a Ponzi scheme perpetrated by Bernard L. Madoff through his company Bernard L. Madoff Investments Securities LLC ("BLMIS"), which was exposed in December 2008. The Companies were principally connected with Madoff as investment manager and/or investment adviser for the Primeo Fund Ltd (now in liquidation) and other non US funds of funds that had invested in other non US funds with accounts at BLMIS.

Specifically, the Companies (together with a variety of other entities) were named as defendants in a variety of proceedings (both in the US and in non US jurisdictions), for a total damage compensation claims of over \$6 billion (to be later determined over the course of the proceedings).

At present, most of the claims brought before US Courts and referring to the Companies have been rejected without any possibility of appeal or dismissal. However, the bankruptcy administrator of BLMIS (the "SIPA Trustee") responsible for the Madoff's company liquidation continues to pursue claims related to transfers of money made by BLMIS pre-bankruptcy to an affiliated company, BA Worldwide Fund Management Ltd ("BAWFM"), and other similarly situated parties. The potential claim for damages against BAWFM is non-material and, therefore, there are no specific risk profiles for the Companies. In addition, certain current or formerly affiliated persons named as defendants in a proceeding in the United States may seek indemnification from the Companies and its affiliated entities.

As at 31 December 2019, there were several pending civil proceedings against UCB Austria for the total claimed damages amount of €5.7 million.

While a large majority of the judgments have been favorable to UCB Austria, the impact of the remaining cases cannot be predicted with certainty, as the related future rulings may be adverse to UCB Austria. UCB Austria has made adequate provisions related to the Madoff's matter.

Furthermore, UCB Austria was named as a defendant in criminal proceedings in Austria concerning the Madoff case, on allegations that it breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund while other allegations relate to the level of fees and embezzlement. In November 2019 the criminal investigation against UCB Austria and all individual defendants was closed. Private parties appealed and a decision is awaited.

### **Proceedings arising out of the purchase of UCB AG by the parent company UniCredit S.p.A. and the related Group reorganisation.**

#### **Squeeze-out of UCB AG minority shareholders (Appraisal Proceeding)**

In 2008, approximately 300 former minority shareholders of UCB AG filed a request before the District Court of Munich to have a review of the price paid to them by the parent company UniCredit S.p.A., equal to €38.26 per share, in the context of the squeeze out of minority shareholders (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the price to be paid to the former minority shareholders. At present the proceeding is pending in the first instance.

#### **Squeeze-out of UCB Austria's minority shareholders (Appraisal Proceeding)**

In 2008, approximately 70 former minority shareholders of 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). At present the proceeding is pending in the first instance.

#### **Financial sanctions matters**

In March 2011, UCB AG received a subpoena from the District Attorney for New York County ("DANY") relating to historical transactions involving certain Iranian entities designated by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and their affiliates. In the subsequent years, DANY, the U.S. Department of Justice ("DOJ"), OFAC, the New York State Department of Financial Services ("DFS"), and the Board of Governors of the Federal Reserve System and the New York Federal Reserve Bank ("Fed") (collectively "U.S. and New York authorities") initiated their own investigations with respect to historical compliance by the parent company UniCredit S.p.A., UCB AG, and UCB Austria (together "Group") with applicable U.S. sanctions laws and regulations.

The parent company UniCredit S.p.A., UCB AG, and UCB Austria have each cooperated extensively with the U.S. and New York authorities, including conducting their own voluntary investigation of their U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices were identified. Even before the conclusion of these investigations, the Group initiated substantial and substantive remediation activities relating to policies and procedures, which are ongoing.

## Part E - Information on risks and hedging policies

On 15 April 2019, the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG reached a resolution with the U.S. and New York authorities regarding these investigations. As part of such resolution, the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG entities have paid penalties totalling approximately \$1.3 billion and have agreed to implement certain remedial policies and procedures. The amount paid by the respective entities was entirely covered by their provisions, and the final penalty amount has not had a material impact on UniCredit group. No further enforcement actions are expected relating to the subject of the resolved investigation. As part of the settlements with the U.S. and New York authorities (DANY, OFAC, DOJ, DFS and Fed), the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG made certain commitments to implement remedial compliance controls and conduct risk assessments relating to UniCredit group's global business lines, to provide periodic reports and certifications concerning the implementation and effectiveness of the group's compliance program to the U.S. and New York authorities, and to engage an independent external party to conduct an annual review of the effectiveness of the group's compliance program whose findings will be shared with the U.S. and New York authorities.

### **Euro-denominated bonds issued by EU countries**

On 31 January 2019, the parent company UniCredit S.p.A. and UCB AG received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extends to certain periods from 2007 to 2012, and includes alleged activities by UCB AG in a part of this period. The Statement of Objections does not prejudge the outcome of the proceeding; should the European Commission conclude that there is sufficient evidence of an infringement, a decision prohibiting the conduct and imposing a fine could be adopted, with any fine subject to a statutory maximum of 10% of the company's annual worldwide turnover.

The parent company UniCredit S.p.A. and UCB AG had access to the entirety of the European Commission's file on the investigation from 15 February 2019 onwards. As a result of the assessment of the files, the parent company UniCredit S.p.A. and UCB AG regard it no longer remote but possible, even though not likely, that a cash outflow might be required to fulfill a potential fine arising from the outcome of the investigation. On the basis of the current information, it is not possible to estimate reliably the amount of any potential fine at the present date.

The parent company UniCredit S.p.A. and UCB AG have responded to the raised objections on 29 April 2019 and participated in a hearing before the European Commission on 22-24 October 2019. Proceedings are ongoing. There is no legal deadline for the European Commission to complete antitrust inquiries.

On 11 June 2019, UCB and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. The third amended class action complaint does not include a quantification of damages claimed. The proceedings are in their inception. Motions to dismiss, a procedural device contemplated by the United States Federal Rules of Civil Procedure which provides defendants with an opportunity to challenge the legal sufficiency of a complaint and present arguments that the complaint should be dismissed, will likely be fully briefed before the end of the second quarter of 2020 and will likely include the argument that the complaint fails to state a claim.

### **Proceeding relating to certain forms of banking operations**

The UniCredit group is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to UniCredit group, rather affect the financial sector in general.

In this regard, as at 31 December 2019 (i) proceedings against the parent company UniCredit S.p.A. pertaining to compound interest, typical of the Italian market, had a total claimed amount of €1,147 million, mediations included; (ii) proceedings pertaining to derivative products, mainly affecting the Italian market (for which the claimed amount against the parent company UniCredit S.p.A. was €667 million, mediations included) and the German market (for which the claimed amount against UCB AG was €49 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CEE countries (for which the claimed amount was around €140 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 2019, the number of claims for refunds/compensation for compound interest did not show particular variations compared to 2018. At present, the parent company UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.

With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors.



## Part E - Information on risks and hedging policies

The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, the parent company UniCredit S.p.A. and the involved Group companies have made provisions deemed appropriate based on the best estimate of the impact which might derive from such proceedings.

With respect to proceedings relating to foreign currency loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out loans and mortgages denominated in a foreign currency ("FX"). In a number of instances customers, or consumer associations acting on their behalf, have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against subsidiaries of the parent company UniCredit S.p.A. in a number of CEE countries including Croatia, Slovenia and Serbia.

In 2019 the Supreme Court in Croatia confirmed that the Swiss franc (CHF) currency clause was invalid. In the course of 2019, court decisions, recent court practice related to FX matter along with the expiration of the statute of limitation for filing individual lawsuits in respect to invalidity of the interest rate clause, led to a significant increase in number of new lawsuits against Zagrebačka Banka ("Zaba"). There are several court decisions pending before the Croatian courts which may have an adverse impact. Provisions have been booked which are deemed appropriate. For more information, see Part B - Information on the Consolidated Balance Sheet - Assets - Section 10 - Provisions for risks and charges of the present Notes to the consolidated accounts.

In September 2016, UCB Austria and Zaba initiated a claim against the Republic of Croatia under the Agreement between the Government of the Republic of Austria and the Government of the Republic of Croatia for the promotion and protection of investments in order to recover the losses suffered as a result of amendments in 2015 to the Consumer Lending Act and Credit Institutions Act mandating the conversion with retroactive effect of Swiss franc-linked loans into Euro-linked. In the interim, Zaba complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so. Following a hearing, the arbitral tribunal ruled on part of the Respondent's jurisdictional objections. The arbitral proceedings remain pending.

### Vanderbilt related litigations

#### Claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds

Vanderbilt Financial LLC ("VCA") related litigations, where Pioneer Investment Management USA Inc., Pioneer Global Asset Management S.p.A. (PGAM), at the time controlled by UniCredit S.p.A. and incorporated by the latter in 2017, and the parent company UniCredit S.p.A. (the "Defendants") were named as additional defendants by virtue of their corporate affiliation with VCA, including in legal proceedings brought by a former employee of the State of New Mexico (the "Public Authority"), who claimed to act as representative of the Public Authority for the losses suffered by the State of New Mexico during the 2006-08 market downturn on investments managed by VCA (mainly CDOs). The total amount of losses claimed in those proceedings is approx. \$365 million. In 2012, the Defendants reached a settlement agreement for an amount of \$24.25 million and 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 pending the determination by the New Mexico Supreme Court of a legal matter in a separate 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 the Defendants and the State of New Mexico renewed their request for Court approval of the settlement. The Court held a hearing in April 2016 and in June 2017 approved the settlement and directed that the claims against VCA and the Defendants 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 the Defendants, including UniCredit S.p.A., will all be released from all the claims that were or could have been brought by or on behalf of the State or any of its agencies or funds.

### Divania S.r.l.

In 2007, Divania S.r.l. (now in bankruptcy) ("Divania") filed a lawsuit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) alleging violations of law relating, inter alia, to financial products in relation to certain rate and currency derivative transactions entered into between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now UniCredit S.p.A.), demanding damages in the amount of €276.6 million, legal fees and interest. Divania also seeks the nullification of a 2005 settlement reached by the parties in which Divania had agreed to waive any claims in respect of the transactions. In 2017, the Court of Bari ordered the parent company UniCredit S.p.A. to pay approx. €7.6 million plus interests and part of the expenses in favour of Divania's bankruptcy trustee and found that it did not have jurisdiction to rule on certain of Divania's claims. The parent company UniCredit S.p.A. appealed. Divania filed two additional lawsuits before the Court of Bari: (i) one for €68.9 million in 2009 (subsequently increased to €80.5 million), essentially mirroring the claims brought in its lawsuit filed in 2007; and (ii) a second one for €1.6 million in 2006. With respect to the first lawsuit, in May 2016, the Court of Bari ordered the parent company UniCredit S.p.A. to pay approximately €12.6 million plus costs. The parent company UniCredit S.p.A. appealed. With respect to the second lawsuit, in 2015, the Court of Bari rejected Divania's original claim and the judgment has res judicata effect.

## Part E - Information on risks and hedging policies

### I Viaggi del Ventaglio Group (IVV)

In 2011, IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee of IVV INTERNATIONAL S.A. filed a lawsuit against the parent company UniCredit S.p.A. in the Court of Milan demanding approximately €68 million in damages. In 2014, the bankruptcy trustees of IVV Holding S.r.l. and IVV S.p.A. filed two additional lawsuits against the parent company UniCredit S.p.A. in the Court of Milan demanding €48 million and €170 million, respectively, in damages. In October 2019, the bankruptcy trustee of I Viaggi del Ventaglio Resorts Ventaglio Real Estate S.r.l. filed an additional lawsuit in the Court of Milan against the parent company UniCredit S.p.A. demanding a total of €12.8 million in damages.

The four lawsuits pertain to allegedly unlawful conduct with regard to certain loans and certain derivative transactions. At present, (i) the parent company UniCredit S.p.A. won the first case both in the first-instance and on appeal; (ii) the Bankruptcy Trustee and the parent company UniCredit S.p.A. reached a settlement agreement approved by the Court for the second case; (iii) the third case is pending in the first-instance; and (iv) the fourth case is in the initial stages.

### Lawsuit brought by "Paolo Bolici"

In May 2014, the company wholly owned by Paolo Bolici sued the parent company UniCredit S.p.A. in the Court of Rome asking for the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. The company then went bankrupt. The parent company UniCredit S.p.A. won the case in the first-instance and the appeal is pending.

### Mazza

In 2005 the parent company UniCredit S.p.A. filed a criminal complaint against a Notary, Mr Mazza, representatives of certain companies and disloyal employees of the parent company UniCredit S.p.A. in relation to unlawful lending transactions in favour of certain clients for approximately €84 million. The criminal proceedings are on appeal following the acquittal of the defendants in the first-instance by the Court of Rome.

Following the acquittal in the first-instance criminal proceedings, Mr Mazza and other persons involved in the criminal proceedings filed two lawsuits for compensation claims against the parent company UniCredit S.p.A.: (i) the first (commenced by Mr Mazza with a claimed amount of approx. €15 million) is pending before the Court of Rome; (ii) the second (commenced by Como S.r.l. and Mr. Colella with a claimed amount of approx. €379 million) is also pending before the Court of Rome. In the view of the parent company UniCredit S.p.A., these lawsuits currently appear to be unfounded.

### So.De.Co. - Nuova Compagnia di Partecipazioni S.p.A.

As part of a restructuring, in 2014, Ludoil Energy S.r.l. (Ludoil) acquired the "oil" business from Nuova Compagnia di Partecipazione S.p.A. (NCP). In March 2016, So.De.Co., a wholly owned subsidiary of Ludoil, filed a lawsuit in the Court of Rome against its former directors, NCP, the parent company UniCredit S.p.A. (in its capacity as holding company of NCP) and the external auditors (PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A.) claiming damages of approximately €94 million for allegedly failing to provision properly for supposed environmental risks and thereby causing the inflation of the sale price paid by Ludoil. In November 2019, the Court rejected So.De.Co.'s claims in their entirety and ordered it to pay costs in favour of the defendants. In November 2017, So.De.Co. filed a separate lawsuit against NCP and its former directors. The case is ongoing. In February 2019, NCP commenced an arbitral proceeding against Ludoil (So.De.Co.'s sole shareholder). The proceedings are ongoing.

### Criminal proceedings

Certain entities within UniCredit group and certain of its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the parent company UniCredit S.p.A. is aware, are under investigation by the competent authorities with regard to various cases linked to banking transactions, including, specifically, in Italy, the offence pursuant to Art.644 (usury) of the Italian Criminal Code. At present, these criminal proceedings have had no significant negative impact on the operating results and capital and financial position of the parent company UniCredit S.p.A. and/or the Group, however there is a risk that, if the parent company UniCredit S.p.A. and/or other UniCredit group entities or their representatives (including those no longer in office) were to be convicted, these events could have an impact on the reputation of the parent company UniCredit S.p.A. and/or UniCredit group.

In relation to the criminal proceedings pertaining to the Diamonds offer topic see the paragraph included in Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers - Diamond offer.

### Other proceedings

### Proceedings 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 on German share dividends) 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 brought proceedings 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 S.p.A., UCB AG's Parent company, supports the decisions taken by the Supervisory Board.



## Part E - Information on risks and hedging policies

In addition, criminal investigations have been conducted against current or former employees of UCB AG by the Prosecutors in Frankfurt on the Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. UCB AG cooperated, and continues to cooperate, with the aforesaid Prosecutors who investigated offences that include alleged tax evasion in connection with cum-ex transactions both for UCB AG's own book as well as for a former customer of UCB AG. Proceedings in Cologne against UCB AG and its former employees were closed in November 2015 with, inter alia, the payment of a fine of €9.8 million by UCB AG. 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 with the payment of a fine of €5 million. The investigation by the Munich Prosecutor against UCB AG was closed in April 2017 with legally binding effect following the payment of a forfeiture of €5 million.

In December 2018, in connection with an ongoing investigation against former bank employees by the Cologne prosecutor, UCB AG was informed of the initiation of an investigation in connection with an administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). In April 2019, these investigations were extended to so called Ex/Ex-transactions, in which an involvement of the bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are being examined internally. UCB AG is cooperating with the authorities.

The Munich tax authorities are currently performing a regular field audit of UCB AG for the years 2013 to 2016, which includes, among other things, review of other transactions in equities around the dividend record date. During these years, UCB AG performed, among other things, securities-lending transactions with different domestic counterparties which include, but are not limited to, different types of security transactions around the dividend date. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the dividend record days, and what the further consequences for the bank will be in the event of different tax treatment. It cannot be ruled out that UCB AG might be exposed to tax-claims in this respect by relevant tax-offices or third party claims under civil law. UCB AG is in constant communication with relevant regulatory authorities and the competent tax authorities regarding these matters. UCB AG has made provisions deemed appropriate.

### Medienfonds/closed-end funds

Various investors in Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG to whom 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 the Bank provided inadequate disclosure 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 Munich Higher Regional Court, will affect only a few pending cases.

### Alpine Holding GmbH

Legal proceedings against UCB Austria arose from bondholders' claims commenced in June/July 2013. The claims stemmed from the insolvency of Alpine Holding GmbH, as UCB Austria acted as joint lead manager, together with another bank, for the undertaking of Alpine Holding GmbH bond issues in 2010, 2011 and 2012. Bondholders' claims are mainly referred to prospectus liability of the joint lead manager, whereas a minority of the cases is based on misselling due to allegedly unlawful investment advice. The damage claims amount to €20.26 million. These proceedings are mainly pending in the first instance and may be adverse to UCB Austria.

Several involved persons had been named as defendants in pre-trial criminal proceedings in Austria which concern the Alpine bankruptcy case. UCB Austria had joined these proceedings as private party. Also, unknown responsible persons of the issuing banks involved had formally been investigated by the public prosecutor's office. In the course of 2019, the public prosecutor's office has closed the proceedings against all defendants without indictments. All appeals against this decision have been rejected.

### Valauret S.A.

Civil claim filed in 2004 by Valauret S.A. and Hughes de Lasteyrie du Saillant for losses resulting from the drop in the share price, between 2002 and 2003, including allegations on alleged 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 based on the fact that it was banker to one of the defendants. The total claimed amount is equal to €129.86 million (plus costs €4.39 million). Furthermore, in 2006, before the action was extended to UCB Austria, the civil proceedings were suspended following the opening of criminal proceedings by the French State that are underway. In December 2008, the civil proceedings were also suspended against UCB Austria. Nevertheless, the proceedings are still pending and may be adverse to UCB Austria, although the alleged claims are considered unfounded.

### 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.

## Part E - Information on risks and hedging policies

### *Lawsuits filed against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund*

Lawsuits brought against UniCredit S.p.A. aimed to reconstitute the patrimony of the fund, ascertain and quantify social security individual position of each member, are pending before the Supreme Court following previous degree decisions favourable towards the Bank. Claims' value is about €384 millions. No provisions have been made as these claims are considered groundless.

### *D. Risks arising from tax disputes*

The following information pertains to the most relevant litigations born in 2019 and to those already pending at the beginning of the fiscal year, which have been decided or otherwise defined. For the litigations which are not mentioned, reference must be made to the financial statements of previous fiscal years.

#### *Pending cases arising during the period*

In 2019 the Tax Authorities have notified the following requests of information:

- to UniCredit S.p.A., two requests pursuant to Art.36-bis of D.P.R. 600/1973, regarding all the details of the computation of IRAP for the fiscal years 2010 and 2011. With respect to such fiscal years, UniCredit S.p.A. had requested the refund of the IRAP tax paid with reference to certain dividends received, for €36.7 million (2010) and €34.7 million (2011); moreover, to UniCredit S.p.A., a request of information, pursuant to Art.36-bis of D.P.R. 600/1973, regarding certain amounts indicated in the 2015 IRAP tax return;
- to Bank Austria A.G., a request regarding income from capital of Italian source received from 2014 to 2018.

All the requests of information have been answered within the due date indicated by the Tax Authorities.

Moreover:

- in October 2019 the Italian Tax Police (Guardia di Finanza) has carried out a tax audit with respect to UniCredit Leasing S.p.A. for 2014. Subsequently, it has notified a tax audit report related to allegedly unpaid VAT for a total amount of €0.1 million. For the same fiscal year, the position of the company has been considered regular for the purposes of IRES and IRAP taxes;
- pursuant to two decisions of the Supreme Court, which have referred the parties to the second degree tax Court, to UniCredit S.p.A. have been served two requests of payment for a total amount of €1.78 million (of which one for €0.48 million and another for €1.3 million). Such requests had been already notified and, therefore, they are duplications. Subsequently, claims with the Tax Court have been filed and the litigations are pending. The litigation regarding the first request of payment (€0.48 million) has been settled out of Court for a total amount of €0.18 million e the cancellation of the request previously notified.

#### *Updates on pending disputes and tax audits*

As for 2019, the following information is reported:

- with respect to the registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the "Costanzo Group", the Tax Authorities have recognized as not due an additional amount of the registration tax requested. Therefore, with reference to all the requests of payment notified, the tax requested is reduced to €12.05 million. All the litigations, already decided by the second degree Tax Court in favour of UniCredit S.p.A., are currently pending in front of the Supreme Court. Finally, in January 2020 the Tax Authorities have reimbursed the amounts previously paid with respect to these litigations, for €7.3 million;
- the notice of assessment regarding IRES 2013 referred to Pioneer Investment Management S.G.R.p.A., regarding transfer pricing issues, has been settled out of Court, similarly to what happened with respect to previous fiscal years. The higher tax requested was equal to €4.4 million, plus interest, and the litigation has been settled by means of the payment of €2.34 million plus interest. No penalty has been applied since the Tax Authorities have expressly recognized the compliance with the transfer pricing documentation regime;
- the Supreme Court took a favourable decision for UniCredit S.p.A. for a notice of assessment regarding VAT 2000. The amount of the litigation is €6.7 million.

With reference to the settlement of the pending tax litigations, provided for by Law Decree No.119/2018, the following information is reported:

- UniCredit S.p.A. has settled pending litigations for a total amount of €54 million, by means of the payment of €2.1 million. The litigations which have been settled refer mainly to VAT and Corporate Income Tax;
- UniCredit Leasing S.p.A. has settled pending litigations for a total amount of €84.9 million, by means of the payment of €3.7 million. The litigations which have been settled refer mainly to VAT and, for a small amount, to other indirect taxes and to IRAP.

Both for UniCredit S.p.A. and for UniCredit Leasing S.p.A., the amount paid depends on the fact that, for the most part, with respect to the litigations which have been settled, favourable decisions had already been issued.

As at 31 December 2018, the provisions for tax risks amounted to about €182.1 million (including provisions for legal expenses). As at 31 December 2019, the provisions amount to €177.9 million, of which €6.5 million for legal expenses.

#### *Tax proceedings in Germany*

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risk - Qualitative information - "B Legal risks" - Part E of the Notes to the consolidated accounts.

### *E. Other claims by customers*

Reference is made to the same paragraph Section 5 Operational Risk - Qualitative information - E. Other claims by customers - Part E of the Notes to the accounts of the parent company UniCredit S.p.A. which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

### *Diamond offer*

Reference is made to the same paragraph Section 5 - Operational Risk - Qualitative information - E - Other claims by customers - Diamond offer - Part E of the Notes to the accounts of the parent company UniCredit S.p.A. which is herewith quoted entirely.

### **Quantitative information**

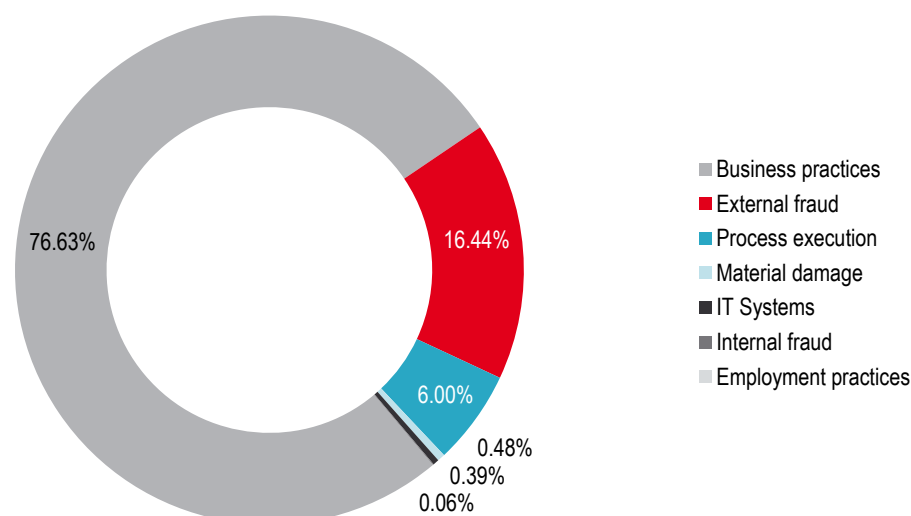
Detailed below is the percentage composition at Group Level, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2013 (Circular No.285/2013 and following updates).

Regarding the quantitative information of UniCredit S.p.A., reference is made to the paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section 5 - Operational Risks - Quantitative Information which is herewith quoted entirely.

The risk categories for event type are the following:

- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- clients, products and business practices: losses arising from non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

**Operational losses 2019 divided by risk category**



The category "Employment practices" is not shown in the chart since it has a positive impact in the reference period due to the effects of recoveries and releases of funds.

In 2019, the main source of operational risk (for this purpose, the positive effect due to the release of provisions set aside in previous years, as a consequence of the settlement with US Authorities, has not been considered) was "Clients, products and business practices", a category which includes losses arising from the non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided, as well as any sanctions for violating regulations. The second largest contribution to losses refers to external fraud, followed by errors in process management, execution and delivery due to operational or process management shortage.

There were also, in decreasing order, losses stemming from damage to physical assets from external events, IT Systems and internal fraud.

## Part E - Information on risks and hedging policies

### 2.6 Other risks

#### **Other risks included in Economic Capital**

The so-called Pillar 1 risk types (credit risk, market risk, operational risk, as described in dedicated chapters) are considered as primary risks, but there are also other risks the Group considers as significant, namely:

1. Business risk;
2. Real estate risk;
3. Participation risk.

These risks are defined as follows.

#### *1. Business risk*

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. Business risk can result, above all, from changes in the competitive situation or customer behaviour, but may also result from changes in the legal framework.

The exposure data used to calculate business risk are taken from the income statements of each Entity of the Group for which the risk is significant. Volatility and correlations are derived from the time series of relevant items of Income statement reports. Business risk focuses on the impact of unexpected shocks on future margins on a one year time horizon; in this context the margin is defined as the difference between earnings and costs not explained by risk factors already included e.g. in credit, market, operational risk.

Business risk is calculated on a quarterly basis for monitoring and budgeting purposes according to planning time scheduling.

#### *2. Real estate risk*

Real estate risk is defined as the potential loss resulting from market value fluctuations of the Group's Real Estate portfolio, including real estate Special purpose vehicles. It does not take into consideration properties held as collateral which are evaluated inside credit risk.

The relevant data for the real estate risk calculation include general information related to properties and area or regional price indexes for each property to enable calculation of volatility and correlation in the model.

The real estate risk model estimates the maximum potential loss with a confidence level set according to the rating target over a one-year time horizon, using a Monte Carlo simulation approach and assuming real estate returns are correlated and have a non-Gaussian distribution.

Real estate risk is calculated quarterly for monitoring purposes with a portfolio updated every six months and for budgeting purposes according to the timelines scheduled in the planning process.

#### *3. Financial investments risk*

Financial investments risk stems from the equity investments held in companies not included in the Group and not held in the Trading Book.

The relevant portfolio mainly includes listed and unlisted shares, derivatives with underlying equity, private equity, units of mutual, hedge and private equity funds.

For all Group equity positions, capital charges may be calculated using either a PD/LGD-based approach or a market-based one. The PD/LGD approach is used for unlisted or listed but not liquid equities, including direct private equity holdings. The market-based approach is used for traded equities, equity hedges and all mutual, hedge and private equity funds through the mapping to market risk factors.

The calculation of the risk is based on the maximum potential loss, i.e. Value at Risk (VaR), with a confidence level set according to the rating target and over a one-year time horizon and is executed inside credit and market risk models according to the nature of the underlying portfolio. Financial investments risk is calculated quarterly for monitoring and for budgeting purposes according to the timelines scheduled in the planning process.

#### *Risk measurement methods*

Within the Internal Capital Adequacy Assessment Process (ICAAP) and in line with the proportionality principle defined in Pillar II of Basel 2, the risk profile of the Group and 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;
- Stress test.

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and takes into consideration all the Pillar 2 risk types identified by the Group and which are quantifiable in terms of Economic Capital: credit, market, operational, business, participation and real estate risks. The effect of the diversification between risk types ("inter-risk diversification") and of the diversification at portfolio level ("intra-risk diversification") are calculated. In addition a Capital add-on is calculated as prudential cushion in order to account for model risk uncertainty.

Internal Capital is calculated using a Bayesian Copula with a one year time horizon and a confidence level in line with the Group rating target. For control purposes, the Internal Capital is calculated quarterly; it is also projected for budgeting purposes.

## Part E - Information on risks and hedging policies

The multidimensional nature of risk 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.

In the context of the activities of risk measurement prescribed by Pillar II, the Group-wide stress test considers the various impacts of a given macro-economic scenario on all relevant risks with the aim of giving a complete and thorough representation of the behaviour of the Group in stressed conditions. These scenarios are drawn analysing both significant market events happened in the past and plausible worst-case events not yet occurred.

Stress test is performed for both single risk types and risk aggregation and produces conditional losses and stressed Economic Capital as outputs. Estimate of aggregate stress test accounts for the change of materiality of single risks as well as for the change of diversification benefit in stressed conditions.

Since 2017 two complementary approaches are applied in stress testing activities: "Normative Perspective" focuses on the effects of stressed scenarios on regulatory capital metrics while "Economic Perspective" deals with economic value changes evaluated at portfolio level.

The Group Top Management is involved in the ex-ante as well as in the ex-post stress analysis in the following way:

- before the exercise is finalised, with a presentation regarding the selected scenarios and the underlying assumptions;
- after the exercise is finalised, with the disclosure of the results and a potential discussion of a contingency plan, if needed.

The adequacy of the risk measurement methodologies supporting the ICAAP, including stress testing and risk aggregation, is checked by internal validation functions.

Consistently with the corporate governance system, UniCredit S.p.A. Group Risk Management is responsible for the Group Economic and Internal Capital methodology development and their measurement, as well as for the setting and implementation of the Group related processes. The "Group Rules", after the approval, are sent to relevant Legal Entities for approval and implementation.

### **Reputational risk**

Reputational risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, other relevant parties), shareholders/investors, regulators or employees (stakeholders).

Reputational risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g. business risk, strategy risk, ESG risk which considers the environmental, social and governance aspects of responsible investments). Reputational risk could also be generated from material events.

Since 2010 UniCredit group has ruled the reputational risk and the policy currently in place is the Group Reputational Risk management policy which aims at defining a general set of principles and rules for assessing and controlling reputational risk. In addition, since 2017 the Global Process Regulation "Reputational Risk management for Material Events" has been in force with the aim of defining a straightforward escalation process to the Parent company's Senior Management for events not managed via existing Reputational Risk processes in order to allow it to react promptly in managing the potential consequences.

The reputational risk management is in charge to the Group Operational & Reputational Risks Department of UniCredit S.p.A. and to dedicated functions within the Group legal entities.

The Reputational risk Committee is in charge of evaluating possible Reputational risks inherent transactions, on the basis of the current Reputational risk guidelines and policies.

In addition, the setup of the Group Risk & Internal Control Committee ensures consistency in Reputational risk policies, methodologies and practices controlling and monitoring the Group Reputational risk portfolio.

The current policies mitigating specific Reputational risk topics regard "Defense/Weapons Industry", "Nuclear Energy", "Mining", "Water Infrastructure (dam)" and "Coal fired power generation".

### **Top and emerging risks**

In UniCredit, 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.

## Part E - Information on risks and hedging policies

The Risk Management identifies and estimates these risks and submits them regularly to senior/top management and Board of Directors which take the appropriate actions to manage and mitigate risks.

Top and/or emerging risks in 2019 were the followings (the sequence of risk drivers in the list below, doesn't reflect the probability of occurrence or severity, if materialised):

1. Macroeconomic and (geo-)political challenges around the globe;
2. Risks accompanying the "Brexit";
3. Cyber security and climate change risks;
4. Risks stemming from the current Regulatory developments.

### **1. Macroeconomic and (geo-)political risks**

Risks to the global economy remained tilted to the downside, mainly against the backdrop of looming trade tensions, geopolitical instability (especially in the Middle-East region), externally and/or internally driven weaknesses in some of the main emerging market economies and political uncertainties, including those in the continental Europe. All these have been weighing on business/ investor sentiment and translating to a global economic slowdown, despite being shored up by the accommodative monetary policy stance across most of the world. Notwithstanding some recent signs of fading trade tensions, the risk of escalation (potentially extended to the financial world) remains material and hence, one of the main sources of impacts to global trade and growth.

With special regard to the countries where UniCredit has an important stake, the positive developments in Turkey, marked by a recovery from recession, cyclical adjustment in external accounts and normalising monetary conditions, remain weighed down by the sustainability risks to its growth model and the financial and geopolitical vulnerability.

The Russian economy kept recording a subdued activity throughout the year, that goes along with low growth prospects going forward, however its fundamentals remain sound in general with public and external finances being favourable and ensuring important buffers to potential adverse external factors. At the same time, structural specific vulnerabilities remain, in particular to the global commodity price-cycle, and are exacerbated also by persistent challenges stemming from the existing and potential extension of external sanctions regime.

### **2. Risks related to the UK's exit from the European Union**

With reference to the Brexit, while the December 2019 (early) general election broke the political stalemate, the uncertainty remains high around the UK's future relationship with the international community.

That said, the UK enters a transition period to end-2020 and will be treated as if it were an EU member state (though without voting rights) but the settlement of its post-Brexit arrangements, including those with its global trading partners, is expected to be challenging, especially in light of the time constraints, which leaves risks to the outlook and the probability of no-deal Brexit by 2021 elevated.

In general, major sources of concern are related 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; notwithstanding the ramifications to the UK's economy.

With the aim of alleviating risks related to a worst scenario (no-deal Brexit), and in particular the risk related to the close-out transactions with UK Central Counterparties, UniCredit S.p.A. seeks to manage a Subsidiary in UK, to be part of Banking Group that will may centralise transactions with the aforementioned Central Counterparties. This entity, when operative, will be fully consolidated within UniCredit group.

### **3. Systemic threats**

#### **3.1 Systemic threats associated with cybercrime**

Along with the continuous digitalisation of banking services, both the financial industry itself and its clients are increasingly exposed to cyber-attacks; also exacerbated by the heightened geopolitical tensions around the globe. This requires reinforced governance with a continuous strong focus on data protection and security.

Possible IT risks can be caused by interruptions, faults, damage, inappropriate uses, ineffective changes, incorrect procedures, design errors, which can affect ICT infrastructures and related software applications, causing potential damages due the loss of integrity and availability of data and information.

This risk is increasing as, in addition to the above mentioned risks, further risks deriving from threats perpetrated are getting relevant through the use of networks with which the Group is interconnected, both internally and towards the outside world. These attacks are aimed at the theft of data and information injections of malware and viruses through social engineering techniques or through DDoS (Distributed Denial of Service) attacks in order to cause system overloads that hamper the proper services' performance.

Considering the above, it should be noted that UniCredit group, over the past few years, has been subject to some cyber attacks which led, even though only in a few limited cases, to the theft of personal data. In this regard, taking into account the type of risks detected, UniCredit, in addition to strengthening the protection measures already in place, carried out a wide and in-depth assessment of the effects that may derive also for financial statements purposes.



## Part E - Information on risks and hedging policies

### 3.2 Systemic threats associated with climate change

Climate change-related risks (both physical and transition) and the accompanying shift towards sustainable finance are mounting challenges to the financial sector and may impact credit and market risks.

In context of an evolving regulatory framework, the Group aims to proactively address these challenges by means of increased commitment to sustainability and tangible initiatives aimed at improving the management of market financing risks to anticipate the possible increases in the riskiness of specific sectors and to analyse the possible requests of the regulatory Authorities.

A very first step in the achievement of this important aspiration was the setting up of a dedicated team within the Group Risk Management (GRM) function, responsible for the supervision and management of issues related to climate change risks and UniCredit's approach to sensitive sectors.

The first activity put in place by the team is focused on assessing the transition risk of corporate and investment banking listed companies to define more in detail climate change impact on the risk profile. With reference to physical risk it has been performed a preliminary estimation of potential impact of sea-level rise on the value of individuals mortgage collaterals related to properties located along the Italian coastline.

UniCredit group endorsed the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, signed up to the Principles for Responsible Banking (PRB), launched by the United Nations Environment Programme to help banks align their business strategy with society's goals, and was among the group of banks who agreed on road testing the Paris Agreement Capital Transition Assessment (PACTA) methodology developed by 2° Investing Initiative (2°i). The Group also support European Banking Authority 2020 voluntary pilot sensitivity exercise.

For further details on climate change's impact refer also to the Integrated Report published on UniCredit website.

### 3.3 Systemic threats associated with coronavirus outbreak

Following the coronavirus outbreak, UniCredit is continuing to monitor the situation carefully and taking precautions in line with the recommendations of the World Health Organization and local authorities.

As a precautionary measure, international business travels to/from and within Asia, where UniCredit holds some branches, were suspended until further notice. With specific reference to Asian branches, critical activities and processes are constantly monitored, assessing the potential evolutions and impacts on business activities.

It cannot be excluded that, with reference to the main businesses, an economic slowdown could emerge, also in the Eurozone, with potential impacts, as at 5 February 2020 not yet quantifiable, also on the Group profitability, mainly with reference to the operating income and cost of risk.

### 4. Developments in the Regulatory environment

Over the last few years the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity has further increased following the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system. All these changes might significantly affect Group UniCredit and introduce additional challenges for the general banking sector profitability and capital requirements.

The most relevant changes are the following:

- Revision to the Basel 3 framework for the calculation of risk weighted assets for credit, operational, credit valuation adjustment (CVA) risks published in December 2017 (known as Basel 4). The regulator's ultimate goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and to return to a more stringent standardised approach as well as to eliminate internal models for operational risks. Basel 4 also introduces an aggregate Output Floor. These revisions are complemented by the change to the market risk framework (Fundamental Review of Trading Book, FRTB) finalised in January 2019, which envisages the introduction of more stringent and sophisticated internal models and standardised approaches for measuring market risk in the trading portfolios. The Basel Committee is currently considering a set of targeted changes to the credit valuation adjustment (CVA) risk framework issued in December 2017 in order to ensure an alignment with the more recent FRTB. Proposals to accommodate the revised Basel 3 into European Union standards could probably materialise in 2020 (CRRIII), with entry into force not earlier than end 2022 or the beginning of 2023.
- With regard to internal models for credit risk, alongside the regulatory proposal of the Basel Committee, EBA issued new guidelines which will impose tighter criteria for risk parameter estimation, further increasing capital requirements for banks that use internal models extensively.
- In March 2018 the ECB published the Addendum to the Guidance on NPL which sets out supervisory expectations for the provisioning of exposures reclassified from performing to non-performing exposures (NPEs) after 1 April 2018. In April 2019 however the European Commission's amendment to Capital Requirements Regulation (CRR) introduced a minimum loss coverage ratio for new loans becoming NPEs after 26 April 2019 (the "statutory backstop"). On 22 August 2019, the ECB decided to revise its supervisory expectations for prudential provisioning of new non-performing exposures. The decision was made after considering the adoption of the new EU regulation that outlines the Pillar I treatment for NPEs.



## Part E - Information on risks and hedging policies

The initiatives that originate from the ECB are strictly supervisory (Pillar II) in nature. In contrast, the European Commission's requirement is legally binding (Pillar I). The above-mentioned developments result in three "buckets" of NPEs based on the date of the exposure's origination and the date of NPE's classification:

- NPEs classified before 1 April 2018 (Pillar II - Stock): 2/7 years vintage buckets for unsecured/secured NPEs, subject to supervisory coverage recommendations and phase-in paths as communicated in SREP letters;
- NPEs originated before 26 April 2019 (Pillar II - ECB Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%;
- NPEs originated on or after 26 April 2019 (Pillar I - CRR Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%
- Entry into force of a binding 3% minimum leverage ratio, an additional regulatory requirement compared to the risk-based indicators envisaged in the Basel 3 package. The leverage ratio aims to constrain the building up of financial leverage in the banking industry, as well as to reinforce the capital requirements with a supplementary measure not based on risk parameters. The final regulation for the European Union (CRRII), including the binding leverage ratio, has been published last June and defines the entry into force of this new regulatory requirement in June 2021, with a subsequent implementation of the G-SIB buffer starting in 2022 (in line with the Basel 4 implementation timeline). In addition to changes implemented in the CRRII, also the revision to the leverage ratio calculation (mainly on exposure measure) introduced by the Basel 4 package will have to be implemented in Europe through the further revision of the CRR (CRRIII) and enter into force not earlier than end 2022 or the beginning of 2023.
- Entry into force of the liquidity requirements envisaged in Basel 3: a short term indicator (liquidity coverage ratio, "LCR"), with the goal to have banks to maintain a liquidity buffer to survive a 30-days period of stress, and a structural liquidity indicator (the net stable funding ratio, "NSFR") referring to a time horizon over one year, introduced to ensure that assets and liabilities have a sustainable structure in terms of maturity. While the LCR is already in force, the NSFR has been introduced as a requirement in the CRRII published last June and will apply from June 2021.
- TLAC/MREL introduction: the Total Loss Absorbing Capacity ("TLAC") introduced by the Financial Stability Board as a global standard for G-SIBs, and aimed at ensuring that institutions maintain a sufficient amount of financial resources to absorb losses and recapitalise in case of stress, is being implemented in Europe through the BRRD2 and the CRRII/CRDIV, published last June. The European transposition of TLAC, i.e. the "Pillar 1" Minimum Requirement for Own Funds and Eligible Liabilities (Pillar 1 MREL) applies to all G-SIBs; "Pillar 2" MREL instead is bank-specific. TLAC (Pillar 1 MREL) has become binding in June 2019 as a transitional requirement, equal to 16% + Combined Capital Buffer of Risk Weighted Assets (RWAs) and will reach its fully loaded shape (18% + Combined Capital Buffer of RWAs) in 2022 (with no intermediate levels envisaged in terms of calibration). MREL, instead, is being phased-in and reaches its fully loaded shape in 2024 (with intermediate levels, in terms of calibration, to be discretionally set by the Resolution Authority).
- Discussion of preferential treatment of sovereign exposure in banks' banking book: banks' exposures to the home sovereign currently benefit of a zero risk weight. There is no concrete proposal under consultation yet, but policy makers and regulators are discussing which approach to adopt, if any, to remove this preferential treatment. On the one hand, the European Commission (DG FISMA) is drafting a document which allegedly sets out EC's priorities for completing the Banking Union: these include the revision of the treatment of sovereign exposure which might foresee application of concentration charges. On the other hand, in 2018 the European Parliament issued a proposal, currently under discussion, to allow preferential treatment to a new class of state bond-backed securities (SBBS), to encourage diversification of banks' holdings of euro zone bonds. SBBS would be a new type of asset created by the private sector based on a pre-defined pool of sovereign bonds of the Euro area Member States.

## Part F - Consolidated shareholders' equity

### Section 1 - Consolidated Shareholders' Equity

#### A. Qualitative information

UniCredit group deems as priority the activities of capital management and capital allocation based on the risks taken, with the aim of expanding the Group's operations in a value creation perspective. These activities are structured in the different phases of the Group planning and monitoring process and, in particular, in:

- planning and budgeting processes:
  - proposals of risks appetite and capitalisation objectives;
  - analysis of risks associated with value drivers and allocation of capital to business areas and units;
  - assignment of risk-adjusted performance objectives;
  - analysis of the impact on the Group's value and the creation of value for shareholders;
  - preparation and proposal of the equity plan and dividend policy;
- monitoring processes:
  - analysis of performance achieved at Group and business unit level and preparation of managerial reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and single entities.

The Group has committed itself to generate income in excess to the one necessary to remunerate risk (cost of equity) and to create value for its shareholders by allocating capital to the various business areas and business units on the basis of specific risk profiles. In order to support the planning and monitoring processes, the Group adopts a methodology based on risk-adjusted performance measurement (RAPM) which provides a number of indicators that combine and summarise the operating, financial and risk-related variables to be considered.

Therefore, the Group capital and its allocation are of paramount importance in the definition of corporate strategies, as, on the one hand, the Group Capital represents the shareholders' investment in the Group, which needs to be adequately remunerated, and on the other hand, it is a scarce resource subject to the external constraints set by the regulators.

In the allocation process, the definitions of capital adopted are the following:

- risk or employed capital: this is the equity component provided by shareholders (employed capital) which must be remunerated through an income generation higher than or equal to expectations (cost of equity);
- capital at risk: this is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) the risks taken to pursue the objective of creating value.

If capital at risk is measured through risk management methods, then it is defined as internal capital; if it is measured through regulatory provisions, then it is defined as regulatory capital.

Internal capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of the exposure taken, while the latter is based on schedules specified in regulatory provisions.

Internal capital is set at such a level to cover adverse events with a high level of probability, while regulatory capital is quantified on the basis of a CET1 target ratio in line with the one of major international banking groups and taking into account the impacts of the supervisory regulations in force or that will be adopted. Capital Allocated to Business Segment is quantified by regulatory capital.

The capital management activity, performed by the Capital Management unit of Group Planning and Capital Management, aims at defining the target level of capitalisation for the Group and its companies in line with supervisory regulations and the risk appetite.

UniCredit group has identified a Common Equity Tier 1 Ratio MDA buffer target between 200 and 250 basis points, as announced during the "Team 23" Capital Markets Day held in London on 3 December 2019 ([https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/Capital-Markets-Day/2019/UniCredit\\_PR\\_Team23\\_ENG.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/Capital-Markets-Day/2019/UniCredit_PR_Team23_ENG.pdf)).

In the dynamic activity of capital management, the Capital Management unit defines the capital plan and monitors the regulatory capital ratios.

The monitoring activity is focused, on the one hand, on capital, according to both accounting and regulatory definition (Common Equity Tier 1, Additional Tier 1, Tier 2 Capital and TLAC), 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.

## Part F - Consolidated shareholders' equity

## B. Quantitative information

## B.1 Consolidated Shareholders' Equity: breakdown by type of company

(€ million)

AMOUNTS AS AT 12.31.2019					
NET EQUITY ITEMS	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS	TOTAL
1. Share Capital	21,149	-	17	-	21,166
2. Share premium reserve	13,311	-	-	-	13,311
3. Reserves	24,464	106	477	(720)	24,327
4. Equity instruments	5,602	-	-	-	5,602
5. Treasury shares	(3)	-	-	-	(3)
6. Revaluation reserves	(6,109)	106	(3,003)	2,897	(6,109)
- Equity instruments designated at fair value through other comprehensive income	(259)	-	32	-	(227)
- Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (different from equity instruments) at fair value through other comprehensive income	991	-	-	2	993
- Property, plant and equipment	1,438	-	7	-	1,445
- Intangible assets	-	-	-	-	-
- Foreign investments hedging	-	-	-	-	-
- Cash flow hedging	(71)	-	-	89	18
- Hedging instruments (non-designated items)	-	-	-	-	-
- Foreign Exchange differences	(4,964)	-	-	2,927	(2,037)
- Non-current assets and disposal groups classified as held for sale	16	-	(676)	-	(660)
- Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(84)	-	-	-	(84)
- Actuarial gains (losses) on defined benefit plans	(3,591)	-	-	18	(3,573)
- Part of valuation reserves from investments valued at equity method	138	106	(2,366)	(139)	(2,261)
- Special revaluation laws	277	-	-	-	277
7. Profit (Loss) of the year (+/-) Minority interests	3,481	123	488	(601)	3,491
Total	61,895	335	(2,021)	1,576	61,785

## B.2 Revaluation reserves of financial assets at fair value through other comprehensive income: breakdown

(€ million)

(\$ million)

AMOUNTS AS AT 12.31.2019										
ASSETS/VALUES	PRUDENTIAL CONSOLIDATED		INSURANCE COMPANIES		OTHER COMPANIES		CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	1,125	(134)	-	-	-	-	(20)	22	1,105	(112)
2. Equity securities	254	(513)	-	-	32	-	-	-	286	(513)
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 12.31.2019	1,379	(647)	-	-	32	-	(20)	22	1,391	(625)
Total 12.31.2018	1,124	(1,316)	-	-	-	-	(6)	118	1,118	(1,197)

## Part F - Consolidated shareholders' equity

## B.3 Revaluation reserves of financial assets at fair value through other comprehensive income: annual change

(€ million)

ASSETS/VALUES	CHANGES IN 2019		
	DEBT SECURITIES	EQUITY SECURITIES	LOANS
<b>1. Opening balance</b>	<b>186</b>	<b>(265)</b>	<b>-</b>
<b>2. Positive changes</b>	<b>1,595</b>	<b>116</b>	<b>-</b>
2.1 Fair value increases	1,336	84	-
2.2 Net losses on impairment	2	-	-
2.3 Reclassification through profit or loss of negative reserves: following disposal	252	-	-
2.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	26	-
2.5 Other changes	5	6	-
<b>3. Negative changes</b>	<b>(788)</b>	<b>(78)</b>	<b>-</b>
3.1 Fair value reductions	(538)	(78)	-
3.2 Recoveries on impairment	(4)	-	-
3.3 Reclassification through profit or loss of positive reserves: following disposal	(241)	-	-
3.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	-	-
3.5 Other changes	(5)	-	-
<b>4. Closing balance</b>	<b>993</b>	<b>(227)</b>	<b>-</b>

## B.4 Revaluation reserves related to defined benefit plans: annual changes

(€ million)

	CHANGES IN 2019				TOTAL
	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS	
<b>1. Opening balance</b>	<b>(2,730)</b>	<b>-</b>	<b>(1)</b>	<b>16</b>	<b>(2,715)</b>
<b>2. Increases</b>	<b>16</b>	<b>-</b>	<b>1</b>	<b>(1)</b>	<b>16</b>
2.1 Increases in fair value	6	-	-	-	6
2.2 Transfers to other net equity items	-	-	-	-	-
2.3 Other changes	10	-	1	(1)	10
<b>3. Decreases</b>	<b>(877)</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(874)</b>
3.1 Decreases in fair value	(876)	-	-	3	(873)
3.2 Transfers to other net equity items	-	-	-	-	-
3.3 Other changes	(1)	-	-	-	(1)
<b>4. Closing balance</b>	<b>(3,591)</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>(3,573)</b>

## Section 2 - Own funds and banking regulatory ratios

For this section refer to the own funds disclosure and capital adequacy reported into the UniCredit group disclosure (Pillar III).

## Part G - Business combinations

### Section 1 - Business combinations completed in the year

#### 1.1 Business combinations

Business combinations with counterparties outside the Group are carried out using the “purchase method” prescribed by the accounting standard IFRS3 “Business Combinations”.

In 2019 the Group has performed no relevant business combinations outside the Group.

For further details refer to Part A, Section 3 - Consolidation scope and methods of Notes to the consolidated accounts.

Under its reorganisation programme, in 2019 the Group carried out business combinations involving companies or businesses which were already directly or indirectly controlled by UniCredit S.p.A.

These transactions have no economic substance and are accounted for in the acquirer's and acquired entity's accounts in accordance with the continuity principle. These transactions have no effect on consolidated level.

The main transactions inside the Group refer to:

- in April 2019 set up of UniCredit Leased Asset Management S.p.A., a company entirely owned by UniCredit Leasing S.p.A., that became operative after the spin-off of the Leased Asset Management branch division and the previously repossessed property of UniCredit Leasing.
- in September 2019 the completion of partial demerger of the activities related to Italian operations and real estate and logistics businesses of UniCredit Services S.C.p.A. in favour of UniCredit S.p.A.; reference is made to the paragraph of Part G - Notes to the accounts of the parent company UniCredit S.p.A. - Section 1 - Business combinations completed in the year.

### Section 2 - Business combinations completed after year-end

No business combinations have been completed after year end.

### Section 3 - Retrospective adjustments

No retrospective adjustments have been applied in 2019 on business combinations completed in previous years.

## Part H - Related-party transactions

### Introduction

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) No.632/2010 of 19 July 2010, the text of IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure should include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Pursuant to IAS24, UniCredit S.p.A.'s related parties include:

- companies belonging to UniCredit group and companies controlled by UniCredit but not consolidated;
- 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 "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA", approved by UniCredit's Board of Directors with the positive opinion of the Related-Parties Committee and of the Board of Statutory Auditors, which is published on UniCredit 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 procedures regarding internal controls on risk activities with subjects in conflict of interests regulated in the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA".

During 2019, transactions carried out with related parties reported in the data streams provided by the reference standards, were executed and carried out based on assessments of the economic convenience and interests of the Group.

## Part H - Related-party transactions

### 1. Details of Key management personnels' compensation

Details of Key management personnel's 2019 remuneration are given below pursuant to IAS24 and to Banca d'Italia Circular 262 dated 22 December 2005 (6<sup>th</sup> update of 30 November 2018) requiring that also the Statutory Auditors' compensation be included.

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.

#### Remuneration paid to key management personnel (including directors)

	(€ million)	
	YEAR 2019	YEAR 2018
a) short-term employee benefits	17	16
b) post-retirement benefits	1	1
<i>of which: under defined benefit plans</i>	-	-
<i>of which: under defined contribution plans</i>	1	1
c) other long-term benefits	-	-
d) termination benefits	4	-
e) share-based payments	5	6
<b>Total</b>	<b>27</b>	<b>23</b>

The information reported above include the compensation paid to Directors (€4 million), Statutory Auditors (€0.9 million), General Manager (€0.1 million) and other Managers with strategic responsibilities (€10 million), as shown in the document "Information Tables Pursuant Art.84 -quarter "Annual Report - Section II" of the Regulation No.11971 Issued by Consob" attached to the "2020 Group Remuneration Policy", and €12 million relating to other costs borne in 2019 (the company share of social security contributions, accruals to severance pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The compensation paid shows a substantial stability versus 2018, in line with the conservative approach to remuneration that has been adopted during Transform 2019 plan. The €4 million increase in the Total Compensation versus the previous year is linked to severance payments related to employment terminations, having by their own nature a non-recurring nature.



## Part H - Related-party transactions

### 2. Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

#### Related-party transactions: balance sheet items

(€ million)

	AMOUNTS AS AT 12.31.2019							
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	% ON ACCOUNTS ITEM
Financial assets at fair value through profit or loss	-	147	120	-	-	267	0.33%	22
a) Financial assets held for trading	-	147	40	-	-	187	0.30%	22
b) Financial assets designated at fair value	-	-	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	-	-	80	-	-	80	0.43%	-
Financial assets at fair value through other comprehensive income	-	-	115	-	-	115	0.14%	-
Financial assets at amortised cost	2	2,257	1,029	2	2	3,292	0.53%	192
a) Loans and advances to banks	-	1,522	215	-	-	1,737	1.71%	-
b) Loans and advances to customers	2	735	814	2	2	1,555	0.30%	192
Hedging derivatives (assets)	-	-	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale	-	840	-	-	-	840	33.44%	-
Other assets	-	5	122	-	-	127	1.83%	-
<b>Total assets</b>	<b>2</b>	<b>3,249</b>	<b>1,386</b>	<b>2</b>	<b>2</b>	<b>4,641</b>	<b>0.58%</b>	<b>214</b>
Financial liabilities at amortised cost	62	7	9,456	6	162	9,693	1.38%	24
a) Deposits from banks	-	3	7,580	-	-	7,583	5.59%	23
b) Deposits from customers	62	4	1,876	6	162	2,110	0.45%	1
c) Debt securities in issue	-	-	-	-	-	-	-	-
Financial liabilities held for trading and designated at fair value	-	1	33	-	-	34	0.07%	-
Hedging derivatives (liabilities)	-	-	-	-	-	-	-	-
Liabilities associated with disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Other liabilities	-	1	46	-	-	47	0.37%	-
<b>Total liabilities</b>	<b>62</b>	<b>9</b>	<b>9,535</b>	<b>6</b>	<b>162</b>	<b>9,774</b>	<b>1.26%</b>	<b>24</b>
Guarantees given and commitments	-	2,196	1,799	-	2	3,997	-	659

#### Notes:

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

(\*\*) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

## Part H - Related-party transactions

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

### Related-party transactions: profit and loss items

	AMOUNTS AS AT 12.31.2019							(€ million)	
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS <sup>(*)</sup>	% ON ACCOUNTS ITEM
10. Interest income and similar revenues	-	117	72	-	-	189	1.28%	2	0.01%
20. Interest expenses and similar charges	-	-	(42)	-	-	(42)	0.93%	(1)	0.02%
<b>30. Net interest margin</b>	<b>-</b>	<b>117</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>1.43%</b>	<b>1</b>	<b>0.01%</b>
40. Fees and commissions income	-	4	768	-	-	772	10.15%	1	0.01%
50. Fees and commissions expenses	(5)	-	(12)	-	-	(17)	1.32%	-	-
<b>60. Net fees and commissions</b>	<b>(5)</b>	<b>4</b>	<b>756</b>	<b>-</b>	<b>-</b>	<b>755</b>	<b>11.95%</b>	<b>1</b>	<b>0.02%</b>
70. Dividend income and similar revenues	-	-	46	-	-	46	15.59%	-	-
80. Net gains (losses) on trading	-	-	6	-	-	6	0.46%	7	0.54%
90. Net gains (losses) on hedge accounting	-	(32)	-	-	-	(32)	76.19%	-	-
100. Gains (Losses) on disposal and repurchase of	-	-	-	-	-	-	-	-	-
a) Financial assets at amortised cost	-	-	-	-	-	-	-	-	-
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
c) Financial liabilities	-	-	-	-	-	-	-	-	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	-	-	2	-	-	2	0.54%	-	-
a) Financial assets/liabilities designated at fair value	-	-	-	-	-	-	-	-	-
b) Other financial assets mandatorily at fair value	-	-	2	-	-	2	1.25%	-	-
<b>120. Operating income</b>	<b>(5)</b>	<b>89</b>	<b>840</b>	<b>-</b>	<b>-</b>	<b>924</b>	<b>5.09%</b>	<b>9</b>	<b>0.05%</b>
130. Net losses/recoveries on credit impairment relating to	-	(6)	(42)	-	-	(48)	1.38%	-	-
a) Financial assets at amortised cost	-	(6)	(42)	-	-	(48)	1.38%	-	-
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
140. Gains/Losses from contractual changes with no cancellations	-	-	-	-	-	-	-	-	-
190. Administrative expenses	1	1	(428)	-	(23)	(449)	4.20%	-	-
a) Staff costs	1	1	7	-	(16)	(7)	0.11%	-	-
b) Other administrative expenses	-	-	(435)	-	(7)	(442)	10.79%	-	-
200. Net provisions for risks and charges	-	1	6	-	-	7	6.80%	-	-
230. Other operating expenses/income	1	6	(37)	-	-	(30)	3.34%	-	-
<b>240. Operating costs</b>	<b>2</b>	<b>8</b>	<b>(459)</b>	<b>-</b>	<b>(23)</b>	<b>(472)</b>	<b>4.77%</b>	<b>-</b>	<b>-</b>

Note:

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

## Part H - Related-party transactions

The "Other related-parties IAS" category includes:

- close family members of key management personnel (i.e. those family members who, as is expected, may influence, or be influenced by, the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

The main related-party transactions are the following:

- In 2012 the subsidiary UniCredit Services S.C.p.A. (US) formerly UniCredit Business Integrated Solutions S.C.p.A. (UBIS), assumed the role of operating sub-holding to provide the Group's support services both in Italy and abroad.  
On 19 April 2013, the Board of Directors of US approved the executive plan of the project aimed at establishing a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data center, 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 extension of expiry to December 2026, between US and V-TService has been concluded with the aim of increasing value creation and ability to catch new opportunities from technological evolution.  
The services provided to UniCredit group by the abovementioned companies result in an exchange of fees (administrative costs).
- With reference to transactions with Mediobanca S.p.A. ("Mediobanca"), entirely sold at the end of 2019, 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 contract on UniCredit S.p.A. shares with Mediobanca, under which Mediobanca gives back to UniCredit S.p.A., in return for a consideration (recorded as a reduction in Shareholders' Equity), the right to vote and receive dividends on UniCredit S.p.A. shares subscribed in January 2009, as part of the capital increase approved by UniCredit S.p.A. in November 2008. These shares were concomitantly used, by Mediobanca, in support of the issuance of convertible securities denominated "Cashes".  
Following the resolutions of UniCredit S.p.A.'s Extraordinary Shareholders' Meeting of December 2011, the number of shares underlying the usufruct contract and the formula for calculating the remuneration fees in favor of Mediobanca were adjusted to reflect (i) the reverse split of UniCredit S.p.A. shares and (ii) the free capital increase of December 2011 carried out through the allocation to capital of an equivalent amount transferred from the issue-premium reserve recorded in January 2009. A further reverse split of UniCredit S.p.A. shares underlying the usufruct agreement has been approved by the Extraordinary Shareholders' Meeting of January 2017. In 2019 the fourth installment referred to the 2017 result has been paid for €31 million and the first three installments referred to the 2018 result has been paid respectively for €32 million, €31 million and €30 million.
- With regard to UniCredit's current strategy of reduction of non-performing exposures in order to strengthen the Group's risk profile as per the Transform 2019 plan, UniCredit S.p.A. and MBCredit Solutions S.p.A., member of Mediobanca group, in 2019, following other transactions realised in 2018, have reached an agreement for the disposal of non-performing customer loans originated in 2018. UniCredit S.p.A. and MBCredit Solutions S.p.A. have also reached an agreement for the sale of similar loans that arised in 2019.
- In 2018, through a competitive auction process, UniCredit S.p.A. has signed long-term partnership with Allianz for the exclusive distribution of Life and Non-Life bancassurance products (excluding Credit Protection products) in Bulgaria, Croatia, Hungary, Romania, Slovenia, Czech Republic and Slovakia (and potentially in Bosnia in case the conditions are met). The partnership was implemented in these countries, through local distribution agreements, in compliance with the all the local regulations, in the second half of 2018.
- It should be noted that distribution agreements concerning insurance products were signed with the following associates:
  - Aviva S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - Creditas Assicurazioni S.p.A.;
  - Creditas Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit S.p.A. employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

## Part I - Share-based payments

### Qualitative information

#### 1. Description of payment agreements based on own equity instruments

##### 1.1 Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees include the following categories:

- **Equity-Settled Share Based Payments**, which provide for the delivery of shares;

This category includes the following:

- **Stock Options** allocated to selected top & senior managers and key talents of the Group and represented by subscription rights of UniCredit shares;
- **Group Executive Incentive System** that offers to eligible Group executive a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment in cash and/or in UniCredit shares; the payment is related to the achievement of performance conditions (other than market conditions) stated in the plan rules;
- **Group Executive Incentive System (Bonus Pool)** that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period of ranging from 1 to 6 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/division level) and claw back conditions (as legally enforceable) according to the plan rules (both non-market vesting conditions);
- **Employee Share Ownership Plan (ESOP - Let's Share)** that offers to eligible Group employees the opportunity to buy UniCredit ordinary shares with the advantages to foresee the granting of free ordinary shares ("free shares") or rights to receive them measured on the basis of the shares purchased by each participant ("investment shares") during the "enrolment period". The granting of free ordinary shares is subordinated to the plan rules;
- **Long Term Incentive 2017-2019** that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on 3-years performance period, aligned to the new UniCredit strategic plan and provides for the allocation of an award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019.

It is also noted that, according to Banca d'Italia Circular 285 (20<sup>th</sup> update dated 22 November 2017), the equity-settled share based payments, represented by deferred payments in UniCredit ordinary shares not subject to vesting conditions, are used for the settlement of the so-called golden parachute (e.g. severance) for the relevant employees.

##### 1.2 Measurement model

###### 1.2.1 Stock Options

The Hull and White evaluation model has been adopted to measure the economic value of stock options.

This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- reaching a market share value equals to an exercise price-multiple (M);
- probability of beneficiaries' early exit (E) after the end of the vesting period.

Economic and equity effects will be recognised on a basis of instrument vesting period.

Any new stock options' plans haven't been granted during 2019.

###### 1.2.2 Group Executive Incentive System

The amount of the incentive is determined on a basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the employee's relevant manager is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non-market vesting conditions).

This percentage, adjusted by the application of a risk/opportunity factor - group gate - at first payment multiplied by the bonus opportunity, determines the effective amount that will be paid to the beneficiary.

Economic and net equity effects will be accrued on a basis of instruments' vesting period.

## Part I - Share-based payments

### 1.2.3 Group Executive Incentive System (Bonus Pool)

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

Economic and net equity effects will be accrued on a basis of instruments' vesting period.

#### Group Executive Incentive System "Bonus Pool 2018" - Shares

The plan is divided into clusters, each of which can have three or four installments of share-based payments spread over a period defined according to plan rules.

	SHARES GRANTED			
	GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2018			
	INSTALLMENT (2021)	INSTALLMENT (2022)	INSTALLMENT (2023)	INSTALLMENT (2024)
Date of bonus opportunity economic value granting	Feb-07-2018	Feb-07-2018	Feb-07-2018	Feb-07-2018
Date of Board resolution (to determine number of shares)	Mar-07-2019	Mar-07-2019	Mar-07-2019	Mar-07-2019
Vesting period start date	Jan-01-2018	Jan-01-2018	Jan-01-2018	Jan-01-2018
Vesting period end date	Dec-31-2018	Dec-31-2020	Dec-31-2021	Dec-31-2022
UniCredit share market price [€]	11.015	11.015	11.015	11.015
Economic value of vesting conditions [€]	-0.908	-1.557	-2.329	-3.237
<b>Performance shares' fair value per unit at grant date [€]</b>	<b>10.107</b>	<b>9.458</b>	<b>8.686</b>	<b>7.778</b>

#### Group Executive Incentive System 2019 (Bonus Pool)

The new Group Incentive System 2019 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

sustainability, through direct link with entity results and alignment with relevant risk categories, using specific indicators linked to risk-appetite framework;

- link between bonuses and organisation structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to executives and other relevant employee, identified on a basis of European Bank Authority (EBA) rules, according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

### 1.2.4. Long Term Incentive Plan 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

## Part I - Share-based payments

### Quantitative information

#### 1. Annual changes

##### Stock Option and Performance Stock Option UniCredit

ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE	YEAR 2019 <sup>(1)</sup>			YEAR 2018 <sup>(1)</sup>		
	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY
<b>A. Outstanding at beginning of period</b>	776,926	148.718	Jun-2019	2,885,799	126.261	Oct-2018
<b>B. Increases</b>	-	-		-	-	
B.1 New issues	-	-		-	-	
B.2 Other	-	-		-	-	
<b>C. Decreases</b>	446,500	-		2,108,873	-	
C.1 Forfeited	13,268	166.399		146,054	138.239	
C.2 Exercised	-	-		-	-	
C.3 Expired	433,232	-		1,962,819	-	
C.4 Other	-	-		-	-	
<b>D. Outstanding at end of period</b>	330,426	166.399	Dec-2019	776,926	148.718	Jun-2019
<b>E. Vested Options at end of period</b>	330,426	166.399	Dec-2019	776,926	148.718	Jun-2019

##### Note:

(1) The information related to Number of options and Average exercise price had been modified following the grouping operations resolved by UniCredit Extraordinary Shareholders' Meeting held on 15 December 2011 and the UniCredit Extraordinary Shareholders' Meeting on 12 January 2017 and following the application of "adjustment factors" recommended by AIAF (Associazione Italiana Analisti Finanziari) equal to:

- 0.88730816 as the free capital increase resolved by the UniCredit Annual General Meeting on 29 April 2009 ("scrip dividend");
- 0.95476659 as the capital increase resolved by the UniCredit Extraordinary Shareholder Meeting on 16 November 2009 and finalised on 24 February 2010;
- 0.6586305 as the capital increase resolved by the UniCredit Extraordinary Shareholders' Meeting on 15 December 2011 and finalised in 2012;
- 0.50112555 as the capital increase resolved by the UniCredit Extraordinary Shareholders' Meeting on 12 January 2017 and finalised on 2 March 2017.

##### Other UniCredit equity instruments: Performance Shares

ITEMS/NUMBER OF OTHER EQUITY INSTRUMENTS AND EXERCISE PRICE	YEAR 2019 <sup>(1)</sup>			YEAR 2018 <sup>(1)</sup>		
	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY
<b>A. Outstanding at beginning of period</b>	15,484,129	-	Dec-2019	15,773,637	-	Aug-2019
<b>B. Increases</b>	5,225,207	-		3,524,219	-	
B.1 New issues	5,225,207	-		3,524,219	-	
B.2 Other	-	-		-	-	
<b>C. Decreases</b>	3,618,336	-		3,813,727	-	
C.1 Forfeited	418,159	-		286,259	-	
C.2 Exercised <sup>(2)</sup>	3,200,177	-		3,527,468	-	
C.3 Expired	-	-		-	-	
C.4 Other	-	-		-	-	
<b>D. Outstanding at end of period<sup>(3)</sup></b>	17,091,000	-	Jun-2020	15,484,129	-	Dec-2019
<b>E. Vested instruments at end of period</b>	3,916,274	-		2,289,712	-	

##### Notes:

(1) The information related to number of options and average exercise price had been modified following the grouping operation resolved by UniCredit Extraordinary Shareholders' Meeting held on 12 January 2017 and following the application of "adjustment factor" equal to 0.50112555 recommended by AIAF (Associazione Italiana Analisti Finanziari) for the capital increase resolved by the UniCredit Extraordinary Shareholder Meeting on 12 January 2017 and finalised on 2 March 2017.

(2) As far as the 2019 movement is concerned, the average market price at the exercise date is equal to €11.82 (€16.48 was the price observed at exercise date for 2018 movimentation).

(3) UniCredit undertakes to grant, conditional upon achieving performance targets set in the strategic plan 17,091,000 ordinary shares at the end of 2019 (15,484,129 ordinary shares at the end of 2018).

## Part I - Share-based payments

### 2. Other Information

#### Effects on Profit and Loss

All Share-Based Payment granted after 7 November 2002 whose vesting period ends after 1 January 2005 are included within the scope of the IFRS2.

#### Financial statement presentation related to share based payments

(€ million)

	2019		2018	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
<b>(Costs)/Revenues</b>	<b>(69)</b>		<b>(73)</b>	
- connected to equity-settled plans <sup>(1)</sup>	(67)		(71)	
- connected to cash-settled plans	(2)		(2)	
<b>Debts for cash-settled plans</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>

#### Notes:

(1) Includes costs for €1.8 million related to golden parachute.



## Part L - Segment reporting

### Organisational structure

The format for segment information reflects the organisational structure currently used in management reporting for monitoring the Group's results, which is broken down into the following business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Corporate & Investment Banking (CIB), Central and Eastern Europe (CEE), Group Corporate Centre and Non Core.

#### Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network limited to Core clients (excluding Corporate clients, supported by Corporate and Investment Banking Division and clients supported by Foreign Branches), Leasing (excluding Non Core clients), Factoring and UniCredit S.p.A. structures included in local Corporate Centre that support the Italian business network.

In relation to individual clients (Mass market, Affluent, Private and Wealth), Commercial Banking Italy's goal is to offer a full range of products, services and consultancy to fulfill transactional, investments and credit needs, relying on branches and multichannel services provided thanks to new technologies.

The territorial organisation promotes a bank closer to customers and faster decision-making processes, while the belonging to UniCredit group allows to support companies in developing International attitudes.

#### Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Individual Clients segment) that serves retail and private banking customers with banking and insurance solutions across all areas of demand and all-round advisory services reflecting the individual and differentiated needs in terms of relationship model and product offering;
- "Unternehmerbank" (Corporate segment) that employs a different "Mittelstand" bank model to its competitors in that it serves both business and personal needs across the whole bandwidth of German enterprises and firms operating in Germany;
- local Corporate Centre.

Different service models are applied in line with the needs of its various customer groups: retail customers, private banking customers, small business and corporate customers, real estate customers and wealth management customers.

Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

#### Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Private Customer Bank) that covers private individuals, ranging from mass-market to affluent customers, high net-worth individuals and business customers; it includes Schoellerbank, a well-established subsidiary servicing wealthy customer;
- "Unternehmerbank" (Corporate Customer Bank, excluding CIB clients) servicing the entire range of SMEs, medium-sized and large companies, which do not access capital markets (including real estate and public sector); it includes the product factories Factoring and Leasing;
- Local Corporate Centre.

A broad coverage of individual clients and companies is ensured through its nation-wide branch network. Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.

Commercial Banking Austria applies an integrated service model, allowing clients to decide when, where and how they contact UniCredit Bank Austria. This approach combines classic branches which are continuously modernized, new formats of advisory service centres and modern self-service branches, internet solutions, mobile banking with innovative apps and contact to relationship managers via video-telephony.

#### Corporate & Investment Banking (CIB)

The CIB Division targets mainly Large Corporate and Multinational clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit Group. CIB serves UniCredit Group's clients across 32 countries with a wide range of specialized products and services, combining geographical proximity with an high expertise in all segments in which it is active.

Moreover, CIB acts as products and solutions provider for the commercial network, provides structured financing, hedging and treasury solutions for corporate and investment products for private and retail, according to the "CIB fully plugged-in concept". In the light of a more integrated client offering, Joint Venture between Commercial Banking and CIB division have been set up in Italy and Germany, with the objective to increase cross selling of investment banking products (M&A, Capital Markets and derivatives) to commercial banking clients.

## Part L - Segment reporting

The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive commercial network in Western Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines that consolidate the breadth of the Group's CIB know-how).

The dedicated commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network, Financial Institutions Group) are responsible for the relationships with corporate clients, banks and financial institutions as well as the sale of a broad range of financial products and services, ranging from traditional lending and merchant banking operations to more sophisticated services with high added value, such as project finance, acquisition finance and other investment banking services and operations in international financial markets.

The three following Product Lines supplement and add value to the activities of the commercial networks:

- **Financing and Advisory (F&A)** - F&A is the expertise center for all business operations related to credit and advisory services for corporate and institutional clients. It is responsible for providing a wide variety of products and services ranging from plain vanilla and standardized products, extending to more sophisticated products such as Capital Markets (Equity and Debt Capital Markets), Corporate Finance and Advisory, Syndications, Leverage Buy-Out, Project and Commodity Finance, Real Estate Finance, Structured Trade and Export Finance.
- **Markets** - Markets is the centre specialized for all financial markets activities and serves as the Group's access point to the capital markets. This results in a highly complementary international platform with a strong presence in emerging European financial markets. As a centralized product line, it is responsible for the coordination of financial markets-related activities, including the structuring of products such as FX, Rates, Equities and credit related activities.
- **Global Transaction Banking (GTB)** - GTB is the centre for Cash Management, e-banking, Supply Chain Finance, Trade Finance products and global securities services.

Moreover, the controlled company UCI International Luxembourg operates in Global Family Office and Wealth Management activities.

### Central and Eastern Europe (CEE)

The Group, through the CEE business segment, offers a wide range of products and services to retail, corporate and institutional clients in 12 Central and Eastern Europe countries: Azerbaijan, Bosnia- Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey; having, in addition, Leasing activities in the 3 Baltic 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 standardizing the customer segments and range of products. The Group shares its business models on an international level in order to ensure access to its network in any country where the Group is present.

This approach is vital due to the variety of global products offered, particularly cash management and trade finance solutions to corporate customers operating in more than one CEE country.

### Group Corporate 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 optimize costs and internal processes guaranteeing operating excellence and supporting the sustainable growth of the Business Lines. In the Group Corporate Centre are included also the Group's Legal Entities that are going to be dismissed.

### 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

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2019
Net interest	3,366	1,517	698	2,726	2,247	(341)	(11)	10,203
Dividends and other income from equity investments	123	2	179	246	1	86	-	637
Net fees and commissions	3,672	717	607	835	536	(72)	10	6,304
Net trading income	79	59	35	407	1,000	(24)	(20)	1,538
Net other expenses/income	(91)	97	38	37	116	(20)	(21)	156
<b>OPERATING INCOME</b>	<b>7,148</b>	<b>2,392</b>	<b>1,558</b>	<b>4,251</b>	<b>3,901</b>	<b>(371)</b>	<b>(41)</b>	<b>18,839</b>
Payroll costs	(2,173)	(947)	(542)	(796)	(599)	(1,058)	(31)	(6,146)
Other administrative expenses	(1,939)	(670)	(426)	(599)	(914)	1,476	(207)	(3,279)
Recovery of expenses	416	10	-	49	2	55	59	592
Amortisation, depreciation and impairment losses on tangible and intangible assets	(91)	(20)	(7)	(190)	(15)	(774)	(0)	(1,096)
<b>Operating expenses</b>	<b>(3,786)</b>	<b>(1,627)</b>	<b>(975)</b>	<b>(1,535)</b>	<b>(1,526)</b>	<b>(300)</b>	<b>(180)</b>	<b>(9,929)</b>
<b>OPERATING PROFIT</b>	<b>3,362</b>	<b>765</b>	<b>583</b>	<b>2,716</b>	<b>2,375</b>	<b>(671)</b>	<b>(221)</b>	<b>8,910</b>
Net writedowns of loans and provisions for guarantees and commitments	(1,044)	(100)	(41)	(456)	(106)	(2)	(1,632)	(3,382)
<b>OPERATING NET PROFIT</b>	<b>2,318</b>	<b>665</b>	<b>542</b>	<b>2,260</b>	<b>2,270</b>	<b>(673)</b>	<b>(1,854)</b>	<b>5,527</b>
Other charges and provisions	(342)	69	(72)	(256)	165	(360)	(157)	(954)
Integration costs	(82)	(219)	(133)	(19)	(95)	(108)	(8)	(664)
Net income from investments	(83)	335	(5)	(22)	(299)	(518)	(252)	(844)
<b>PROFIT BEFORE TAX</b>	<b>1,811</b>	<b>849</b>	<b>332</b>	<b>1,962</b>	<b>2,041</b>	<b>(1,660)</b>	<b>(2,270)</b>	<b>3,065</b>

## A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2019
<b>BALANCE SHEET AMOUNTS</b>								
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>	<b>141,308</b>	<b>87,172</b>	<b>45,269</b>	<b>67,534</b>	<b>78,888</b>	<b>2,295</b>	<b>1,886</b>	<b>424,352</b>
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>	<b>152,889</b>	<b>92,742</b>	<b>48,459</b>	<b>70,745</b>	<b>52,794</b>	<b>2,331</b>	<b>488</b>	<b>420,448</b>
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>99,784</b>	<b>36,388</b>	<b>23,857</b>	<b>90,028</b>	<b>80,648</b>	<b>37,047</b>	<b>10,966</b>	<b>378,718</b>

## A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2019
<b>STAFF</b>								
Employees (FTE)	28,640	9,120	4,833	24,229	3,161	13,968	295	84,245

## Part L - Segment reporting

## A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
Net interest	3,498	1,519	685	2,709	2,289	(228)	99	10,570
Dividends and other income from equity investments	76	(1)	155	322	36	83	-	672
Net fees and commissions	3,635	720	614	816	595	(82)	28	6,328
Net trading income	50	93	69	325	790	7	(55)	1,279
Net other expenses/income	(97)	114	39	27	88	(25)	(30)	116
<b>OPERATING INCOME</b>	<b>7,163</b>	<b>2,445</b>	<b>1,561</b>	<b>4,199</b>	<b>3,799</b>	<b>(245)</b>	<b>42</b>	<b>18,965</b>
Payroll costs	(2,304)	(964)	(562)	(756)	(590)	(1,126)	(35)	(6,336)
Other administrative expenses	(2,062)	(674)	(447)	(610)	(965)	1,459	(246)	(3,545)
Recovery of expenses	422	14	0	48	3	69	75	631
Amortisation, depreciation and impairment losses on tangible and intangible assets	(90)	(16)	(11)	(182)	(5)	(751)	(0)	(1,057)
<b>Operating expenses</b>	<b>(4,033)</b>	<b>(1,641)</b>	<b>(1,021)</b>	<b>(1,501)</b>	<b>(1,556)</b>	<b>(349)</b>	<b>(206)</b>	<b>(10,307)</b>
<b>OPERATING PROFIT</b>	<b>3,130</b>	<b>804</b>	<b>541</b>	<b>2,699</b>	<b>2,243</b>	<b>(595)</b>	<b>(163)</b>	<b>8,658</b>
Net writedowns of loans and provisions for guarantees and commitments	(1,046)	(145)	25	(457)	(76)	7	(921)	(2,614)
<b>OPERATING NET PROFIT</b>	<b>2,083</b>	<b>659</b>	<b>565</b>	<b>2,241</b>	<b>2,167</b>	<b>(587)</b>	<b>(1,085)</b>	<b>6,044</b>
Other charges and provisions	(314)	(361)	(120)	(193)	(817)	(379)	(88)	(2,271)
Integration costs	(2)	(24)	(1)	(5)	(0)	23	0	(9)
Net income from investments	111	453	(7)	(14)	20	(738)	(22)	(198)
<b>PROFIT BEFORE TAX</b>	<b>1,879</b>	<b>727</b>	<b>437</b>	<b>2,030</b>	<b>1,369</b>	<b>(1,681)</b>	<b>(1,194)</b>	<b>3,566</b>

## A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
<b>BALANCE SHEET AMOUNTS</b>								
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>	<b>145,641</b>	<b>83,741</b>	<b>44,808</b>	<b>65,344</b>	<b>81,354</b>	<b>3,274</b>	<b>6,612</b>	<b>430,774</b>
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>	<b>146,236</b>	<b>91,694</b>	<b>47,380</b>	<b>65,744</b>	<b>45,301</b>	<b>2,985</b>	<b>528</b>	<b>399,867</b>
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>95,753</b>	<b>36,642</b>	<b>23,496</b>	<b>86,572</b>	<b>81,598</b>	<b>33,898</b>	<b>12,221</b>	<b>370,180</b>

## A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
<b>STAFF</b>								
Employees (FTE)	29,582	9,167	4,873	24,214	3,234	14,247	345	85,662

## Part L - Segment reporting

## B - Secondary segment

(€ million)

AMOUNTS AS AT 12.31.2019	TOTAL ASSETS	OPERATING INCOME <sup>(*)</sup>	COST OF INVESTMENT
Italy	368,220	8,487	278
Germany	270,289	3,874	53
Austria	97,602	1,664	128
Total other european countries	119,226	4,115	252
<i>of which: Western Europe</i>	21,655	212	1
<i>of which: Central and Eastern Europe</i>	97,571	3,903	251
America	309	2	-
Asia	1	-	-
Rest of the world	-	-	-
<b>Total</b>	<b>855,647</b>	<b>18,142</b>	<b>711</b>

Note:

(\*) Item 120 in Income statement.

(€ million)

AMOUNT AS AT 12.31.2018	TOTAL ASSETS	OPERATING INCOME <sup>(*)</sup>	COST OF INVESTMENT
Italy	368,269	8,771	356
Germany	255,512	3,956	151
Austria	93,552	1,783	134
Total other european countries	114,389	4,181	313
<i>of which: Western Europe</i>	21,099	332	1
<i>of which: Central and Eastern Europe</i>	93,290	3,849	312
America	450	4	-
Asia	-	(2)	-
Rest of the world	-	-	-
<b>Total</b>	<b>832,172</b>	<b>18,693</b>	<b>954</b>

Note:

(\*) Item 120 in Income statement.

The amounts of each country are aggregated by country of residence of the relevant legal entity's Head Office (i.e.: foreign branches are generally included in the relevant parent company or conventionally attributed to another country).

## Part M - Information on leases

### Section 1 - Lessee

#### Qualitative information

The Group in conducting its business, signs lease contracts for which accounts for rights of use that mainly relate to the following type of tangible assets:

- land;
- buildings;
- office furniture and fitting;
- electronic systems;
- others (e.g. cars).

These contracts are accounted for in accordance with rules set in accounting standard IFRS16 further detailed in Part A - Accounting policies - A.2 - Main items of the accounts (please refer to this section).

The rights of use deriving from these lease contracts are mainly used to provide for services or for administrative purposes and accounted for according to the cost method. If these rights of use are sub-leased to third parties, a financial or operating lease contract is booked based on their characteristics.

As allowed by the accounting standard, the Group has decided not to account for rights of use or lease liabilities in case of:

- short-term leases, lower than 12 months; and
- lease of low value assets. In this regard, in this respect an asset is considered as low value if its fair value when new is equal to or lower than €5 thousand. This category mainly includes office machines (PCs, monitors, tablets, etc.) as well as fixed and mobile telephony devices.

The lease payments deriving from this type of activity are booked in item "190. Administrative expenses" on an accrual basis.

Finally, please note that the Group has entered into sale and lease back transactions concerning properties sold during the period, determining the reduction of the corresponding right of use from €12.7 million to €6.4 million.

#### Quantitative information

The book value of the rights of use arising from lease contracts are exposed in Part B - Consolidated balance sheet - Assets - Section 9 - Property, plant and equipment - Item 90 of the Notes to the consolidated accounts.

During the year, these rights of use resulted in the recognition of depreciations for €330.6 million of which:

- €0.1 million relating to land;
- €308.5 million relating to buildings;
- €0.3 million relating to office furniture and fitting;
- €0.4 million relating to electronic systems;
- €21.3 million relating to the category other (eg cars).

In addition, impairment (net of reversal) for €12.7 million has been booked.

With reference to lease liabilities, the related book value is shown in Part B - Consolidated balance sheet - Liabilities - Section 1 - Financial liabilities at amortised cost - Item 10 of the Notes to the consolidated accounts (please refer to this section).

During the year, these lease liabilities led to the recognition of interest expenses shown in Part C - Consolidated income statement - Section 1 - Interests - Items 10 and 20 of Consolidated income statement of the Notes to the consolidated accounts.

With reference to short-term leases and leases of low value assets, it should be noted that during the year, rentals were accounted for €114.8 million. Please note that such amount also includes VAT on rentals which is not included in the lease liability calculation.

Finally, with reference to the sublease contracts, it should be noted that these contracts determined interest income for €0.6 million during the year if classified as financial leases and other operating income for €52.5 million if classified as operating leases.

For the purposes of determining the lease term, the Group considers the non-cancellable period established by the contract, during which the lessee has the right to use the underlying asset as well as any renewal options where the lessee has reasonable expectation to proceed with the renewal.

In particular, with reference to contracts that provide the lessee with the option to automatically renew the lease at the end of a first period, the lease term is determined considering elements such as the duration of the first period, the existence of any plan leading to the disposal of the asset leased as well as any other circumstance indicating the reasonable certainty of renewal.

Therefore, the amount of cash flows, not reflected in the calculation of the lease liability, to which the Group is potentially exposed, is essentially due to the possible renewal of lease contracts and the subsequent extension of the lease term not included in the original calculation of the lease liabilities taking into account the information available and expectations existing as at 1 January 2019 (date of initial application of IFRS16) or on the starting date of the lease.

## Part M - Information on leases

### Section 2 - Lessor

#### Qualitative information

The Group mainly carries out financial leasing activities, particularly through its leasing companies.

These contracts are exposed through the recognition of a credit for financial leases recognized in Item "40. Financial assets at amortised cost", of the related income on an accrual basis in item "10. Interest income and similar revenues" and of the impairment for the expected credit loss in item "130. Net losses/recoveries on credit impairment".

Operating leasing activities, on the other hand, are essentially attributable to the leasing of owned properties to parties external to the Group. These contracts are represented through the recognition, on an accrual basis, of the rentals received in item "230. Other operating expenses/income".

#### Quantitative information

##### 1. Balance sheet and Income statement information

With reference to financial lease contracts, the book value of credit for financial leases is shown in Part B - Consolidated balance sheet - Assets - Section 4 - Financial assets at amortised cost - Item 40 of Assets of the Notes to the consolidated accounts.

Such loans determined, during the year, interest income shown in Part C - Consolidated income statement - Section 1 - Interests - Items 10 and 20 of the income statement of the Notes to the consolidated accounts.

With reference to operating lease contracts, it should be noted that the book value of the owned assets granted under operating lease is composed as follows:

- land: €339.7 million;
- buildings: €532.4 million;
- office furniture and fitting: €0.8 million;
- other: €738.2 million.

Rentals recognised on an accrual basis during the year for leasing of these activities are shown in Part C - Consolidated income statement - Section 16 - Other operating expenses/income - Item 230 - of the income statement of the Notes to the consolidated accounts.

##### 2. Financial leases

##### 2.1 Classification for time bucket of Payments to be received and Reconciliation with Lease Loans booked in the Assets

		(€ million)
		12.31.2019
TIME BUCKET	PAYMENTS TO BE RECEIVED FOR LEASE	
Up to 1 year		3,751
1 year to 2 years		3,007
2 year to 3 years		3,057
3 year to 4 years		1,958
4 year to 5 years		1,668
Over 5 years		9,336
<b>Total Payments to be received for lease</b>		<b>22,777</b>
<b>RECONCILIATION WITH LOANS</b>		
Unpaid Financial Profits (-)		2,116
Not guaranteed Residual Amount (-)		-
<b>Lease Loans</b>		<b>20,661</b>

Note that the Group has decided, as permitted by the accounting standard, not to restate comparative information as a result of the first adoption of accounting standard IFRS16. Consequently, the table does not report the balances as at 31 December 2018.

The value shown in the table represents the gross exposure. This value is decreased by impairment, equal to €2,024 million on a cumulated basis, leading to the amount of €18,637 million shown in the Assets - Section 4 - Financial assets at amortised cost - Item 40 of Assets of the Notes to the consolidated accounts.



## Part M - Information on leases

### 2.2 Other information

With regard to financial leases, the credit risk associated with the contract is managed according to what is stated in Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk of the Notes to the consolidated accounts (please refer to this section).

The classification of the contract as a financial lease is determined by the fact that the risks and rewards of ownership of the asset are transferred to the lessee for the whole lease term and the contract contains an option to purchase the asset at conditions that determines non-economic the non-exercise of the option, or the contract has a duration substantially aligned with the useful life of the asset leased. Such condition is also satisfied in case of contracts that do not contain an option to purchase the asset or have a lease term significantly lower than useful life of the asset leased, but are complemented by agreements with third parties that guarantee the purchase of the asset at the end of the lease contract.

### 3. Operating leases

#### 3.1 Classification for time bucket of Payments to be received

		(€ million)
		12.31.2019
TIME BUCKET	PAYMENTS TO BE RECEIVED FOR LEASE	
Up to 1 year		153
1 year to 2 years		74
2 year to 3 years		61
3 year to 4 years		45
4 year to 5 years		36
Over 5 years		229
<b>Total</b>		<b>598</b>

Note that the Group has decided, as permitted by the accounting standard, not to restate comparative information as a result of the first adoption of accounting standard IFRS16. Consequently, the table does not report the balances as at 31 December 2018.

### 3.2 Other information

There is no further significant information to report compared to the above.





## 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 charged 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 applicationof the administrative and accounting procedures employed to draw up the 2019 Consolidated Financial Statements.
2. The adequacy of administrative and accounting procedures employed to draw up the 2019 Consolidated Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and for financial reporting in particular.
3. The undersigned also **certify** that:
  - 3.1 the 2019 Consolidated Financial Statements:
    - a) were prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;
    - b) correspond to the results of the accounting books and records;
    - c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and of the group of companies included in the scope of consolidation;
  - 3.2 the Report on Operations includes a reliable analysis of the operating trend and results, as well as of the situation of the issuer and of the Legal Entities included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Milan, 5 February 2020

Jean Pierre MUSTIER



Stefano PORRO





**INDEPENDENT AUDITOR'S REPORT  
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010  
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of  
UniCredit S.p.A.**

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Opinion**

We have audited the consolidated financial statements of UniCredit S.p.A. and its subsidiaries (the "Group"), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of UniCredit S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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***Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40)***

**Description of the key audit matter**

As described in the notes to the accounts *Part A – Accounting Policies Section 4 – Other matters (Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40))*, effective from the consolidated financial statements as at 31 December 2019, the Group has modified the valuation criterion for the real estate portfolio as follows:

- for the properties used in the business (ruled by IAS16 "Property, plant and machinery") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition;
- for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

The representation of the voluntary changes in accounting standards (accounting policy) is governed by IAS 8 "Accounting standards, changes in accounting estimates and errors". According to the requirements of this standard, the change in valuation criterion for properties used in the business, from the cost model to the fair value model is made as at 31 December 2019, while for investment properties, the change in valuation criterion from the cost model to the fair value model is made as at 1 January 2018 with a restatement of the comparative data as at 31 December 2018.

In the consolidated financial statements as at 31 December 2019, the change in the valuation criterion of the properties resulted in an overall positive balance sheet effect of 3,008 million Euro gross of tax effect as detailed below:

- for properties used in business, the recognition of a revaluation of 2,090 million Euro gross of tax effect. This value, net of deferred tax, amounting to 645 million Euro, was allocated to a specific valuation reserve in the equity. In addition, net losses for 188 million Euro were recognised in the income statement gross of the tax effect;
- for properties held for investment an overall revaluation in the equity equal to 837 million Euro gross of the tax effect (583 million Euro net of the tax effect) composed of: (a) the recognition in a first time adoption reserve of a revaluation equal to 511 million Euro gross of tax effect (352 million Euro net of the tax effect) as a change in the opening balances of equity as at 1 January 2018; (b) restatement of the retained earnings reserves as at 31 December 2018 as a consequence of the changes in the fair value of properties during the previous year and due to the fact that properties held for investment are no longer subject to depreciation, for an amount equal to 326 million Euro gross of tax effect (231 million Euro net of the tax effect);
- with regard to properties held for investment, during 2019 a net profit equal to 269 million Euro gross of the tax effect has been recognised in the income statement.



Considering the significance of the impact of the change in valuation criterion of the real estate portfolio on the Group's net equity, the operational complexities associated with the first time adoption of the new accounting policy and the inherent subjectivity in the estimation processes adopted by management in valuing properties used in the business and investment properties according to the new criterion, we deem that the change in valuation criterion for these categories of tangible assets represents a key audit matter of the consolidated financial statements of the Group as at 31 December 2019.

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**Audit procedures performed**

The main audit procedures performed were:

- examination of, with the support of Deloitte accounting specialists and real estate specialists, the documentation prepared within the Group for the purpose of approving the change in valuation criterion of the properties (which includes: accounting manual, procedures and further supporting documentation) and the minutes of the governance and control bodies of the Bank and the other entities within the Group;
- collection of information through discussions with the relevant functions of the Bank and the other entities within the Group;
- analysis of the process set up by the Bank for the selection of the independent valuation experts appointed for drawing up specific valuation appraisals;
- identification and assessment of the design of key controls governing the classification and evaluation of the properties;
- analysis of, with the support of Deloitte real estate specialists, the appraisals prepared by the independent valuation experts which illustrate the valuation methods used and the related fair values as at 31 December 2019;
- checks on a sample basis, with the support of Deloitte real estate specialists, on the adequacy of the fair values held as at 31 December 2019 of the properties used in the business and the investment properties;
- test of the appropriateness of the restatement: i) of the specific first time adoption reserve in the shareholders' equity as at 1 January 2018; ii) of the comparative data relating to 2018 due to the change in the fair values of the real estate properties during the year and to the fact that investment properties are no longer subject to depreciation;
- test of the appropriateness of the fair values of the real estate properties as at 31 December 2019 as well as the related tax effects.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

***Risk of uncorrected classification and valuation of performing customer loans***

**Description of the key audit matter**

As indicated in the notes to the accounts *Part B – Balance Sheet Information (Table 4.2 Financial Assets at amortised cost: Breakdown by product of loans and advances to customers)*, stage 1 and stage 2 loans are equal to 470,947 million Euro as at 31 December 2019.

For the classification of credit exposures in the various homogeneous risk classes, the Group refers to sector regulations, supplemented by the internal rules governing the classification and transfer rules within the various risk categories.

In particular, the allocation of credit exposures in one of the IFRS 9 stages is done at initial recognition, when the exposures are classified as stage 1 and is periodically reviewed based on "stage allocation" rules depending on a combination of relative and absolute elements as specified in *Part E – Information on risks and hedging policies – paragraph 2.3 Measurement method for expected losses*.

The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 15 – Other Information Impairment* describes the methods used for the impairment of groups of performing loans.

In particular, for exposures classified in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year, while for exposures classified in stage 2, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure. The same paragraph in the notes to the accounts describes the method to calculate the expected credit loss based on models that use the parameters of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") calculated for regulatory purposes and for which necessary adjustments are made to ensure that the measurement of impairment (or expected losses) considers timely and forward-looking information, including the effects of multiple scenarios.

Considering the significance of the amount of the performing loans recorded in the consolidated financial statements, the complexity of the estimation processes adopted by the Group which comprised a structured classification activity into homogeneous risk categories and the use of valuation models characterized by numerous variables, including the existence of indicators of possible impairment, we have identified the classification and valuation of performing loans, with particular reference to performing credit portfolios with higher levels of management risk ("watchlist" exposures), as a key audit matter of the consolidated financial statements of the Group as at 31 December 2019.

**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the internal control system and the relative internal regulations concerning to the credit process which included, in particular, the identification of the organizational and procedural safeguards implemented to monitor credit quality as well as the adequacy of the classification according to the provisions of the sector legislation and for the relative assessment in compliance with the applicable accounting standards;

- analysis of the implementation of the procedures and processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures with reference to the most significant changes compared to the prior year data, also through the obtainment and analysis of the monitoring reports; analysis of the related results with the heads of departments and related organizational units involved;
- analysis and understanding of the main valuation models adopted and verification, on a sample basis, of the reasonableness of the parameters subject to estimation, also used with the support of credit model experts and IT experts belonging to the Deloitte network;
- analysis and recalculation of the collective assessment of performing loans;
- checks on a sample basis on the classification according to the provisions of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurring after the reference date of the financial statements.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

***Risk of uncorrected classification and valuation of non-performing loans (unlikely to pay and bad loans)***

**Description of the key audit matter**

As indicated in the report on operations in the table *Loans to customers – Asset Quality*, as at 31 December 2019, non-performing loans to customers, net of write-downs equal to 65.24%, have a carrying value of 8,792 million Euro, of which, as reported in the notes to the accounts *Part B – Balance Sheet – Assets (table 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers)*, loans are equal to 8,754 million Euro.

In addition, the report on operations shows that the coverage ratio for bad exposures as at 31 December 2019 is equal to 76.33% with a carrying value of 2.956 million Euro, for unlikely to pay is equal to 55.93% with a carrying value of 5,259 million Euro and for non-performing past due is equal to 33.70% with a carrying value of 577 million Euro.

The notes to the accounts *Part A – Accounting Policies section A.2 – Main items of the accounts Paragraph 15 – Other Information Impairment* shows that in stage 3 there are impaired exposures corresponding to the aggregate Non-Performing Exposures in accordance with Bank of Italy Circular No.272 as of 30 July 2008 and subsequent updates and with the EBA Implementing Technical Standards (EBA/ITS/2013/03/rev1 24/7/2014).

In the same paragraph of the notes to the accounts, it is also described that the assessment of bad exposures and unlikely to pay takes place:

- on an analytical basis, as the difference between the carrying amount and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset;
- through the comparison with coverage levels defined statistically for some credit portfolios below a predefined threshold.

Consistent with the basis underlying the 2020-2023 Strategic Plan, in December 2019, the Board of Directors of the Bank approved a modification to the parameters used to estimate the recovery values of credit exposures to customers included within the scope of Non Core business, with the objective of a complete disposal by the end of 2021. The modification of the aforementioned parameters qualifies, in accordance with IAS 8, as a change in accounting estimate, as the valuation criterion of the receivables has not changed.

In the notes to the accounts *Part E – Information on risks and hedging policies Section 1 – Risk of the accounting consolidated perimeter Paragraph A – Credit Quality*, it is reported that the change in accounting estimate previously described, resulted in the recognition of impairments in the income statement for the fourth quarter of 2019 for a total amount of 1,055 million Euro, of which:

- 870 million Euro relating to the application of the sales strategy, which involved credit-impaired exposures for a total of 4,844 million Euro nominal value;
- 137 million Euro deriving from an increase in coverage levels relating to lower expected recoveries, which involved credit-impaired exposures for a total of 1,020 million Euro nominal value;
- 48 million Euro attributable to write-offs, which involved credit-impaired exposures of 706 million Euro nominal value.

Considering the significance of non-performing loans amount recorded in the consolidated financial statements and the complexity of the estimation processes adopted by the Group which implied a complex classification activity into homogeneous risk categories and the use of some variables characterized by a high subjectivity (such as the estimates of expected cash flows, the relative recovery times, the value of any guarantees and the recovery strategies) for the determination of the relative recoverable amount, we have identified the classification of non-performing loans and their valuation as a key audit matter of the consolidated financial statements of the Group as at 31 December 2019.

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**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the internal control system as well as the related internal regulations regarding the monitoring of credit quality, the management of impaired loans as well as the adequacy of the

classification according to the provisions of the sector legislation and its assessment in compliance with the applicable accounting principles;

- analysis and understanding of the approval process by the competent bodies of the Bank of the actions to strengthen the strategy of reducing credit exposures included in the Non Core perimeter;
- verification of the implementation of the procedures and processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures, for each category of non-performing loans, by calculating appropriate hedging indices and comparing them with the prior year data, also by obtaining and analyzing the monitoring reports, and analysis of the relative results with the heads of the Bank departments and the related organizational units involved, in addition to sector data;
- analysis and understanding of the main evaluation models adopted and verification, on a sample basis, of the reasonableness of the parameters to be assessed, also with the support of credit model experts and IT experts belonging to the Deloitte network;
- checks on a sample basis, for each category of non-performing loans, on the classification according to the requirements of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurring after the reference date of the financial statements.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

***Prisma transaction: accounting derecognition of a portfolio of non-performing loans following transfer through securitization***

**Description of the key audit matter**

As described in the notes to the accounts *Part E – Information on risks and hedging policies Section 1 – Risk of the accounting consolidated perimeter Paragraph A – Credit Quality*, the Board of Directors of the Bank approved the PRISMA transaction on 20 September 2019, realised in 2 phases: (1) on 11 October 2019 the legal transfer of the non-performing loan portfolio consisting of residential mortgages for a gross book value of 4,098 million Euro to PRISMA SPV Srl at a price of 1,320 million Euro, then settled on 18 October 2019 through the full subscription by the Bank of all senior, mezzanine and junior notes issued (Asset Backed Securities (“ABS”)), for 1,210 million Euro, 80 million Euro and 30 million Euro respectively; (2) on 5 November 2019 the transfer by the Bank to third party investors of 95% of the mezzanine and junior notes (for 104.5 million Euro out of the total of 110 million Euro originally subscribed) at a total price of approximately 48 million Euro.

With the completion of the aforementioned transaction, on 12 November 2019, the conditions provided for by IFRS 9 (paragraph 3.2.6) were fulfilled and the Bank proceeded with the accounting derecognition of the receivables belonging to the portfolio securitized through the PRISMA transaction from the balance sheet assets and to record the remaining portions of the ABS subscribed (100% senior, 5% mezzanine and junior) in the financial statements, classifying them in the categories envisaged by IFRS 9 based on their characteristics. On 27 December 2019, the Italian Minister of Economy and Finance granted the "Garanzia Cartolarizzazione Sofferenze" ("GACS") as a guarantee for the repayment of the senior notes.

Considering the significance of the accounting effects related to the transaction above described, we deem the derecognition of the receivables belonging to the loan portfolio subject to securitization within the PRISMA transaction to represent a key audit matter of the consolidated financial statements of the Group as at 31 December 2019.

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**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis of the approval process of the securitization transaction by the competent bodies of the Bank;
- obtaining and analyzing: (i) the contracts made with third party counterparties who have signed the agreements for the sale of loans and ABS; (ii) the minutes of the meetings of the governing bodies of the Bank;
- analysis of the accounting treatment of the effects of the loan transfer transaction (through securitization), also through inquiries with the heads of the corporate functions and the related organizational units involved, as well as with the control body of the Bank;
- verification of the existence of the conditions required by IFRS 9 for the write-off of the receivables transferred as part of the PRISMA transaction from the balance sheet with reference to the substantial transfer of the risks and benefits of the loan portfolio sold and securitized;
- obtaining and analyzing the documentation prepared by the Bank for the application of the granting of the guarantee on the securitization of bad loans (GACS);
- verification of the classification and evaluation of the ABS securities subscribed by the Bank and recorded in the consolidated financial statements as at 31 December 2019 in the categories envisaged by IFRS 9.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

## **Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements**

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company UniCredit S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;



- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

#### **Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of UniCredit S.p.A. has appointed us on May 11, 2012 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of UniCredit S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of UniCredit Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of UniCredit Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of UniCredit Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

**Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254**

The Directors of UniCredit S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Riccardo Motta**  
Partner

Milan, Italy  
March 10, 2020

*This report has been translated into the English language solely for the convenience of international readers.*



# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below. An explanation for the restatement of comparative figures is provided in the previous sections.

## Consolidated balance sheet

ASSETS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Cash and cash balances	17,305	30,991
<i>Item 10. Cash and cash balances</i>	17,305	30,991
Financial assets held for trading	63,280	65,231
<i>Item 20. Financial assets at fair value through profit and loss: a) Financial assets held for trading</i>	63,280	65,231
Loans to banks	97,888	69,850
<i>Item 40. Financial assets at amortised cost: a) Loans and receivables with banks</i>	101,669	73,643
less: Reclassification of debt securities in Other financial assets	(3,826)	(3,839)
+ Reclassification of loans from Other financial assets - Item 20 c)	45	47
Loans to customers	482,574	471,839
<i>Item 40. Financial assets at amortised cost: b) Loans and receivables with customers</i>	524,794	505,668
less: Reclassification of debt securities in Other financial assets	(45,093)	(36,304)
less: Reclassification of leasing assets IFRS16 in Other financial liabilities	(56)	-
+ Reclassification of loans from Other financial assets - Item 20 c)	2,929	2,475
Other financial assets	149,091	152,310
<i>Item 20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value</i>	18,600	20,906
less: Reclassification of loans in Loans to banks	(45)	(47)
less: Reclassification of loans in Loans to customers	(2,929)	(2,475)
<i>Item 30. Financial assets at fair value through other comprehensive income</i>	79,702	88,280
<i>Item 70. Equity investments</i>	4,787	5,502
+ Reclassification of debt securities from Loans to banks - Item 40 a)	3,826	3,839
+ Reclassification of debt securities from Loans to customers - Item 40 b)	45,093	36,304
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	56	-
Hedging instruments	9,230	7,120
<i>Item 50. Hedging derivatives</i>	5,934	4,682
<i>Item 60. Changes in fair value of portfolio hedged items (+/-)</i>	3,296	2,439
Property, plant and equipment	11,097	8,804
<i>Item 90. Property, plant and equipment</i>	11,097	8,804
Goodwill	886	1,484
<i>Item 100. Intangible assets of which: goodwill</i>	886	1,484
Other intangible assets	1,914	2,024
<i>Item 100. Intangible assets net of goodwill</i>	1,914	2,024
Tax assets	12,922	12,944
<i>Item 110. Tax assets</i>	12,922	12,944
Non-current assets and disposal groups classified as held for sale	2,512	2,241
<i>Item 120. Non-current assets and disposal groups classified as held for sale</i>	2,512	2,241
Other assets	6,949	7,334
<i>Item 130. Other assets</i>	6,949	7,334
<b>Total assets</b>	<b>855,647</b>	<b>832,172</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Deposits from banks	135,563	125,895
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	135,572	125,895
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(9)	-
Deposits from customers	470,570	478,988
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	472,967	478,988
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(2,397)	-
Debt securities issued	96,301	81,153
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	96,301	81,153
Financial liabilities held for trading	41,483	43,111
Item 20. Financial liabilities held for trading	41,483	43,111
Other financial liabilities	12,083	9,318
Item 30. Financial liabilities designated at fair value	9,678	9,318
+ Reclassification of leasing liabilities IFRS16 from Deposits from banks	9	-
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	2,397	-
Hedging instruments	12,150	9,262
Item 40. Hedging derivatives	7,186	6,032
Item 50. Value adjustment of hedged financial liabilities (+/-)	4,964	3,230
Tax liabilities	1,378	945
Item 60. Tax liabilities	1,378	945
Liabilities included in disposal groups classified as held for sale	725	540
Item 70. Liabilities referable to disposal groups classified as held for sale	725	540
Other liabilities	23,608	25,609
Item 80. Other liabilities	12,549	13,951
Item 90. Provision for employee severance pay	661	698
Item 100. Provisions for risks and charges	10,398	10,961
Minorities	369	961
Item 190. Minority shareholders' equity (+/-)	369	961
Group shareholders' equity:	61,416	56,389
- Capital and reserves	58,042	52,282
Item 120. Valuation reserves	(6,120)	(7,489)
Item 140. Equity instruments	5,602	4,610
Item 150. Reserves	24,344	20,836
Item 160. Share premium	13,225	13,393
Item 170. Share capital	20,995	20,940
Item 180. Treasury shares (-)	(3)	(9)
- Net profit (loss)	3,373	4,107
Item 200. Profit (Loss) for the period (+/-)	3,373	4,107
<b>Total liabilities and shareholders' equity</b>	<b>855,647</b>	<b>832,172</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated income statement

	YEAR	
	2019	2018
Net interest	10,203	10,570
Item 30. Net interest margin	10,272	10,751
less: Net interest margin of industrial companies	-	2
less: Reclassification "loss of control" on FinecoBank S.p.A. <sup>(7)</sup>	(51)	(162)
+ Reclassification for IFRS16	-	(21)
+ Derivatives instruments - Economic Hedges - Others - Interest component	(18)	-
Dividends and other income from equity investments	637	672
Item 70. Dividend income and similar revenue	295	413
less: Dividends from held for trading equity instruments included in Item 70	(188)	(320)
less: Dividends on equity investments, shares and equity instruments mandatorily at fair value	(86)	(65)
Item 250. Profit (Loss) of equity investments - of which: Profit (Loss) of equity investments valued at equity	616	644
Net fees and commissions	6,304	6,328
Item 60. Net fees and commissions	6,318	6,552
less: Recovery of expenses for financial transactions taxes recharged to customers	-	(47)
+ Non-recoverable expenses incurred for customers financial transactions taxes (from Item 190 b)	(13)	(13)
+ Expenses for payment services and cards	-	(164)
Net trading income	1,538	1,279
Item 80. Net gains (losses) on trading	1,298	373
less: Derivatives instruments - Economic Hedges - Others - Interest component	18	-
Item 90. Net gains (losses) on hedge accounting	42	17
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	(11)	(5)
Item 100. Gains (Losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income	160	174
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit and loss	(370)	291
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - different from loans (from Item 100 a)	60	23
+ Dividends from held for trading equity instruments (from Item 70)	188	320
+ Dividends on equity investments, shares and equity instruments mandatorily at fair value (from Item 70)	86	65
+ Net results from trading of gold and precious metals (from Item 230)	67	22
Net other expenses/income	156	116
Item 230. Other operating expenses/income	897	907
less: Integration costs	-	2
less: Recovery of expenses	(557)	(542)
less: Transitional revenues from Pekao and Pgam	-	(3)
less: Net value adjustments/write-backs on leasehold improvements (on non-separable assets)	56	60
less: Other operating income - Other income from invoicing JVs	(35)	(43)
less: Net results from trading of gold, precious stones and metals	12	(19)
+ Result of industrial companies	(88)	(133)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	(1)	26
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	(131)	(146)
+ Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	4	7
<b>OPERATING INCOME</b>	<b>18,839</b>	<b>18,965</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	YEAR	
	2019	2018
<b>OPERATING INCOME</b>	<b>18,839</b>	<b>18,965</b>
Payroll costs	(6,146)	(6,336)
Item 190. Administrative expenses: a) staff costs	(6,588)	(6,350)
less: Staff costs of industrial companies	5	4
less: Integration costs	438	10
Other administrative expenses	(3,279)	(3,545)
Item 190. Administrative expenses: b) other administrative expenses	(4,096)	(4,807)
less: Administrative expenses: b) other administrative expenses of industrial companies	12	14
less: Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	841	807
less: Reclassification for IFRS16	-	323
less: Integration costs	7	(11)
less: Expenses for local tax on corporate revenues	-	12
less: Non-recoverable expenses incurred for customers financial transactions taxes	13	13
less: Expenses for payment services and cards (from Item 60)	-	164
+ Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets" (from Item 230)	(56)	(60)
Recovery of expenses	592	631
+ Recovery of expenses (from Item 230)	557	542
+ Transition revenues from Pekao and Pgam (from Item 230)	-	3
+ Reclassification for IFRS16	-	(4)
+ Other operating income - Other income from invoicing JVs	35	43
+ Recovery of expenses for financial transactions taxes recharged to customers	-	47
Amortisation, depreciation and impairment losses on intangible and tangible assets	(1,096)	(1,057)
Item 210. Net value adjustments/write-backs on property, plant and equipment	(1,425)	(633)
less: Reversal of impairment losses/write backs on property owned for investment	236	28
less: Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	8	2
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	325	-
less: Net value adjustments/write-backs of tangible in operating lease assets	131	146
less: Integration costs	10	2
Item 220. Net value adjustments/write-backs on intangible assets	(746)	(420)
less: Integration costs	200	1
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	64	113
+ Reclassification for IFRS16	-	(299)
less: Purchase Price Allocation effect	101	4
<b>Operating costs</b>	<b>(9,929)</b>	<b>(10,307)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>8,910</b>	<b>8,658</b>
Net write-downs on loans and provisions for guarantees and commitments	(3,382)	(2,614)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	138	129
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	1	(26)
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	(60)	(23)
Item 130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	(3,478)	(2,655)
less: Net losses/recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	(10)	(17)
Item 130. Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income	(11)	(19)
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	11	19
Item 140. Gains/Losses from contractual changes with no cancellations	(20)	(3)
Item 200. Net provisions for risks and charge - of which: a) commitments and financial guarantees given	45	(19)
less: Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS)	2	2
<b>NET OPERATING PROFIT (LOSS)</b>	<b>5,527</b>	<b>6,044</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

	(€ million)	
	YEAR	
	2019	2018
<b>NET OPERATING PROFIT (LOSS)</b>	<b>5,527</b>	<b>6,044</b>
Other charges and provisions	(954)	(2,271)
Item 200. Net provisions for risks and charges - of which: b) other net provision	(148)	(1,497)
less: Net provisions for risks and charges of industrial companies	5	1
less: Tax disputes relating to income tax (interests and sanctions excluded)	-	28
less: Integration costs	10	5
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	22	-
+ Contributions to Resolution Funds (SRF), Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA (from Item 190 b)	(841)	(807)
+ Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS) - (from Item 200)	(2)	(2)
Integration costs	(664)	(9)
+ Payroll costs - Administrative expenses - of which a) staff costs - integration costs (from Item 190)	(438)	(10)
+ Other administrative expenses - Administrative expenses - of which b) other administrative expenses - integration costs (from Item 190)	(7)	11
+ Amortisation, depreciation and impairment losses on intangible and tangible assets - Net value adjustments/write-backs on property, plant and equipment - integration costs (from Item 210)	(10)	(2)
+ Amortisation, depreciation and impairment losses on intangible and tangible assets - Net value adjustments/write-backs on intangible assets - integration costs (from Item 220)	(200)	(1)
+ Other charges and provisions - Net provisions for risks and charges - integration costs (from Item 200)	(10)	(5)
+ Net other expenses/income - Other operating expenses/income - integration costs (from Item 230)	-	(2)
Net income from investments	(844)	(198)
Item 250. Profit (Loss) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity excluded IFRS5	15	(742)
Item 260. Net gains (losses) on tangible and intangible assets measured at fair value	4	417
Item 280. Gains (Losses) on disposal on investments	129	174
less: Gains (Losses) on disposals on investments in operating lease assets (from Item 280)	(4)	(7)
less: Industrial companies	(3)	(6)
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	10	17
+ Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	(11)	(19)
+ Impairment losses/write backs on property owned for investment (from Item 210)	(236)	(28)
+ Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	(8)	(2)
+ Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	(662)	-
+ Net results from trading of precious stones (from Item 230)	(78)	(2)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,065</b>	<b>3,566</b>
Income tax for the period	(890)	489
Item 300. Tax expense (income) from continuing operations	(862)	523
less: Tax expense related to profit from continuing operations of industrial companies	5	7
+ Expenses for local tax on corporate revenues	-	(12)
+ Other charges and provisions - Tax disputes relating to income tax (interests and sanctions excluded) - (from Item 200 b)	-	(28)
less: Purchase Price Allocation effect	(33)	(1)
<b>NET PROFIT (LOSS)</b>	<b>2,176</b>	<b>4,055</b>
Profit (Loss) from non-current assets held for sale after tax	1,383	288
Item 320. Profit (Loss) after tax from discontinued operations	1,332	126
+ Reclassification "loss of control" on FinecoBank S.p.A. <sup>(*)</sup>	51	162
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>3,559</b>	<b>4,343</b>
Minorities	(118)	(233)
Item 340. Minorities' profit (loss) for the period	(118)	(233)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>3,441</b>	<b>4,111</b>
Purchase Price Allocation effect	(68)	(3)
Goodwill impairment	-	-
Item 270. Goodwill Impairment	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>3,373</b>	<b>4,108</b>

Note:

(\*) In 2019 the amount refers to the reclassification of net interests Group vs FinecoBank S.p.A. accrued up to the date of the "loss of control".



## Annex 2 - Audit fees and other non-audit services

### UniCredit group 2019 - Deloitte Network

As prescribed by Art.149-duodecies of the Consob Issuers Regulation, the following table gives fees paid in 2019 for services rendered by Deloitte & Touche S.p.A. and firms in its network.

(€ million)			
SERVICE TYPE	SERVICE PROVIDER	USER	FEES <sup>(1)</sup>
Audit <sup>(2)</sup>	Deloitte & Touche S.p.A.	Parent company - UniCredit S.p.A.	3.4
	Deloitte & Touche S.p.A.	Subsidiaries	1.5
	Deloitte Network	Subsidiaries	15.7
Certification, letters of comfort, etc <sup>(3)</sup>	Deloitte & Touche S.p.A.	Parent company - UniCredit S.p.A.	2.1
	Deloitte & Touche S.p.A.	Subsidiaries	0.3
	Deloitte Network	Parent company - UniCredit S.p.A.	0.2
	Deloitte Network	Subsidiaries	5.1
Other services <sup>(4)</sup>	Deloitte & Touche S.p.A.	Parent company - UniCredit S.p.A.	0.2
	Deloitte & Touche S.p.A.	Subsidiaries	-
	Deloitte Network	Parent company - UniCredit S.p.A.	0.7
	Deloitte Network	Subsidiaries	4.6
<b>Total</b>			<b>33.9</b>

**Notes:**

(1) Excl. VAT and expenses.

(2) Does not include fees for audits of investment funds.

(3) Mainly verification services provided to UniCredit S.p.A. (e.g. Limited review on 2019 non financial information, Limited review on 1Q 2019 and 3Q 2019 Consolidated Reports for the inclusion of interim net profit in Common Equity Tier 1 Capital, Issuing Comfort Letters concerning bond issues, Statutory audit of foreign branches financial statements according to local regulations), other verification services required by regulations/local Supervisory Authorities in Germany and Austria.

(4) Mainly other services provided to UniCredit S.p.A. (e.g. Agrees upon procedure on Own Funds, Support to Projects "Mobile Leadership Evolution Projects", "Evoluzione App Mobile Banking", "Liquidity Risk Model enhancements", "My Credit Program"); services provided to the subsidiary UniCredit Services S.C.p.A.; support provided to the subsidiary UniCredit Bank AG.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

## Traditional securitisations of Performing and Non-Performing loans

STRATEGIES, PROCESSES AND GOALS:	<p>The initiatives are a part of the Group's strategies, one of the objectives of which is to finance, at competitive rates (and in large amounts), the development of medium and long-term through the disposal of existing "Performing" and "Non-Performing" loan portfolios and also creating eligible securities for refinancing operations with the ECB and/or with third parties (counterbalancing capacity).</p> <p>The main advantages of the transactions can be summarised as follows:</p> <ul style="list-style-type: none"> <li>- improvement in the matching of asset maturities;</li> <li>- diversification of sources of financing;</li> <li>- broadening of investor base and resulting optimisation of funding cost;</li> <li>- creating counterbalancing capacity.</li> </ul> <p>Moreover, securitisation transactions can also be implemented for purposes related to business projects (for better management of assets), corporate restructuring or deleveraging projects.</p>
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	<p>UniCredit S.p.A. acts as "Servicer" for almost all transactions concerned for which is Originator. As per the agreements entered into with issuing companies (special purpose vehicles - SPV), servicing consists of performing, on behalf of these companies, administrative, collection and securitised loan collection activities as well as the management of any recovery procedures for impaired loans. Thus, as Servicer, UniCredit S.p.A. is charged with continually tracking cash flows from securitised loans and constantly monitoring their collection, with the assistance of third party companies (especially for the recovery of impaired loans; the company involved is DoValue S.p.A., which operates as an assistant to the Servicer, governed by a special agreement).</p> <p>The Servicer provides the Special Purpose Vehicle (and other counterparties indicated in the servicing agreements) information on the activity performed by, periodically reports that indicate, among other things, the collection and transfer of the income stream sold, the amount of default positions and recoveries completed, overdue installments, etc., with all information broken down in relation to specific transactions. These reports (which are usually quarterly) are periodically checked (if contractually required) by an auditing firm.</p>
ORGANISATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	<p>From a strategic point of view, Group Finance Department is responsible for central coordination. In this context, the above structure plays:</p> <p>a) in the launch phase of the operation the role of proposer and provides support to the other Bank's Divisions and to the individual Legal Entities in conducting transactions, cooperating with all the other departments (Planning &amp; Capital Management, Group Risk Management, M&amp;A etc.) in identifying the characteristics and the distinctive features of "true sale" securitisations loans in order to achieve the targets set in the Group's Funding Plan and in the Contingency Funding Plan, approved by the Board of Directors, in the ordinary plan of creating counterbalancing capacity, as well as in organisational strategy and business of Top Management. Specific transactions are subject to prior approval by the competent departments of the Holding and of the Originator Bank (during approval, among other things, the structure, costs and impacts in terms of liquidity, counterbalancing capacity, organisational, business and/or any capital relief are discussed and analysed), and to final approval by the Board of Directors of the Originator Bank;</p> <p>b) in the management phase of the operation, the monitoring role of the securitised portfolios performances and any rating action published by Ratings Agencies, the interactions with the Ratings Agencies in order to submit regular information on portfolios and, more generally, the role of coordination of the Originator Bank to facilitate the solution of events relating to the securitised portfolios (management of actions of payments holidays, downgrading, restructurings, etc.).</p> <p>The Bank has established a special coordination unit (General Ledger &amp; Securitisation Reporting) within the Group Accounting &amp; Regulatory Reporting Department. This unit has been tasked with administrative activities connected to the Servicer and Account Bank related duties, and to carry out these duties, it works in close cooperation with specific, qualified areas of the Bank (Group Risk Management, Group Finance, Group Legal Advice &amp; Contracts, etc.) and the Group (UniCredit Services S.C.p.A., etc.). It also provides a technical and operational support to network units. The information regarding the monitoring of collections and the performance of the securitised portfolio is periodically submitted to the Servicer's Board of Directors.</p>
HEDGING POLICIES:	<p>By agreement, securitised portfolios can be protected from interest rate risk by means of the Special Purpose Vehicle entering into Interest Rate Swap (IRS) agreements to hedge a fixed-rate portfolio, and Basis Swaps to hedge an indexed rate portfolio. In connection with these swaps, always if required by agreements, related back-to-back swap contracts are entered into between the Swap counterparty and UniCredit S.p.A. as Originator, interfaced in some cases by UniCredit Bank AG.</p>
OPERATING RESULTS:	<p>At the end of December 2019, the operating results related to existing securitisation transactions essentially reflected the performance of underlying portfolios and the resulting cash flows, and obviously are affected by the amount of defaults and prepayments during the period, which, moreover, are in line with the performance seen in other assets of this kind that are not securitised. The exercise of the option to repurchase the securitized portfolio underlying operation "Cordusio RMBS Securitisation - Serie 2006" did not result in significant additional economic impacts.</p>

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

New transacions year 2019

NAME:	IMPRESA TWO	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Impresa Two S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Corporate Loans	
Quality of Asset:	Performing	
Closing date:	11.08.2019	
Nominal Value of reference portfolio (€ million):	11,066	
Net amount of preexisting writedown/writebacks (€ million):	-	
Disposal Profit & Loss realized (€ million):	-	
Portfolio disposal price (€ million):	11,066	
Issued guarantees by the Bank (€):	-	
Issued guarantees by third parties (€):	-	
Bank Lines of Credit:	UCI has issued credit lines for a €2 billion maximum amount in order to fund, subject to some conditions, a Cash Reserve to cover Set-Off and Commingling risks.	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	€116	
Other relevant information:	€30	
Rating Agencies:	Moody's/DBRS	
Amount of CDS or other risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005389520	IT0005389538
. Type of security	Senior	Junior
. Class	A	B
. Rating	Aa3/AL	-
. Quotation	Luxembourg Stock Exchange	-
. Issue date	11.11.2019	11.11.2019
. Legal maturity	12.31.2061	12.31.2061
. Call option	Clean-up Call	Clean-up Call
. Expected duration (years)	3.5	6.75
. Rate	Euribor 3m + 65 b.p. with a 1,5% Cap up to 24 months, 2,50% from 24 to 36 months and 3,50% after 36 months	2,5%+variable return
. Subordination level	senior	junior
. Nominal Value Issued (€ million)	7,746	3,320
. Nominal value at the end of accounting period (€ million)	7,746	3,320
. Security subscribers	UniCredit S.p.A.	UniCredit S.p.A.
Distribution of securitised assets by area (€):		
Italy - Northwest	936	
Italy - Northeast	6,039	
Italy - Central	2,437	
Italy - South and Islands	1,654	
Other European Countries - E.U. countries	-	
Other European Countries - non-E.U. countries	-	
America	-	
Rest of the World	-	
Total	11,066	
Distribution of securitised assets by business sector of the borrower (€):		
Governments	-	
Other governments	-	
Banks	-	
Financial Companies	631	
Insurance Companies	-	
Non-financial Companies	10,435	
Other entities	-	
Total	11,066	

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CONSUMER THREE	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Consumer Three S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Counterbalancing capacity	
Type of asset:	Personal loans	
Quality of Asset:	Performing	
Closing date:	04.20.2016	
Nominal Value of disposal portfolio (€ million) <sup>(*)</sup> :	6,077	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €50 million for loans renegotiation. Consumer Three also constituted for ABS investors benefit into an eligible entity a cash reserve amount outstanding, at the end of accounting period, for €51 million	
Other relevant information:	Self-securitisation	
Rating Agencies:	Moody's/Fitch	
Amount of CDS or other supersenior risk transferred (€ million):		
Amount and Condition of tranching:		
. ISIN	IT0005176505	IT0005176513
. Type of security	Senior	Junior
. Class	A	J
. Rating	Aa3/A	-
. Nominal value issued (€ million) <sup>(*)</sup>	4,679	1,398
. Nominal value at the end of accounting period (€ million) <sup>(*)</sup>	4,679	1,398

## Note:

(\*) In the 2018 third quarter an amendment has been performed in order to postpone the revolving period until June 2020. Moreover an extraordinary new transfer has been settled along the 2018 fourth quarter, increasing the nominal value of the disposal portfolio at €2,000 million, the Senior Note nominal value at €1,664 million and the Junior Note nominal value at €335 million. The Notes Final Maturity Date has been postponed to December 2056. The Cash Reserve Required Amount has decreased from €60 million to €51 million.

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	LARGE CORPORATE ONE	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Large Corporate ONE S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	-	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Large Corporate Loans	
Quality of Asset:	Performing	
Closing date:	08.13.2013	
Nominal Value of reference portfolio (€ million):	279	
Issued guarantees by the Bank (€):	Senior Notes Guarantee amounting to €258 million	
Issued guarantees by third parties (€):	-	
Bank Lines of Credit:	Interest Shortfall Facility amounting to €9 million	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	The credit line of Interest Shortfall Facility, of the original value of €15 million, was used, online capital for €6 million.	
Rating Agencies:	Standard & Poor's	
Amount of CDS or other risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0004955776	IT0004955479
. Type of security	Senior	Junior
. Class	A	B
. Rating	BBB	-
. Nominal Value Issued (€ million)	897	103
. Reference Position (€ million)	250	29
. Reference Position at the end of accounting period (€ million)	250	29

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CORDUSIO RMBS UCFIN - SERIE 2006 (EX CORDUSIO RMBS 3 - UBCASA 1)	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A. (ex Banca per la Casa S.p.A.)	
Issuer:	Cordusio RMBS UCFin S.r.l. (ex Cordusio RMBS 3 - UBCasa 1 S.r.l.)	
Servicer:	UniCredit S.p.A.	
Arranger:	UCB AG London Branch	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	11.16.2006	
Nominal Value of disposal portfolio (€ million):	2,496	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €15 million, which at the end of accounting period is fully reimbursed.	
Other relevant information:	Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €160 million of funds into an eligible entity to maintain its role as an Account Bank; during the year 2017, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid. Moreover UniCredit S.p.A., on 2013, has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Fitch/Moody's/Standard & Poor's	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Conditions of tranching:		
. ISIN	IT0004144884	IT0004144892
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	-	AA/Aa3/AA
. Nominal value issued (€ million):	600	1,735
. Nominal value at the end of accounting period (€ million):	-	187
. ISIN	IT0004144900	IT0004144934
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	AA/Aa3/AA	A+/Aa3/AA
. Nominal value issued (€ million):	75	25
. Nominal value at the end of accounting period (€ million):	75	25
. ISIN	IT0004144959	IT0004144967
. Type of security	Mezzanine	Junior
. Class	D	E
. Rating	BBB/Baa1/AA	-
. Nominal value issued (€ million):	48	13
. Nominal value at the end of accounting period (€ million):	48	13

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CORDUSIO RMBS SECURITISATION - SERIE 2007	
Type of securitisation:	Traditional	
Originator:	UniCredit Banca S.p.A.	
Issuer:	Cordusio RMBS Securitisation S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UCB Ag London Branch (ex Bayerische Hypo und Vereinsbank AG, London Branch)	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	05.22.2007	
Nominal Value of disposal portfolio (€ million):	3,908	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €6.253 million, at the end of accounting period that amount is fully reimbursed	
Other relevant information:	Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €236 million of funds into an eligible entity to maintain its role as an Account Bank; during the year 2017, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid. Moreover, in 2013, UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Fitch/Moody's/Standard & Poor's	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Conditions of tranching:		
. ISIN	IT0004231210	IT0004231236
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	-	-
. Nominal value issued (€ million):	704	2,228
. Nominal value at the end of accounting period (€ million):	-	-
. ISIN	IT0004231244	IT0004231285
. Type of security	Senior	Mezzanine
. Class	A3	B
. Rating	A+/Aa3/AA	A+/Aa3/AA
. Nominal value issued (€ million):	739	71
. Nominal value at the end of accounting period (€ million):	397	71
. ISIN	IT0004231293	IT0004231301
. Type of security	Mezzanine	Mezzanine
. Class	C	D
. Rating	A+/Aa3/AA	BBB-/Ba1/BBB
. Nominal value issued (€)	44	102
. Nominal value at the end of accounting period (€)	44	102
. ISIN	IT0004231319	IT0004231327
. Type of security	Mezzanine	Junior
. Class	E	F
. Rating	B/Caa1/B-	-
. Nominal value issued (€ million):	20	2
. Nominal value at the end of accounting period (€ million):	20	2

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	BIPCA CORDUSIO RMBS	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A. (ex Bipop Carire, Società per Azioni)	
Issuer:	Capital Mortgage S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A. (ex Bipop Carire, Società per Azioni)	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	12.17.2007	
Nominal Value of disposal portfolio (€ million):	952	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €10 million. At the end of accounting period it is fully reimbursed.	
Other relevant information:	All securities issued outstanding from 31 December 2010 have been retained by UniCredit S.p.A. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €59 million of funds into an eligible entity to maintain its role as an Account Bank; during the year 2017, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid. Moreover, in 2013, UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Standard & Poor's/Moody's	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Conditions of tranching:		
. ISIN	IT0004302730	IT0004302748
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	-	AA/Aa3
. Nominal value issued (€ million):	666	186
. Nominal value at the end of accounting period (€ million):	-	151
. ISIN	IT0004302755	IT0004302763
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	AA/Aa3	AA/A1
. Nominal value issued (€)	62	14
. Nominal value at the end of accounting period (€)	62	14
. ISIN	IT0004302797	IT0004302854
. Type of security	Mezzanine	Mezzanine
. Class	D	E
. Rating	BB-/Baa1	B-/Baa3
. Nominal value issued (€ million):	18	6
. Nominal value at the end of accounting period (€ million):	18	6
. ISIN	IT0004302912	
. Type of security	Junior	
. Class	F	
. Rating	-	
. Nominal value issued (€ million):	0.3	
. Nominal value at the end of accounting period (€ million):	0.3	

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.



## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CAPITAL MORTGAGE 2007 - 1	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A. (ex Banca di Roma S.p.A.)	
Issuer:	Capital Mortgage S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UCB AG (ex Capitalia S.p.A.)	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	05.14.2007	
Nominal Value of disposal portfolio (€ million):	2,183	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €37 million (as equity).	
Other relevant information:	Tranching based on an original assets portfolio €2,479 million, reduced to €2,183 million due to checks after closing date. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid funds into an eligible entity (amounting to €156 million at 31 December 2016) to maintain its role as Account Bank; during the 2017, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid.	
Rating Agencies:	S & P/Moody's/Fitch	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Conditions of tranching:		
. ISIN	IT0004222532	IT0004222540
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	AA/A3/A+	AA/A3/A+
. Nominal value issued (€ million):	1,736	644
. Nominal value at the end of accounting period (€ million):	157	238
. ISIN	IT0004222557	IT0004222565
. Type of security	Mezzanine	Junior
. Class	B	C
. Rating	BB/B3/B-	D/Ca/CC
. Nominal value issued (€ million):	74	25
. Nominal value at the end of accounting period (€ million):	74	25

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	F-E MORTGAGES 2005		F-E MORTGAGES SERIES 1-2003		HELICONUS	
Type of securitisation:	Traditional		Traditional		Traditional	
Originator:	UniCredit S.p.A. (ex FinecoBank S.p.A.)		UniCredit S.p.A. (ex Fin-eco Banca ICQ S.p.A.)		UniCredit S.p.A. (ex Fin-eco Banca ICQ S.p.A.)	
Issuer:	F-E Mortgages S.r.l.		F-E Mortgages S.r.l.		Heliconus S.r.l.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A. (ex MCC S.p.A. - Capitalia Gruppo Bancario)		UniCredit S.p.A. (ex MCC S.p.A. - Capitalia Gruppo Bancario)		UniCredit S.p.A. (ex MCC S.p.A. - Capitalia Gruppo Bancario)	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans		Private Mortgage Loans		Private Mortgage Loans	
Quality of Asset:	Performing		Performing		Performing	
Closing date:	04.06.2005		11.27.2003		11.08.2002	
Nominal Value of disposal portfolio (€ million):	1,029		749		409	
Guarantees issued by the Bank:	-		-		-	
Guarantees issued by Third Parties:	-		-		-	
Bank Lines of Credit:	-		UniCredit S.p.A. issued a credit line for €20 million (jointly with The Royal Bank of Scotland Milan Branch). The amount of line of credit is totally redeemed		UniCredit S.p.A. issued a credit line for €10 million. The amount of the credit line is totally redeemed	
Third Parties Lines of Credit:	-		-		-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €15 million (as Equity). At the end of accounting period the amount of capital tranche is fully reimbursed		-		-	
Other relevant information:	-		Following the downgrade of Royal Bank of Scotland Plc by Moody's, on 3 August 2012 UniCredit S.p.A. made a reserve of €20 million for the SPV, corresponding to the liquidity line		Following its downgrade by Moody's, on 12 January 2012 UniCredit S.p.A. made a reserve of €10 million for the SPV, corresponding to the liquidity line	
Rating Agencies:	S & P/Moody's/Fitch		S & P/Moody's/Fitch		S & P/Moody's/Fitch	
Amount of CDS or other supersenior risk transferred (€ million):	-		-		-	
Amount and Conditions of tranching:						
. ISIN	IT0003830418	IT0003830426	IT0003575039	IT0003575070	IT0003383855	IT0003383871
. Type of security	Senior	Mezzanine	Senior	Mezzanine	Senior	Mezzanine
. Class	A	B	A1	B	A	B
. Rating	AA/Aa3/AA	AA/Aa3/AA	-	AA/Aa3/AA	-	- /Aa3/AA
. Nominal value issued (€ million):	952	41	682	48	369	31
. Nominal value at the end of accounting period (€ million):	65	37	-	46	-	27
. ISIN	IT0003830434		IT0003575088	IT0003575096	IT0003383939	
. Type of security	Junior		Mezzanine	Junior	Junior	
. Class	C		C	D	C	
. Rating	BBB-/Aa3/A+		AA/Aa3/AA	-	-	
. Nominal value issued (€ million):	36		11	8	9	
. Nominal value at the end of accounting period (€ million):	32		11	8	9	

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	ARENA NPL ONE	
Type of securitisation:	Self-securitisation	
Originator:	UniCredit S.p.A. (ex UCCMB S.p.A.)	
Issuer:	Arena NPL One S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UBS	
Target transaction :	Funding	
Type of asset:	Unsecured loans - mortgage loans	
Quality of asset:	Non-Performing	
Closing date:	12.04.2014	
Nominal Value of disposal portfolio (€ million):	8,461	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	UniCredit S.p.A. issued a line of Liquidity Facility revolving amounts to €100 million, used for €30 million at the end of accounting period	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	UniCredit S.p.A. has granted SPV a loans facility of €30 million, used for legal expenses and refunded for an amount of €24 million	
Rating Agencies:	No Rating Agency	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005070120	IT0005070138
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Nominal value issued (€ million):	304	913
. Nominal value at the end of accounting period (€ million):	-	913

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

STRATEGIES, PROCESSES AND GOALS:	<p>The following initiatives, called Pillarstone Italy, were undertaken to allow the Group to improve the management of loan restructuring, also through the innovative use (for this purpose) of securitisation. The goal is to facilitate and increase recoveries of the exposures under securitisation thanks to:</p> <ul style="list-style-type: none"> <li>- restructuring with long-term industrial logic, focusing on introducing new finance (by third parties) in favour of the debtors sold, with focus on concrete needs and opportunities for the companies involved;</li> <li>- efficient and targeted restructuring and turnaround processes.</li> </ul> <p>Shared acceptance of the economic principles that guide the transactions in question and a strong alignment of the interests between the parties involved, ensures the asset manager's commitment to maximize the value of the said assets, optimising therefore the expected recovery on the junior notes bought by UniCredit S.p.A., through the transferred management of the securitised portfolio.</p>
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	<p>UniCredit S.p.A. does not act as Servicer. The business of servicing is carried out by third parties outside the Group, as per the contracts stipulated with the Special Purpose Vehicle issuing the ABS securities, and involves the administration, encashment, restructuring and collection of securitised loans, on behalf thereof, as well as managing any recovery proceedings on Non-Performing loans. The Servicer of the assets, therefore, has the task, on an ongoing basis, of following the financial flows arising from the securitised loans, constantly monitoring the encashment, also where appropriate making use of third party companies.</p> <p>For each specific transaction, the Servicer provides the Special Purpose Vehicle (in addition to other counterparties as defined in the servicing contracts, including UniCredit S.p.A.) with information on the activities carried out via periodic reports which show, inter alia, the collection and realization of the assigned receivables, the number of defaulted positions and the successfully completed recoveries, the instalments in arrears, restructuring activities, etc. Where contractually provided for, these reports are periodically checked by an independent auditors' firm.</p>
ORGANIZATIONAL STRUCTURE:	The Servicer provides UniCredit S.p.A. with a series of reports that enable the evaluation and monitoring of the underlying portfolios. On a quarterly basis the performances are also presented in the reference internal Credit Committees.
HEDGING POLICIES:	There are no risk hedging derivatives.
OPERATING RESULTS:	We implemented a set of monitoring initiatives, focused on one side on the single company performances and, on the other side, on the evolution of the Pillarstone project as a whole.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Operations of securitisation of Non-Performing credits

NAME:	SANDOKAN			
Type of securitisation:	Traditional			
Originator:	UniCredit S.p.A.			
Issuer:	Yanez S.r.l.			
Servicer:	Securitisation Services S.p.A.			
Arranger:	-			
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtors sold, in order to optimise the reimbursement of the securitised portfolio.			
Type of asset:	Corporate loans			
Quality of Asset:	Unlikely to pay + NPL			
Closing date:	11.12.2016	21.11.2017	17.10.2018	12.12.2018
Nominal Value of disposal portfolio (€ million):	861	240	18	96
Net amount of pre-existing writedown/writebacks:	-	-	-	-
Disposal Profit & Loss realised (€ million):	-	-	-	-
Portfolio disposal price (€ million):	861	240	18	96
Guarantees issued by the Bank:	-	-	-	-
Guarantees issued by Third Parties:	-	-	-	-
Bank Lines of Credit :	10	-	-	-
Third Parties Lines of Credit (€ million):	-	-	-	-
Other Credit Enhancements (€ million):	-	-	-	-
Other relevant information:	-	-	-	-
Rating Agencies:	-			
Amount of CDS or other supersenior risk transferred:	-			
Amount and Condition of tranching:				
. ISIN	IT0005382103		IT0005273674	
. Type of security	Senior <sup>(*)</sup>		Senior <sup>(*)</sup>	
. Class	AS1		AS2	
. Rating	-		-	
. Quotation	-		-	
. Issue date	11.08.2019		07.31.2017	
. Legal maturity	11.30.2025		11.30.2050	
. Call option	-		-	
. Expected duration (years)	5.1		6.9	
. Rate	4.5%		4.0%	
. Subordinated level	pari passu AS2		pari passu AS1	
. Nominal value issued (€ million)	150		100	
. Nominal value at the end of accounting period (€ million)	4		1	
. Security subscribers	D2 Europe I S.à r.l./Banca Finanziaria Internazionale		Celidoria S.a.r.l./Europa Plus SCA SIF/Banca Finanziaria Internazionale	
Amount and Condition of tranching:				
. ISIN	IT0005382111		IT0005273690	
. Type of security	Senior <sup>(*)</sup>		Senior <sup>(*)</sup>	
. Class	AJ1		AJ2	
. Rating	-		-	
. Quotation	-		-	
. Issue date	11.08.2019		07.31.2017	
. Legal maturity	11.30.2050		11.30.2050	
. Call option	-		-	
. Expected duration (years)	5.1		6.9	
. Rate	14.0%		14.0%	
. Subordinated level	Sub AS1, AS2, pari passu AJ2, AX		Sub AS1, AS2, pari passu AJ1 and AX	
. Nominal value issued (€ million)	10		10	
. Nominal value at the end of accounting period (€ million)	0.2		0.1	
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF		Celidoria S.a.r.l./Europa Plus SCA SIF	
. ISIN	IT0005273666		IT0005273708	
. Type of security	Senior <sup>(*)</sup>		Mezzanine <sup>(*)</sup>	
. Class	AX		B1	
. Rating	-		-	
. Quotation	-		-	
. Issue date	31.07.2017 - 08.11.2019		31.07.2017 - 10.05.2019 (size increase)	
. Legal maturity	11.30.2050		11.30.2050	
. Call option	-		-	
. Expected duration (years)	7.4		1.6	
. Rate	14.0%		3.0%	
. Subordinated level	Sub AS1, AS2, pari passu AJ1, AJ2 and AX		Sub AS1, AS2, AJ, AX	
. Nominal value issued (€ million)	10		181 <sup>(**)</sup>	
. Nominal value at the end of accounting period (€ million)	0.0		39	
. Security subscribers	Banca Finanziaria Internazionale		UniCredit S.p.A.	
. ISIN	IT0005273724		IT0005273732	
. Type of security	Mezzanine <sup>(*)</sup>		Mezzanine <sup>(*)</sup>	
. Class	B2		C1	
. Rating	-		-	
. Quotation	-		-	
. Issue date	31.07.2017 - 10.05.2019 (size increase)		31.07.2017 - 10.05.2019 (size increase)	
. Legal maturity	11.30.2050		11.30.2050	
. Call option	-		-	
. Expected duration (years)	1.6		3.9	
. Rate	7.5%		3.5%	
. Subordinated level	Sub AS1, AS2, AJ, AX, B1		Sub AS1, AS2, AJ, AX, B1, B2	
. Nominal value issued (€ million)	45 <sup>(**)</sup>		62 <sup>(*)</sup>	
. Nominal value at the end of accounting period (€ million)	10		62	
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/FR Invest		UniCredit S.p.A.	

## Annex 3 - Securitisations - qualitative tables

continued from previous page

NAME:	SANDOKAN	
. ISIN	IT0005273740	IT0005273757
. Type of security	Mezzanine <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	C2	D1
. Rating	-	-
. Quotation	-	-
. Issue date	31.07.2017 - 10.05.2019 (size increase)	31.07.2017 - 10.05.2019 (size increase)
. Legal maturity	11.30.2050	11.30.2050
. Call option	-	-
. Expected duration (years)	4.9	6.3
. Rate	15.0%	4.0%
. Subordinated level	Sub AS1, AS2, AJ, AX, B1, B2, C1	Sub AS1, AS2, AJ, AX, B1, B2, C1, C2
. Nominal value issued (€ million)	15 <sup>(**)</sup>	153 <sup>(**)</sup>
. Nominal value at the end of accounting period (€ million)	16	153
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/FR Invest	UniCredit S.p.A.
. ISIN	IT0005273773	IT0005273872
. Type of security	Mezzanine <sup>(*)</sup>	Junior <sup>(*)</sup>
. Class	D2	E
. Rating	-	-
. Quotation	-	-
. Issue date	31.07.2017 - 10.05.2019 (size increase)	31.07.2017 - 10.05.2019 (size increase)
. Legal maturity	11.30.2050	11.30.2050
. Call option	-	-
. Expected duration (years)	6.9	10.0
. Rate	19.0%	5%
. Subordinated level	Sub AS1, AS2, AJ, AX, B1, B2, C1, C2, D1	Sub AS1, AS2, AJ, AX, B1, B2, C1, C2, D1, D2
. Nominal value issued (€ million)	8 <sup>(**)</sup>	750 <sup>(**)</sup>
. Nominal value at the end of accounting period (€ million)	8	750
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/FR Invest	UniCredit S.p.A.
<b>Distribution of securitised assets by area (€):</b>		
Italy	1,215	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>Total</b>	<b>1,215</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
Other governments agencies	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	1,215	
Other entities	-	
<b>Total</b>	<b>1,215</b>	

**Notes:**

(\*) The classification of the field "Type of security" refers to Bank of Italy Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

(\*\*) Securities issued to fund new money finance needs.

(\*\*\*) Nominal Value Issued B1: €172 million at Note Issuance + €9 million due to Size Increase; Nominal Value Issued B2: €43 million + €2 million following Size Increase; Nominal Value Issued C1: €75 million + €5 million due to Size Increase; Nominal Value Issued C2: €14 million + €1 million following the Size Increase; Nominal Value Issued D1: €126 million + €27 million due to Size Increase; Nominal Value Issued D2: €7 million + €1 million due to Size Increase; Nominal Value Issued: €442 million + €308 million due to Size Increase.

The "Closing date" corresponds to the date of portfolio sale.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	PILLARSTONE ITALY - PREMUDA	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	-	
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtor sold, in order to optimise the reimbursement of the securitised portfolio	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	07.14.2016	04.04.2017
Nominal Value of disposal portfolio (million):	\$78 + €31	\$3
Net amount of pre-existing writedown/writebacks:	-	-
Disposal Profit & Loss realised (million):	-	-
Portfolio disposal price (million):	\$78 + €31	\$3
Guarantees issued by the Bank:	-	-
Guarantees issued by Third Parties:	-	-
Bank Lines of Credit:	-	-
Third Parties Lines of Credit (€ million):	2	-
Other Credit Enhancements (€ million):	-	-
Other relevant information:	-	-
Rating Agencies:	-	-
Amount of CDS or other supersenior risk transferred:	-	-
Amount and Condition of tranching:		
. ISIN	IT0005203937	IT0005203952
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	07.14.2016	07.14.2016
. Legal maturity	10.20.2030	10.20.2030
. Call option	-	-
. Expected duration (years)	5.0	5.0
. Rate	8.50%	2.67%
. Subordinated level	-	Sub A
. Nominal value issued (million)	€3	\$58
. Nominal value at the end of accounting period (million)	€2	\$58
. Security subscribers		
. ISIN	IT0005246712	IT0005246761
. Type of security	Mezzanine <sup>(*)</sup>	Junior <sup>(*)</sup>
. Class	B	C
. Rating	-	-
. Quotation	-	-
. Issue date	04.04.2017	04.04.2017
. Legal maturity	10.20.2030	10.20.2030
. Call option	-	-
. Expected duration (years)	3.4	3.4
. Rate	3.43%	EUR6M(360) +1000pb
. Subordinated level	Sub A	Sub A,B
. Nominal value issued (million)	€0.3	€3
. Nominal value at the end of accounting period (million)	€0.3	€3
. Security subscribers		
. ISIN	IT0005204125	IT0005204133
. Type of security	Junior <sup>(*)</sup>	Junior <sup>(*)</sup>
. Class	C	C
. Rating	-	-
. Quotation	-	-
. Issue date	07.14.2016	07.14.2016
. Legal maturity	10.20.2030	10.20.2030
. Call option	-	-
. Expected duration (years)	5.0	5.0
. Rate	EUR6M(360) +1000pb	LIBOR6M(360) +1000pb
. Subordinated level	Sub A,B	Sub A,B
. Nominal value issued (million)	€25	\$21
. Nominal value at the end of accounting period (million)	€25	\$21
. Security subscribers		

Note:

(\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

Pillarstone is a multioriginator securitization, with claims transferred by UniCredit and other banks. For representation purposes, securities reported in the table are those issued in light of the portfolio transferred by UniCredit.

The "Closing date" is the date when the securitisation vehicle has issued the securities of the transaction.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	PILLARSTONE ITALY - BURGO	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	-	
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtor sold, in order to optimise the reimbursement of the securitised portfolio.	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	12.10.2015	
Nominal Value of disposal portfolio (€ million) :	151	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€ million):	-	
Portfolio disposal price (€ million):	151	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit :	-	
Third Parties Lines of Credit (€ million):	2	
Other Credit Enhancements (€ million):	22	
Other relevant information:	Credit Enhancement is represented by the deferred purchase price (DPP), subordinated to the junior security for the payment, of a convertible loan sold to the vehicle.	
Rating Agencies:	-	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005154809	IT0005154825
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030
. Call option	-	
. Expected duration (years)	5.0	5.0
. Rate	8.50%	EUR6M(360) + 200bps
. Subordinated level	-	Sub A
. Nominal value issued (€ million)	5	103
. Nominal value at the end of accounting period (€ million)	5	103
. Security subscribers		
. ISIN	IT0005155251	
. Type of security	Junior <sup>(*)</sup>	
. Class	C	
. Rating	-	
. Quotation	-	
. Issue date	12.10.2015	
. Legal maturity	10.20.2030	
. Call option	-	
. Expected duration (years)	5.0	
. Rate	EUR6M(360) + 1000bps	
. Subordinated level	Sub A, B	
. Nominal value issued (€ million)	20	
. Nominal value at the end of accounting period (€ million)	20	
. Security subscribers		

Note:

(\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

Pillarstone is a multioriginator securitization, with claims transferred by UniCredit and other banks. For representation purposes, securities reported in the table are those issued in light of the portfolio transferred by UniCredit.

The "Closing date" is the date when the securitisation vehicle has issued the securities of the transaction.



## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	PILLARSTONE ITALY - RAINBOW	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	-	
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtor sold, in order to optimise the reimbursement of the securitised portfolio	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	12.10.2015	01.22.2019
Nominal Value of disposal portfolio (€ million):	74	17
Net amount of pre-existing writedown/writebacks (€ million):	-	-
Disposal Profit & Loss realised (€ million):	-	-
Portfolio disposal price (€ million):	74	17
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit (€ million):	4	2
Other Credit Enhancements:	-	
Other relevant information:	-	The new issue of securities, occurred on 22 January 2019, resulted in an increase of mezzanine notes for €2 million and junior notes for €15 million
Rating Agencies:	-	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005154833	IT0005155103
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	12.10.2015	12.10.2015 - 01.22.2019 (size increase)
. Legal maturity	10.20.2030	10.20.2030
. Call option	-	
. Expected duration (years)	5.0	5.0
. Rate	8.50%	EUR6M(360) + 144pb
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	1	19
. Nominal value at the end of accounting period (€ million)	1	19
. ISIN	IT0005155111	
. Type of security	Junior <sup>(*)</sup>	
. Class	C	
. Rating	-	
. Quotation	-	
. Issue date	12.10.2015 - 01.22.2019 (size increase)	
. Legal maturity	10.20.2030	
. Call option	-	
. Expected duration (years)	5.0	
. Rate	EUR6M(360)+1000pb	
. Subordinated level	SUB A-B	
. Nominal value issued (€ million)	71	
. Nominal value at the end of accounting period (€ million)	71	

## Note:

(\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitisation vehicle has issued the securities of the transaction. In cases where the securities have not yet been issued, the closing date corresponds to the date of sale of the portfolio.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Traditional securitisations of Non-Performing loans

New Transactions 2019

NAME:	PRISMA SPV S.R.L.	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Prisma SPV S.r.l.	
Servicer:	doValue S.p.A.	
Arranger:	UniCredit Bank A.G.	
Target transaction:	Decrease of exposure in non-performing residential mortgages (bad-loans)	
Type of asset:	Residential mortgages granted to retail customers	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	10.18.2019	
Nominal Value of reference portfolio (€ million):	6,101	
Net amount of preexisting writedown/writebacks (€ million):	2,741	
Disposal Profit & Loss realised (€ million) <sup>(1)</sup> :	-37	
Portfolio disposal price (€ million):	1,320	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Government guarantee is effective on senior notes (i.e. GACS)	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	UniCredit Bank Ag has granted a credit facility of 666 million to the SPV, super-senior in the priority of payment.	
Other Credit Enhancements:	-	
Other relevant information:	UniCredit S.p.A. has originally underwritten the whole of notes issued by the SPV. On 12th November 2019, 95% of junior and mezzanine notes was sold on the market.	
Rating Agencies:	Moody's and Scope	
Amount of CDS or other risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005387904	IT0005387912
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	(Moody's) Baa1 - (Scope) BBB+	(Moody's) B3 - (Scope) B-
. Quotation	-	-
. Issue date	10.18.2019	10.18.2019
. Legal maturity	November 2039	November 2039
. Call option	-	-
. Expected duration (years)	3.4	8.10
. Rate	6M Eur +1,50%	6M Eur +9%
. Subordination level	-	SUB A
. Nominal Value Issued (€ million)	1,210	80
. Nominal value at the end of accounting period (€ million)	1,210	80
. Security subscribers	UniCredit S.p.A.	UniCredit S.p.A.
Amount and Condition of tranching:		
. ISIN	IT0005387920	
. Type of security	Junior	
. Class	J	
. Rating	-	
. Quotation	-	
. Issue date	10.18.2019	
. Legal maturity	November 2039	
. Call option	-	
. Expected duration (years)	9.1	
. Rate	variable	
. Subordination level	SUB A-B	
. Nominal Value Issued (€ million)	30	
. Nominal value at the end of accounting period (€ million)	30	
. Security subscribers	UniCredit S.p.A.	

## Annex 3 - Securitisations - qualitative tables

continued: from previous page

NAME:	PRISMA SPV S.R.L.	
<b>Distribution of securitised assets by area (€ million):</b>		
Italy - Northwest	2,304	
Italy - Northeast	1,017	
Italy - Central	1,200	
Italy - South and Islands	1,571	
Other European Countries - E.U. countries	3	
Other European Countries - non-E.U. countries	4	
America	1	
Rest of the World	-	
<b>Total</b>	<b>6,101</b>	
<b>Distribution of securitised assets by business sector of the borrower (€ million):</b>		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial Companies	-	
Other entities	6,101	
<b>Total</b>	<b>6,101</b>	

**Note:**

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Traditional securitisations of Non-Performing loans

Transactions from previous years

NAME:	FINO 1	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A./Arena Npl ONE S.r.l.	
Issuer:	FINO 1 Securitisation S.r.l.	
Servicer:	Italfondario S.p.A. (Master Servicer), doValue S.p.A. (Special Servicer)	
Arranger:	Morgan Stanley International Plc - UniCredit Bank AG	
Target transaction:	UniCredit S.p.A. NPL stock reduction	
Type of asset:	Secured and unsecured loans granted to small and medium enterprises and individuals	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	07.31.2017	
Nominal Value of disposal portfolio (€ million):	5,376	
Net amount of pre-existing writedown/writebacks (€ million):	890	
Disposal Profit & Loss realised (€ million):	-96	
Portfolio disposal price (€ million):	794	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:		
Rating Agencies:	Moody's - DBRS	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005277311	IT0005277337
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	(Moody's) A2 / BBB+ - (DBRS) A2 / BBB+	(Moody's) Ba3 /BB+ - (DBRS) Ba3 /BB+
. Quotation	-	-
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	not before 07.31.2020	
. Expected duration (years)	2.2	4.1
. Rate	3M Eur + 1.5%	3M Eur + 4%
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	650	30
. Nominal value at the end of accounting period (€ million)	380	30
. ISIN	IT0005277345	IT0005277352
. Type of security	Mezzanine	Junior
. Class	C	D
. Rating	(Moody's) B1 / BB - (DBRS) B1 / BB	-
. Quotation	-	-
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	not before 07.31.2020	
. Expected duration (years)	4.2	6.8
. Rate	3M Eur + 6%	3M Eur + 12%
. Subordinated level	SUB A-B	SUB A-B-C
. Nominal value issued (€ million)	40	50
. Nominal value at the end of accounting period (€ million)	40	50

Note:

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisations - qualitative tables

NAME:	FINO 2	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A./Arena Npl ONE S.r.l.	
Issuer:	FINO 2 Securitisation S.r.l.	
Servicer:	Italfondario S.p.A. (Master Servicer), doValue S.p.A. (Special Servicer)	
Arranger:	Morgan Stanley International Plc - UniCredit Bank AG	
Target transaction:	UniCredit S.p.A. NPL stock reduction	
Type of asset:	Secured and unsecured loans granted to small and medium enterprises and individuals	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	07.31.2017	
Nominal Value of disposal portfolio (€ million):	7,841	
Net amount of pre-existing writedown/writebacks (€ million):	822	
Disposal Profit & Loss realised (€ million) <sup>(*)</sup> :	-181	
Portfolio disposal price (€ million):	640	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit :	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	-	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005277378	IT0005277394
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	-	-
. Expected duration (years)	1.6	3.6
. Rate	3M Eur + 2%	3M Eur + 6%
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	400	125
. Nominal value at the end of accounting period (€ million)	267	125
. ISIN	IT0005277402	IT0005277410
. Type of security	Mezzanine	Junior
. Class	C	D
. Rating	-	-
. Quotation	-	-
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	-	-
. Expected duration (years)	4.3	6.2
. Rate	3M Eur + 8%	3M Eur + 12%
. Subordinated level	SUB A-B	SUB A-B-C
. Nominal value issued (€ million)	76	40
. Nominal value at the end of accounting period (€ million)	76	40

## Note:

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisations - qualitative tables

NAME:	ONIF	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Onif Finance S.r.l.	
Servicer:	Zenith Service S.p.A. (Master Servicer) - Phoenix Asset Management S.p.A. (Special Servicer)	
Arranger:	Morgan Stanley International Plc - UniCredit Bank AG	
Target transaction:	UniCredit S.p.A. NPL stock reduction	
Type of asset:	Secured and unsecured loans granted to large enterprises	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	07.26.2017	
Nominal Value of disposal portfolio (€ million):	2,994	
Net amount of pre-existing writedown/writebacks (€ million):	402	
Disposal Profit & Loss realised (€ million) <sup>(*)</sup> :	-84	
Portfolio disposal price net of Lock Box Cash (€ million):	318	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	2	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	Cash reserve for €0,7 million	
Other relevant information:	-	
Rating Agencies:	-	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005277014	IT0005277022
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	07.26.2017	07.26.2017
. Legal maturity	October 2042	October 2042
. Call option	-	-
. Expected duration (years)	2.0	4.5
. Rate	2.00%	5.00%
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	150	100
. Nominal value at the end of accounting period (€ million)	37	100
. ISIN	IT0005277030	
. Type of security	Junior	
. Class	C	
. Rating	-	
. Quotation	-	
. Issue date	07.26.2017	
. Legal maturity	October 2042	
. Call option	-	
. Expected duration (years)	6.7	
. Rate	10.00%	
. Subordinated level	SUB A-B	
. Nominal value issued (€ million)	80	
. Nominal value at the end of accounting period (€ million)	80	

## Note:

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Synthetic securitisations of Performing loans

New Transactions 2019

NAME:	TC EaSI Micro Credito		
Type of securitisation:	Tranched Cover		
Originator:	UniCredit S.p.A.		
Issuer:	UniCredit S.p.A.		
Servicer:	UniCredit S.p.A.		
Arranger:	UniCredit S.p.A.		
Target transaction:	Credit risk hedging		
Type of asset:	Unsecured loans - maturity between 6 and 55 months - to micro enterprises		
Quality of Asset:	Performing		
Closing date:	11.25.2019		
Nominal Value of disposal portfolio (€ million):	27		
Guarantees issued by the Bank:	-		
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee		
Bank Lines of Credit:	-		
Third Parties Lines of Credit :	-		
Other Credit Enhancements :	-		
Other relevant information:	-		
Rating Agencies:	No rating agency, use of Supervisory SEC-IRBA Approach <sup>(1)</sup>		
Amount of CDS or other supersenior risk transferred (€ million):	-		
Amount and Condition of tranching:			
. ISIN	-	-	
. Type of security	Senior	Junior	
. Class	A	B	
. Rating	-	-	
. Issue date	11.25.2019	11.25.2019	
. Legal maturity	12.10.2025	12.10.2025	
. Call option	-	-	
. Expected duration (years)	12.10.2025	12.10.2025	
. Rate	-	-	
. Subordinated level	-	SUB A	
. Reference Position (€ million)	24	3	
. Reference Position at the end of accounting period (€ million)	18	3	
. Risk holder	UniCredit S.p.A.	Partially hedged by protection seller	
Distribution of securitised assets by area (€ million):			
Italy - Northwest	6		
Italy - Northeast	7		
Italy - Central	8		
Italy - South and Islands	6		
Other European Countries - E.U. countries	-		
Other European Countries - non-E.U. countries	-		
America	-		
Rest of the World	-		
Total	27		
Distribution of securitised assets by business sector of the borrower (€ million):			
Governments	-		
Other public-sector entities	-		
Banks	-		
Financial Companies	-		
Insurance Companies	-		
Non-financial Companies	10		
Other entities	17		
Total	27		

Note:

(\*) Synthetic securitisations carried out using the SEC-IRBA approach as required by Art.258-259 of Regulation (EU) No.2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No.575/2013 on prudential requirements for credit institutions and investment firms.

## Annex 3 - Securitisations - qualitative tables

NAME:	Bond Italia 7	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing	
Closing date:	11.21.2019	
Nominal Value of disposal portfolio (€ million):	273	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory SEC-IRBA Approach <sup>(*)</sup>	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	11.21.2019	11.21.2019
. Legal maturity	11.30.2024	11.30.2024
. Call option	-	-
. Expected duration (years)	11.30.2024	11.30.2024
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	252	21
. Reference Position at the end of accounting period (€ million)	251	21
. Risk holder	UniCredit S.p.A.	Partially hedged by protection seller
Distribution of securitised assets by area (€ million):		
Italy - Northwest	100	
Italy - Northeast	74	
Italy - Central	65	
Italy - South and Islands	34	
Other European Countries - E.U. countries	-	
Other European Countries - non-E.U. countries	-	
America	-	
Rest of the World	-	
Total	273	
Distribution of securitised assets by business sector of the borrower (€ million):		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial Companies	131	
Other entities	142	
Total	273	

## Note:

(\*) Synthetic securitisations carried out using the SEC-IRBA approach as required by Art.258-259 of Regulation (EU) No.2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No.575/2013 on prudential requirements for credit institutions and investment firms.



## Annex 3 - Securitisations - qualitative tables

NAME:	Bond Italia 6 Investimenti	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing	
Closing date:	11.21.2019	
Nominal Value of disposal portfolio (€ million):	88	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory SEC-IRBA Approach <sup>(1)</sup>	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	11.21.2019	11.21.2019
. Legal maturity	11.30.2024	11.30.2024
. Call option	-	-
. Expected duration (years)	11.30.2024	11.30.2024
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	79	9
. Reference Position at the end of accounting period (€ million)	78	9
. Risk holder	UniCredit S.p.A.	Partially hedged by protection seller
Distribution of securitised assets by area (€ million):		
Italy - Northwest	26	
Italy - Northeast	28	
Italy - Central	8	
Italy - South and Islands	25	
Other European Countries - E.U. countries	-	
Other European Countries - non-E.U. countries	-	
America	-	
Rest of the World	-	
Total	88	
Distribution of securitised assets by business sector of the borrower (€ million):		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial Companies	44	
Other entities	44	
Total	88	

## Note:

(\*) Synthetic securitisations carried out using the SEC-IRBA approach as required by Art.258-259 of Regulation (EU) No.2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No.575/2013 on prudential requirements for credit institutions and investment firms.

## Annex 3 - Securitisations - qualitative tables

NAME:	Bond Italia 6 Misto	
Type of securitisation:	Tranché Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 30 and 72 months - to small and medium enterprises	
Quality of Asset:	Performing	
Closing date:	12.18.2018	
Nominal Value of disposal portfolio (€ million):	210	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit (€ million):	-	
Other Credit Enhancements (€ million):	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(1)</sup>	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	12.18.2018	12.18.2018
. Legal maturity	11.30.2024	11.30.2024
. Call option	-	-
. Expected duration (years)	11.30.2024	11.30.2024
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	192	18
. Reference Position at the end of accounting period (€ million)	189	18
. Risk holder	UniCredit S.p.A.	Partially hedged by protection seller
Distribution of securitised assets by area (€ million):		
Italy - Northwest	76	
Italy - Northeast	45	
Italy - Central	39	
Italy - South and Islands	50	
Other European Countries - E.U. countries	-	
Other European Countries - non-E.U. countries	-	
America	-	
Rest of the World	-	
Total	210	
Distribution of securitised assets by business sector of the borrower (€ million):		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial Companies	94	
Other entities	116	
Total	210	

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Synthetic securitisations of Performing loans

Transactions from previous years

NAME:	Bond Italia 5-bis	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Southern Italy	
Quality of Asset:	Performing	
Closing date:	10.19.2018	
Nominal Value of disposal portfolio (€ million):	34	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	10.19.2018	10.19.2018
. Legal maturity	08.31.2024	08.31.2024
. Call option	-	-
. Expected duration (years)	-	-
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	32	2
. Reference Position at the end of accounting period (€ million)	28	2

## Notes:

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b.)) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	Bond del Mezzogiorno 1	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Southern Italy	
Quality of Asset:	Performing	
Closing date:	09.19.2018	
Nominal Value of disposal portfolio (€ million):	92	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	09.19.2018	09.19.2018
. Legal maturity	02.29.2024	02.29.2024
. Call option	-	-
. Expected duration (years)	-	-
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	80	11
. Reference Position at the end of accounting period (€ million)	51	11

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

<b>NAME:</b>	<b>Agribond 2</b>	
Type of securitisation:	Tranché Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity 72 months - to small and medium enterprises pertaining to the agriculture sector	
Quality of Asset:	Performing	
Closing date:	09.05.2018	
Nominal Value of disposal portfolio (€ million):	166	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	09.05.2018	09.05.2018
. Legal maturity	12.31.2026	12.31.2026
. Call option	-	-
. Expected duration (years)	-	-
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	154	12
. Reference Position at the end of accounting period (€ million)	117	12

**Notes:**  
 (\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.  
 In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:  
 1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);  
 2. the level of credit support of the concerned tranche;  
 3. the thickness of the tranche;  
 4. the number of securitised assets;  
 5. the average LGD.  
 Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	Puglia Sviluppo 1	
Type of securitisation:	Tranché Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Apulia	
Quality of Asset:	Performing	
Closing date:	03.31.2017	
Nominal Value of disposal portfolio (€ million):	21	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Junior risk partially cash collateralised	
Bank Lines of Credit:	-	
Third Parties Lines of Credit :	-	
Other Credit Enhancements :	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	03.31.2017	03.31.2017
. Legal maturity	12.31.2025	12.31.2025
. Call option	-	-
. Expected duration (years)	-	-
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	19	2
. Reference Position at the end of accounting period (€ million)	2	2

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

<b>NAME:</b>	<b>SME Initiative 2017</b>	
Type of securitisation:	Tranché Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Service:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Pool of UniCredit's SME loans, concentrated in South of Italy for at least 50%	
Quality of Asset:	Performing	
Closing date:	12.22.2017	
Nominal Value of reference portfolio (€ million):	460	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Financial guarantee to hedge the mezzanine and junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranche:		
. ISIN	-	-
. Type of security	Senior	Upper Mezzanine
. Class	A	B1
. Rating	-	-
. Issue date	12.22.2017	12.22.2017
. Legal maturity	11.13.2030	11.13.2030
. Call option	Clean-up call, regulatory call, Time call	
. Expected duration	11.13.2030	11.13.2030
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	395	2
. Reference Position at the end of accounting period (€ million)	100	2
. ISIN	-	-
. Type of security	Middle Mezzanine	Lower Mezzanine
. Class	B2	B3
. Rating	-	-
. Issue date	12.22.2017	12.22.2017
. Legal maturity	11.13.2030	11.13.2030
. Call option	Clean-up call, regulatory call, Time call	
. Expected duration	11.13.2030	11.13.2030
. Rate	-	-
. Subordinated level	SUB A-B1	SUB A-B1-B2
. Reference Position (€ million)	1	12
. Reference Position at the end of accounting period (€ million)	1	12
. ISIN	-	-
. Type of security	Second Loss	Junior
. Class	C	D
. Rating	-	-
. Issue date	12.22.2017	12.22.2017
. Legal maturity	11.13.2030	11.13.2030
. Call option	Clean-up call, regulatory call, Time call	
. Expected duration	11.13.2030	11.13.2030
. Rate	-	-
. Subordinated level	SUB A-B1-B2-B3	SUB A-B1-B2-B3-C
. Reference Position (€ million)	14	36
. Reference Position at the end of accounting period (€ million)	14	36

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (KiRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	Finpiemonte 2016		FILSEC 2016	
Type of securitisation:	Tranché Cover		Tranché Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Piemonte		Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Liguria	
Quality of Asset:	Performing		Performing	
Closing date:	10.31.2017		10.31.2017	
Nominal Value of reference portfolio (€ million):	58		28	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Junior risk partially cash collateralised		Junior risk partially cash collateralised	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	10.31.2017	10.31.2017	06.16.2017	06.16.2017
. Legal maturity	12.31.2021	12.31.2021	12.31.2021	12.31.2021
. Call option	-	-	-	-
. Expected duration	12.31.2021	12.31.2021	12.31.2021	12.31.2021
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	SUB A
. Reference Position (€ million)	51	7	25	4
. Reference Position at the end of accounting period (€ million)	5	7	2	3

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.



## Annex 3 - Securitisations - qualitative tables

NAME:	BOND ITALIA 5 INV		BOND ITALIA 5 MIX	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Service:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises		Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	06.16.2017		06.16.2017	
Nominal Value of reference portfolio (€ million):	72		297	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee		Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.16.2017	06.16.2017	06.16.2017	06.16.2017
. Legal maturity	06.30.2022	06.30.2022	06.30.2022	06.30.2022
. Call option	-	-	-	-
. Expected duration	06.30.2022	06.30.2022	06.30.2022	06.30.2022
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	SUB A
. Reference Position (€ million)	67	5	278	19
. Reference Position at the end of accounting period (€ million)	28	5	38	16

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (KiRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	BOND ITALIA4 MISTO		ARTS MIDCAP5	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	unsecured loans - maturity between 18 and 60 months - to small and medium enterprises		Loans to Mid - Corporates	
Quality of Asset:	Performing		Performing	
Closing date:	12.07.2016		12.02.2016	
Nominal Value of reference portfolio (€ million):	300		2,463	
Issued guarantees by the Bank:				
Issued guarantees by third parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee		Junior risk cash collateralised	
Bank Lines of Credit:				
Third Parties Lines of Credit:				
Other Credit Enhancements:				
Other relevant information:				
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(1)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(1)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	12.07.2016	12.07.2016	12.02.2016	12.02.2016
. Legal maturity	06.30.2023	06.30.2023	12.31.2046	12.31.2046
. Call option	-		Clean-up call, Regulatory Call, Time call	
. Expected duration (years)	06.30.2023	06.30.2023	WAL 3,58Y; time call after 5Y; regulatory call expected Dec 2023	WAL 3,58Y; time call after 5Y; regulatory call expected Dec 2023
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	SUB A
. Reference Position (€ million)	281	19	2,340	123
. Reference Position at the end of accounting period (€ million)	11	16	835	115

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	ARTS MIDCAP4		AGRIBOND	
Type of securitisation:	Tranché Cover		Tranché Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Loans to Small and Mid Corporates		Unsecured loans - maturity 72 months - to small and medium enterprises pertaining to the agriculture sector	
Quality of Asset:	Performing		Performing	
Closing date:	06.21.2016		06.30.2015	
Nominal Value of reference portfolio (€ million):	2,259		172	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Junior risk cash collateralised		Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.21.2016	06.21.2016	06.30.2015	06.30.2015
. Legal maturity	01.31.2036	01.31.2036	12.31.2022	12.31.2022
. Call option	Clean-up call, Regulatory Call, Time call		-	
. Expected duration (years)	WAL 3,8Y; time call after 5Y; regulatory call expected Mar 2024	WAL 3,8Y; time call after 5Y; regulatory call expected Mar 2024	12.31.2022	12.31.2022
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	-
. Reference Position (€ million)	2,146	113	161	11
. Reference Position at the end of accounting period (€ million)	771	111	32	11

**Notes:**  
 (\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.  
 In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:  
 1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);  
 2. the level of credit support of the concerned tranche;  
 3. the thickness of the tranche;  
 4. the number of securitised assets;  
 5. the average LGD.  
 Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	BOND ITALIA 3 INVESTIMENTI	BOND ITALIA3 MISTO
Type of securitisation:	Tranched Cover	Tranched Cover
Originator:	UniCredit S.p.A.	UniCredit S.p.A.
Issuer:	UniCredit S.p.A.	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.	UniCredit S.p.A.
Arranger:	UniCredit S.p.A.	UniCreditBank A.G.
Target transaction:	Credit risk hedging	Credit risk hedging
Type of asset:	unsecured loans - maturity between 24 and 60 months - to small and medium enterprises	unsecured loans - maturity between 18 and 60 months - to small and medium enterprises
Quality of Asset:	Performing	Performing
Closing date:	05.14.2016	05.14.2016
Nominal Value of reference portfolio (€ million):	99	166
Issued guarantees by the Bank:	-	-
Issued guarantees by third parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	Financial guarantee to partially hedge the junior risk in the form of personal guarantee
Bank Lines of Credit:	-	-
Third Parties Lines of Credit:	-	-
Other Credit Enhancements:	-	-
Other relevant information:	-	-
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>
Amount and Conditions of tranching:		
ISIN	-	-
Type of security	Senior	Junior
Class	-	-
Rating	-	-
Issue date	05.14.2016	05.14.2016
Legal maturity	02.28.2022	02.28.2021
Call option	-	-
Expected duration (years)	02.28.2022	02.28.2021
Rate	-	-
Subordinated level	-	-
Reference Position (€ million)	92	156
Reference Position at the end of accounting period (€ million)	16	5

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	SARDAFIDI	BOND ITALIA4 INVESTIMENTI
Type of securitisation:	Tranched Cover	Tranched Cover
Originator:	UniCredit S.p.A.	UniCredit S.p.A.
Issuer:	UniCredit S.p.A.	UniCredit S.p.A.
Service:	UniCredit S.p.A.	UniCredit S.p.A.
Arranger:	UniCreditBank A.G.	UniCredit S.p.A.
Target transaction:	Credit risk hedging	Credit risk hedging
Type of asset:	unsecured loans to small and medium enterprises located in Sardinia, originated with the purpose of financing working capital and/or investments	unsecured loans - maturity between 24 and 60 months - to small and medium enterprises
Quality of Asset:	Performing	Performing
Closing date:	10.15.2015	12.07.2016
Nominal Value of reference portfolio (€ million):	14	100
Issued guarantees by the Bank:	-	-
Issued guarantees by third parties:	Junior risk partially cash collateralised	Financial guarantee to partially hedge the junior risk in the form of personal guarantee
Bank Lines of Credit:	-	-
Third Parties Lines of Credit:	-	-
Other Credit Enhancements:	-	-
Other relevant information:	-	-
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>
Amount and Conditions of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	10.15.2016	10.15.2016
. Legal maturity	06.30.2021	06.30.2021
. Call option	-	-
. Expected duration (years)	06.30.2021	06.30.2021
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	13	92
. Reference Position at the end of accounting period (€ million)	-	39

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (KiRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	BOND ITALIA1 MISTO		BOND ITALIA2 MISTO	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises		Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	06.30.2015		12.31.2015	
Nominal Value of reference portfolio (€ million):	296		300	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee		Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.30.2015	06.30.2015	12.31.2015	12.31.2015
. Legal maturity	12.31.2023	12.31.2023	02.28.2021	02.28.2021
. Call option	-		-	
. Expected duration	12.31.2023	12.31.2023	02.28.2021	02.28.2021
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	SUB A
. Reference Position (€ million)	277	19	281	19
. Reference Position at the end of accounting period (€ million)	-	6	-	7

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	BOND ITALIA2 INVESTIMENTI		ARTS MIDCAP3	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Service:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises		Loans to Mid - Corporates	
Quality of Asset:	Performing		Performing	
Closing date:	12.31.2015		11.21.2015	
Nominal Value of reference portfolio (€ million):	100		4,367	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee		Junior risk cash collateralised; financial guarantee to hedge the mezzanine risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	12.31.2015	12.31.2015	11.21.2015	11.21.2015
. Legal maturity	02.28.2022	02.28.2022	12.31.2030	12.31.2030
. Call option	-		Clean-up call, regulatory call	
. Expected duration	02.28.2022	02.28.2022	WAL 3,36 regulatory call expected Dec 2022	WAL 3,36 regulatory call expected Dec 2022
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	SUB A
. Reference Position (€ million)	92	8	4,105	44
. Reference Position at the end of accounting period (€ million)	15	6	570	44
. ISIN			-	
. Type of security			Junior	
. Class			C	
. Rating			-	
. Issue date			11.21.2015	
. Legal maturity			12.31.2030	
. Rate			-	
. Subordinated level			SUB A-B	
. Reference Position (€ million)			218	
. Reference Position at the end of accounting period (€ million)			201	

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (KIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	GEPAFIN		ARTS LEONARDO	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		ARTS LEONARDO 2015-1 S.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans with maturity > 18 months to corporates located in Umbria		Project financing Loans and Shipping	
Quality of Asset:	Performing		Performing	
Closing date:	03.09.2015		06.26.2015	
Nominal Value of reference portfolio (€ million):	7		1,520	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Junior risk partially cash collateralised		Junior risk cash collateralised	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:				
. ISIN	-	-	-	-
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	03.09.2015	03.09.2015	06.26.2015	06.26.2015
. Legal maturity	12.31.2019	12.31.2019	2040	2040
. Call option	-	-	Clean-up call, regulatory call	
. Expected duration	12.31.2019	12.31.2019	2021	2021
. Rate	-	-	-	-
. Subordinated level	-	SUB A	-	SUB A
. Reference Position (€ million)	6	1	1,414	106
. Reference Position at the end of accounting period (€ million)	-	0	365	97

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.



## Annex 3 - Securitisations - qualitative tables

NAME:	BOND ITALIA1 INVESTIMENTI	
Type of securitisation:	Tranché Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Service:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing	
Closing date:	06.30.2015	
Nominal Value of reference portfolio (€ million):	94	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Financial guarantee to partially hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	06.30.2015	06.30.2015
. Legal maturity	02.28.2025	02.28.2025
. Call option	-	
. Expected duration	02.28.2025	02.28.2025
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	87	7
. Reference Position at the end of accounting period (€ million)	13	6

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

NAME:	CONFIDIMPRESA TRENTO E COOPERATIVA ARTIGIANA DI GARANZIA DELLA PROVINCIA DI TRENTO	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Loans to small and medium enterprises	
Quality of Asset:	Performing	
Closing date:	06.30.2014	
Nominal Value of reference portfolio (€ million):	11	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Junior risk partially cash collateralised	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	The Consortia guarantee hedges the 95% of the Junior tranche and the tranche is equal to €0,7 million	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount and Conditions of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Legal maturity	03.31.2020	03.31.2020
. Subordinated level	-	SUB A
. Reference Position (€ million)	10	1
. Reference Position at the end of accounting period (€ million)	-	0

**Notes:**

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);

2. the level of credit support of the concerned tranche;

3. the thickness of the tranche;

4. the number of securitised assets;

5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

## ORIGINATOR: UniCredit Leasing S.p.A.

STRATEGIES, PROCESSES AND GOALS:	The main reasons for these transactions are: improve asset allocation, diversification of funding sources and improve Regulatory Ratios.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	Each portfolio is monitored on an ongoing basis and is described in monthly and quarterly reports (required by the agreements) with a breakdown of loans by status and the trend of repayments.
ORGANISATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	Coordination Structure was set up in the Accounts Department. The Board of Directors is provided with a report with a breakdown of repayments and the status of loans.
HEDGING POLICIES:	The Special Purpose Vehicle bought IRSs as fair value hedge and Basis Swaps as Cash flow hedge (and related back to back between Originator and Counterparty).
OPERATING RESULTS:	Repayments are in line with the schedule provided on issue (business plan) such that the equity tranche yield (including extra spread) is in line with expected yield on investments with similar risk level.

## Transactions from previous periods

NAME:	LSV9 - SERIE 2016	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing S.p.A.	
Issuer:	Locat SV S.r.l.	
Servicer:	UniCredit Leasing S.p.A.	
Arranger:	UniCredit Bank AG London Branch	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Leasing loans bearing car, capital goods and real estate.	
Quality of Asset:	Performing	
Closing date:	11.11.2016	
Nominal Value of disposal portfolio (€ million):	3,784	
Net amount of preexisting writedown/writebacks (€ million):	-	
Disposal Profit & Loss realised (€ million):	-	
Portfolio disposal price (€ million):	3,784	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit Leasing S.p.A. has granted SPV a subordinated loan of €40 million	
Other relevant information:	Self - securitisation (No Revolving)	
Rating Agencies:	Moody's/DBRS	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	IT0005219578	IT0005219586
. Type of security	Senior	Junior
. Class	A	B
. Rating	A1/AA (low)	-
. Quotation	Dublin	Dublin
. Issue date	11.14.2016	11.14.2016
. Legal maturity	12.12.2042	12.12.2042
. Call option	Clean-up call	
. Expected duration (years)	3.14	-
. Rate	Euribor 3m + 130bps	Euribor 3m + 500 bps
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	2,668	1,116
. Nominal value at the end of accounting period (€ million)	1,011	1,116

## Annex 3 - Securitisations - qualitative tables

## ORIGINATOR: UniCredit Bank AG

STRATEGIES, PROCESSES AND GOALS:	The main motivation for the Bank's securitisation programs is the Capital relief and Funding for True Sale Transactions.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	Each portfolio is monitored by the servicing department on an ongoing basis and it is illustrated in the form of quarterly report (investor report), which provides a breakdown of the status of loans.
ORGANISATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	The Board Members approve each new transaction and any other related decision and they are informed on the expected performances and on those in the final balance. The bank's annual/interim report contains information on the bank's own ABS transactions.
HEDGING POLICIES:	For true sale transactions the issuer hedged portfolio's interest rate risks through Interest Rate Swaps.
OPERATING RESULTS:	The results achieved up to the present are broadly in line with expectations; payments received from the portfolio ensured punctual and full payment to security holders and other parties to the transaction.

## Transactions from previous periods

NAME:	ROSENKAVALIER 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Bank AG	
Issuer:	Rosenkavalier 2015 UG	
Servicer:	UniCredit Bank AG	
Arranger:	UniCredit Bank AG (UniCredit Markets & Investment Banking)	
Target transaction:	Liquidity	
Type of asset:	Large Corporate and SME corporate loans	
Quality of Asset:	Performing	
Closing date:	12.18.2015 (restructured on 11.30.2018)	
Nominal Value of disposal portfolio (€ million):	3,500	
Net amount of preexting writedown/writebacks (€ million):	-	
Disposal Profit & Loss realised (€ million):	-	
Portfolio disposal price (€ million):	3,500	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	Transaction executed to create ECB collateral	
Rating Agencies:	Fitch/DBRS	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	DE000A1687E2	DE000A1687F9
. Type of security	Senior	Junior
. Class	A	B
. Rating	A/A	-
. Quotation	Munich	Munich
. Issue date	12.18.2015	12.18.2015
. Legal maturity	08.31.2045	08.31.2045
. Call option	Any payment date	
. Rate	Fixed Coupon 0,35%	Fixed Coupon 3,25%
. Subordinated level	Waterfall Position 1	Waterfall Position 2
. Nominal value issued (€ million)	2,104	1,397
. Nominal value at the end of accounting period (€ million)	2,104	1,397

## Annex 3 - Securitisations - qualitative tables

NAME:	GELDILUX-TS-2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Bank AG	
Issuer:	Geldilux-TS-2015 S.A. (Luxembourg)	
Service:	UniCredit Bank AG	
Arranger:	UniCredit Bank AG (UniCredit Markets & Investment Banking)	
Target transaction:	Liquidity	
Type of asset:	SME corporate loans	
Quality of Asset:	Performing	
Closing date:	07.29.2015	
Nominal Value of disposal portfolio at the end of the accounting period (€ million):	2,140	
Net amount of preextinguishing writedown/writebacks (€ million):	-	
Disposal Profit & Loss realised (€ million):	-	
Portfolio disposal price (€ million):	2,140	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	Transaction executed to create ECB collateral, True Sale - Revolving	
Rating Agencies:	Moody's/DBRS	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	XS1261539610	XS1261582545
. Type of security	Senior	Senior
. Class	A	Liquidity Note
. Rating	Aaa/A	-
. Quotation	Luxembourg	Luxembourg
. Issue date	07.29.2015	07.29.2015
. Legal maturity	07.08.2022	04.11.2023
. Call option	Clean-up call	
. Rate	EUR1M (floored to zero) + 50bps	EUR1M + 130bps
. Subordinated level	Waterfall Position 1	Waterfall Position 2
. Nominal value issued (€ million)	1,830	22
. Nominal value at the end of accounting period (€ million)	1,830	-
. ISIN	XS1261576810	XS1261577206
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	A2/-	Baa2/-
. Quotation	Luxembourg	Luxembourg
. Issue date	07.29.2015	07.29.2015
. Legal maturity	04.11.2023	04.11.2023
. Call option	Clean-up call	
. Rate	EUR1M + 95bps	EUR1M + 150bps
. Subordinated level	Waterfall Position 3	Waterfall Position 4
. Nominal value issued (€ million)	84	36
. Nominal value at the end of accounting period (€ million)	-	-
. ISIN	XS1261577628	
. Type of security	Junior	
. Class	D	
. Rating	-	
. Quotation	Luxembourg	
. Issue date	07.29.2015	
. Legal maturity	07.08.2022	
. Call option	Clean-up call	
. Rate	EUR1M (floored to zero) + 300bps	
. Subordinated level	Waterfall Position 5	
. Nominal value issued (€ million)	310	
. Nominal value at the end of accounting period (€ million)	310	

## Annex 3 - Securitisations - qualitative tables

NAME:	ROSENKAVALIER 2008	
Type of securitisation:	Traditional	
Originator:	UniCredit Bank AG	
Issuer:	Rosenkavalier 2008 GmbH	
Servicer:	UniCredit Bank AG	
Arranger:	UniCredit Bank AG (UniCredit Markets & Investment Banking)	
Target transaction:	Liquidity	
Type of asset:	Mortgage loans	
Quality of Asset:	Performing	
Closing date:	12.12.2008	
Nominal Value of disposal portfolio at the end of the accounting period (€ million):	3,140	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	Transaction executed to create ECB collateral	
Rating Agencies:	FITCH/Moody's	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	DE000A0AEDB2	DE000A0AEDC0
. Type of security	Senior	Junior
. Class	A	B
. Rating	A+/A2	-
. Legal maturity	10.31.2058	10.31.2058
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	9,653	2,294
. Nominal value at the end of accounting period (€ million)	2,575	565

## Annex 3 - Securitisations - qualitative tables

## ORIGINATOR: UniCredit Bank Austria AG

## Transactions from previous periods

NAME:	AMADEUS 2015	
Type of securitisation:	Synthetic	
Originator:	UniCredit Bank Austria AG	
Issuer:	-	
Service:	UniCredit Bank Austria AG	
Arranger:	UniCredit Bank AG	
Target transaction:	Risk Transfer and RWA relief	
Type of asset:	Loans and Guarantees granted to SMEs	
Quality of Asset:	Performing	
Closing date:	12.21.2015	
Nominal Value of reference portfolio (€ million):	1,965 (of which securitised 1,867, corresponding to 95% of the portfolio)	
Net amount of preexisting writedown/writebacks (€ million):	-	
Disposal Profit & Loss realised (€ million):	-	
Portfolio disposal price (€ million):	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other risk transferred (€ million):	-	
Amount and Conditions of tranching:		
. ISIN	-	-
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	12.21.2015	12.21.2015
. Legal maturity	11.30.2028	11.30.2028
. Call option	10% Clean Up Call	10% Clean Up Call
. Expected duration	-	-
. Rate	-	-
. Subordinated level	-	SUB A
. Reference Position (€ million)	1,731	42
. Reference Position at the end of accounting period (€ million)	253	42
. ISIN	-	
. Type of security	Junior	
. Class	C	
. Rating	-	
. Quotation	-	
. Issue date	12.21.2015	
. Legal maturity	11.30.2028	
. Call option	10% Clean Up Call	
. Expected duration	-	
. Rate	-	
. Subordinated level	SUB A-B	
. Reference Position (€ million)	93	
. Reference Position at the end of accounting period (€ million)	81	

## Notes:

(\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by Art.262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR) and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art.259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula , in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisations - qualitative tables

ORIGINATOR: UniCredit Leasing (Austria) GmbH

*Transactions from previous periods*

NAME:	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing (Austria) GMBH	
Issuer:	Success 2015 B.V.	
Servicer:	UniCredit Leasing (Austria) GMBH	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of Asset:	Performing	
Closing date:	11.09.2015	
Nominal Value of disposal portfolio (€ million):	325	
Net amount of preexisting writedown/writebacks (€ million):	-	
Disposal Profit & Loss realised (€ million):	-	
Portfolio disposal price (€ million):	325	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	Subordinated Loan €4.6 million	
Other relevant information:	-	
Rating Agencies:	Fitch & DBRS	
Amount of CDS or other supersenior risk transferred (€ million):	-	
Amount and Condition of tranching:		
. ISIN	XS1317727698	XS1317727938
. Type of security	Senior	Junior
. Class	A	B
. Rating	AAA	-
. Quotation	Listed Luxembourg Stock Exchange	-
. Issue date	11.09.2015	11.09.2015
. Legal maturity	10.31.2029	10.31.2029
. Call option	10% clean up call	
. Expected duration (years)	6.0	6.0
. Rate	EUR3M + 0,47%	EUR3M + 2%
. Subordinated level	-	SUB A
. Nominal value issued (€ million)	231	94
. Nominal value at the end of accounting period (€ million)	81	94



## Annex 3 - Securitisations - qualitative tables

## ORIGINATOR: UniCredit Bulbank AD

## Transactions from previous periods

NAME	EIF JEREMIE	
Type of securitisation:	Synthetic - First loss Portfolio Guarantees	
Originator:	UniCredit Bulbank AD	
Issuer:	European Investment Fund (EIF)	
Servicer:	UniCredit Bulbank AD	
Arranger:	UniCredit Bulbank AD	
Target transaction:	Risk transfer and capital relief	
Type of asset:	Highly diversified and granular pool of UniCredit Bulbank's SME loans	
Quality of Asset:	Performing	
Closing date:	08.15.2011	
Nominal Value of reference portfolio (€ million):	6	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	First loss cash collateral EIF	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	- The agreed portfolio maximum volume is equal to €50 million - The guarantee covers 80% of each outstanding loan up to a total amount equal to 25% of the portfolio volume	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred (€ million):		
Amount and Condition of tranching:		
. ISIN	-	-
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Reference Position (€ million)	-	5
. Reference Position at the end of accounting period (€ million)	-	5

## Note:

(\*) Synthetic securitisation carried out using the Standardised Approach as required under Basel 3.

Where there is no eligible external rating, the Bank that holds or guarantees such an exposure may determine the risk weight by applying the "look through" treatment, provided the composition of the underlying pool is known at all times. The unrated most senior position receives the average risk weight of the underlying exposures subject to supervisory review. Where Bank is unable to determine the risk weights assigned to the underlying credit risk exposures, the unrated position must be deducted from regulatory capital.

## Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative

**ORIGINATOR: UniCredit S.p.A.**

### New transactions 2019

GOALS - STRATEGIES - PROCESSES:	UniCredit S.p.A., through the sale of debtors related to the shipping sector, aims to facilitate companies classified as "unlikely to pay" to improve their strategic positioning in their industrial sector.
ROLE:	Once the loans have been sold to the fund and UniCredit S.p.A. become a holder of Fund's units, the bank no longer has a role in managing the debtor, remaining a financial investor with no possibility of governance and management interference.
RISKS RELATED TO THE TRANSACTION:	UniCredit S.p.A. has all the risks arising from the performance of the fund's units and therefore from the management of the assets performed by DAVY and by the Advisor Pillarstone.
MONITORING SYSTEMS:	UniCredit S.p.A. monitors the manager's performance through quarterly management reports and participation in supervisory committees (Advisory Board) without voting mechanisms and therefore without the possibility of management or administrative interference in the fund.

## Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative

NAME OF THE TRANSACTION	F.I.NAV		
Type of transaction:	Sale of financial assets to Investment Fund with underwriting of units issued by the same Fund		
Originator:	UniCredit S.p.A.		
Investment Fund underwritten:	F.I.NAV		
Target transaction:	The objective of the transaction is to optimize access to the capital market for debtors sold by UniCredit to the fund, leveraging on an industrial and strategic partner such as FINAV and on the sector expertise of Pillarstone and the Private Equity Fund KKR.		
Type of asset:	Shipping loans	Shipping loans	Shipping loans
Quality of Asset:	Unlikely to pay	Unlikely to pay	Unlikely to pay
Closing date:	02.19.2019	07.11.2019	08.02.2019
Nominal Value of reference portfolio (million):	183\$ ; 3€	15\$; 6€	36€
Net amount of preexisting writedown/writebacks (€ million):	114	8	12
Disposal Profit & Loss realised (€ million):	(1)	7	1
Portfolio disposal price (million):	131\$	17\$	14\$
Issued guarantees by the Bank:	-	-	-
Issued guarantees by third parties:	-	-	-
Bank Lines of Credit:	-	-	-
Third Parties Lines of Credit:	-	-	-
Other Credit Enhancements:	-	-	-
Other relevant information:	The assets sold have been derecognised from the balance sheet.	The assets sold have been derecognised from the balance sheet.	The assets sold have been derecognised from the balance sheet.
Units of Investment Fund underwritten			
. Units subscriber	UniCredit S.p.A.	UniCredit S.p.A.	UniCredit S.p.A.
. ISIN	IT0005359754	IT0005359754	IT0005359754
. N°. of units at the subscription	130,932,648	17,367,908	14,150,677
. Book Value at the subscription (million)	131\$	17\$	14\$
. N°. of units at the end of accounting period	130,932,648	17,367,908	14,150,677
. Book value at the end of accounting period (million)	131\$	17\$	14\$
<b>Distribution of financial assets sold by area (€ million):</b>			
Italy - Northwest	-	-	-
Italy - Northeast	56 \$ 1 €	-	-
Italy - Central	-	6€	36€
Italy - South and Islands	127\$ 2 €	15 \$	-
Other European Countries - E.U. countries	-	-	-
Other European Countries - non-E.U. countries	-	-	-
America	-	-	-
Rest of the World	-	-	-
<b>Total</b>	<b>183\$ ; 3€</b>	<b>15\$; 6€</b>	<b>36€</b>
<b>Distribution of financial assets sold by business sector of the borrower (€ million):</b>			
Governments	-	-	-
Other public-sector entities	-	-	-
Banks	-	-	-
Financial Companies	-	-	-
Insurance Companies	-	-	-
Non-financial Companies	183\$ ; 3€	15\$; 6€	36€
Other entities	-	-	-
<b>Total</b>	<b>183\$ ; 3€</b>	<b>15\$; 6€</b>	<b>36€</b>

## Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative

**ORIGINATOR: UniCredit S.p.A.**

**Transactions from previous years**

GOALS - STRATEGIES - PROCESSES:	UniCredit S.p.A., by selling its loans to the fund, aims to facilitate companies classified as "unlikely to pay" to improve their strategic positioning in their relevant industrial sector.
ROLE:	Once the loans have been sold to the fund and UniCredit S.p.A. become a holder of Fund's units, the bank no longer has a role in managing the debtor, remaining a financial investor with no possibility of governance and management interference.
RISKS RELATED TO THE TRANSACTION:	UniCredit S.p.A. has all the risks arising from the performance of the fund's units and therefore from the management of the assets performed by Dea Capital.
MONITORING SYSTEMS:	UniCredit S.p.A. monitors the manager's performance through quarterly management reports and participation in supervisory committees (Advisory Board) without voting mechanisms and therefore without the possibility of management or administrative interference in the fund.

## Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative

NAME OF THE TRANSACTION	DEA CAPITAL CORPORATE CREDIT RECOVERY I	
Type of transaction:	Sale of financial assets to Investment Fund with underwriting of units issued by the same Fund	
Originator:	UniCredit S.p.A.	
Investment Fund underwritten:	Dea Capital Corporate Credit Recovery I	
Target transaction:	The objective of the transaction is to optimize access to the capital market for borrowers (medium-sized companies, in financial difficulties, but with solid industrial fundamentals) sold from UniCredit to the fund, leveraging on an industrial and strategic partner as Dea Capital.	
Type of asset:	Corporate loans	Corporate loans
Quality of Asset:	Unlikely to pay	Unlikely to pay
Closing date:	05.31.2016	07.04.2019
Nominal Value of reference portfolio (€ million):	90	4
Net amount of preexisting writedown/writebacks (€ million):	52	2
Disposal Profit & Loss realised (€ million):	23	2
Portfolio disposal price (€ million):	76	4
Issued guarantees by the Bank:	-	-
Issued guarantees by third parties:	-	-
Bank Lines of Credit:	-	-
Third Parties Lines of Credit:	-	-
Other Credit Enhancements:	-	-
Other relevant information:	The assets sold have been derecognised from the balance sheet. The disposal price also includes the portion of equity instruments transferred (18%).	The assets sold have been derecognised from the balance sheet.
Units of Investment Fund underwritten		
. Units subscriber	UniCredit S.p.A.	UniCredit S.p.A.
. ISIN	IT0005126062	IT0005126062
. N°. of units at the subscription	1,593.698	144.672
. Book Value at the subscription (€ million)	76	4
. N°. of units at the end of accounting period	1,593.698	144.672
. Book value at the end of accounting period (€ million)	35	3
<b>Distribution of financial assets sold by area (€ million):</b>		
Italy - Northwest	48	4
Italy - Northeast	24	-
Italy - Central	18	-
Italy - South and Islands	-	-
Other European Countries - E.U. countries	-	-
Other European Countries - non-E.U. countries	-	-
America	-	-
Rest of the World	-	-
<b>Total</b>	<b>90</b>	<b>4</b>
<b>Distribution of financial assets sold by business sector of the borrower (€ million):</b>		
Governments	-	-
Other public-sector entities	-	-
Banks	-	-
Financial Companies	-	-
Insurance Companies	-	-
Non-financial Companies	90	4
Other entities	-	-
<b>Total</b>	<b>90</b>	<b>4</b>

## Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative

NAME OF THE TRANSACTION	DEA CAPITAL CORPORATE CREDIT RECOVERY II	
Type of transaction:	Sale of financial assets to Investment Fund with underwriting of units issued by the same Fund	
Originator:	UniCredit S.p.A.	
Investment Fund underwritten:	Dea Capital Corporate Credit Recovery II	
Target transaction:	The objective of the transaction is to optimize access to the capital market for borrowers (medium-sized companies, in financial difficulties, but with solid industrial fundamentals) sold from UniCredit to the fund, leveraging on an industrial and strategic partner as Dea Capital.	
Type of asset:	Corporate loans	Corporate loans
Quality of Asset:	Unlikely to pay	Unlikely to pay
Closing date:	01.31.2018	12.19.2019
Nominal Value of reference portfolio (€ million):	88	66
Net amount of preexisting writedown/writebacks (€ million):	49	22
Disposal Profit & Loss realised (€ million):	6	11
Portfolio disposal price (€ million):	55	33
Issued guarantees by the Bank:	-	-
Issued guarantees by third parties:	-	-
Bank Lines of Credit:	-	-
Third Parties Lines of Credit:	-	-
Other Credit Enhancements:	-	-
Other relevant information:	The assets sold have been derecognised from the balance sheet.	The assets sold have been derecognised from the balance sheet.
Units of Investment Fund underwritten		
. Units subscriber	UniCredit S.p.A.	UniCredit S.p.A.
. ISIN	IT0005276057	IT0005276057
. N°. of units at the subscription	1,122.221	815.752
. Book Value at the subscription (€ million)	55	33
. N°. of units at the end of accounting period	1,122.221	815.752
. Book value at the end of accounting period (€ million)	45	33
<b>Distribution of financial assets sold by area (€ million):</b>		
Italy - Northwest	19	7
Italy - Northeast	67	24
Italy - Central	2	28
Italy - South and Islands	0	7
Other European Countries - E.U. countries	-	-
Other European Countries - non-E.U. countries	-	-
America	-	-
Rest of the World	-	-
<b>Total</b>	<b>88</b>	<b>66</b>
<b>Distribution of financial assets sold by business sector of the borrower (€ million):</b>		
Governments	-	-
Other public-sector entities	-	-
Banks	-	-
Financial Companies	-	-
Insurance Companies	-	-
Non-financial Companies	88	66
Other entities	-	-
<b>Total</b>	<b>88</b>	<b>66</b>



# One Bank, One Team, One UniCredit.

## 2019

Company Report and Accounts  
of UniCredit S.p.A.





# Company report and accounts 2019 of UniCredit S.p.A.

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# Disciplined risk management. & controls



We run the business with disciplined origination, enhanced business accountability and in-depth monitoring by control functions. Our reinforced governance and steering ensure targeted actions wherever necessary. A Group culture driven by the principle: “Do the right thing!” means that each employee is part of the first line of defense.

# Introduction and highlights

## Introduction to Report on operations of UniCredit S.p.A.

This Report on operations illustrates the performance of the Parent company and the related amounts and results. It includes financial information such as Highlights, Reclassified accounts and their quarterly figures as well as a comment on the Results of the year.

The information in this report is supported, in order to provide further information about the performance achieved by the company, by some alternative performance indicators ("API") such as: Cost/Income ratio, Net bad loans to customers/Loans to customers, Net Non-Performing loans to customers/Loans to customers. Although some of this information, including certain APIs, is neither extracted nor directly reconciled with Company Financial Statements, the Report on operations, the Annexes and the Glossary provide explanatory descriptions of the contents and, in case, the calculation methods used, in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015. In particular in Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

For other information required by Law and regulations, refer to the Consolidated report on operations or to the Notes to the accounts of financial statements of UniCredit S.p.A. as better specified below.

Refer to Consolidated report on operations for information relating to:

- Share information - UniCredit share;
- Macroeconomic situation, banking and financial markets;
- qualitative disclosure of Principles of value creation and disciplined capital allocation, Capital ratios for information relating to transitional capital requirements and buffers for UniCredit group and Capital strengthening;
- references of UniCredit official website where can be found Report on corporate governance and ownership structure, Report on remuneration and Non-financial information;
- Research and development projects;
- Group activities development operations and other corporate transactions;
- Significant organisational changes and organisational structure;
- Certifications and other communications;
- Subsequent events;
- Outlook.

The amounts related to year 2018 differ from the ones published at that time. For further details about the reasons of these restatement, refer to following paragraphs relating to the "Reconciliation principles followed for the reclassified balance sheet and income statement".

For information relating to related-party relations and transactions refer to the Notes to the accounts - Part H of Company financial statements of UniCredit S.p.A. For a complete description of risks and uncertainties that the bank has to face in the current market situation refer the Notes to the accounts - Part E of the Company financial statements of UniCredit S.p.A.

## Highlights, alternative performance indicators and other measures

### Income statement

	YEAR		(% million)
	2019	2018	% CHANGE
Operating income	9,731	10,621	- 8.4%
<i>of which:</i>			
- <i>net interest</i>	3,849	4,156	- 7.4%
- <i>dividends and other income from equity investments</i>	1,844	2,587	- 28.7%
- <i>net fees and commissions</i>	3,802	3,830	- 0.7%
Operating costs	(4,725)	(4,955)	- 4.6%
Operating profit (loss)	5,006	5,666	- 11.6%
Net write-downs on loans and provisions for guarantees and commitments	(2,659)	(1,986)	+ 33.9%
Net operating profit (loss)	2,347	3,680	- 36.2%
Profit (Loss) before tax	(256)	1,284	n.m.
Net profit (loss)	(555)	2,442	n.m.



# Introduction and highlights

The figures in this table refer to the reclassified income statement. The amounts related to year 2018 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified income statement". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule.

## Balance sheet

	AMOUNTS AS AT		% CHANGE
	12.31.2019	12.31.2018	
Total assets	414,474	405,691	+ 2.2%
Financial assets held for trading	12,678	11,834	+ 7.1%
Loans and receivables with customers	229,625	222,591	+ 3.2%
Financial liabilities held for trading	13,403	10,384	+ 29.1%
Deposits from customers and debt securities issued	270,205	264,841	+ 2.0%
of which:			
- deposits from customers	215,696	211,872	+ 1.8%
- debt securities issued	54,509	52,969	+ 2.9%
Shareholders' equity	51,519	50,911	+ 1.2%

(€ million)

The figures in this table refer to the reclassified balance sheet. The amounts related to year 2018 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified balance sheet". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule.

For further details on "non-performing loans" see paragraphs "Loans to customers" and "Credit quality" in this Report on operations.

## Profitability ratios

	YEAR		CHANGE
	2019	2018	
EPS <sup>(1)</sup> (€)	(0.306)	1.058	- 1.364
Cost/Income ratio	48.6%	46.7%	+ 2.0%
ROA <sup>(2)</sup>	- 0.1%	0.6%	- 0.7%

### Notes:

(1) Earnings per share. For further details refer to Part C - Section 22.

(2) Ratio between operating expenses and operating income.

(3) Return on assets calculated as the ratio between Net profit (loss) and Total assets pursuant to art. 90 of CRD IV.

The amounts relating to 2018 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified income statement".

## Risk ratios

	AS AT		% CHANGE ON
	12.31.2019	12.31.2018	
Net bad loans to customers/Loans to customers	0.4%	1.3%	- 0.8%
Net non-performing loans to customers/Loans to customers	2.0%	4.2%	- 2.2%

For more details refer to table "Loans to customers - Credit quality" in paragraph "Credit quality" in this Report on operations.

## Staff and branches

	AS AT		CHANGE
	12.31.2019	12.31.2018	
Number of employees	35,707	35,526	+181
Number of branches	2,746	2,844	-98
of which:			
- Italy	2,738	2,836	-98
- Other countries	8	8	-

# Introduction and highlights

## Transitional capital ratios

	AS AT		CHANGE
	12.31.2019 <sup>(*)</sup>	12.31.2018 <sup>(*)</sup>	
Total own funds (€ million)	59,156	56,527	+ 2,629
Total risk-weighted assets (€ million)	204,944	204,991	- 47
<b>Common Equity Tier 1 Capital Ratio</b>	<b>21.11%</b>	<b>21.65%</b>	<b>- 0.5%</b>
<b>Total Capital Ratio</b>	<b>28.86%</b>	<b>27.58%</b>	<b>+ 1.3%</b>

### Notes:

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

UniCredit S.p.A. has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values shown fully reflect the impact arising from the application of the IFRS9 principle.

For more details see paragraph "Capital and value management - Capital ratios", for more details of this Report on operations.

# Reclassified company accounts

## Reconciliation principles followed for the reclassified balance sheet

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

- the inclusion in "Loans to banks" of "Financial assets at amortised cost: a) Loans and receivables with banks" net of debt securities reclassified in "Other financial assets";
- 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: c) Other financial assets mandatorily at fair value" net of loans reclassified in "Loans 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" and "Provisions for risks and charges" under Item "Other liabilities".

2018 and 2019 quarters figures were restated to reflect adoption of fair value model for the measurement of the Real Estate portfolio with retrospective application from 1 January 2018 on held for investment properties.

For further details, it shall be referred to the Notes to the accounts - Part A - Accounting policies; A.1 - General, Section 4 - Other matters.

### Reclassified balance sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Cash and cash balances	2,395	7,461	- 5,066	- 67.9%
Financial assets held for trading	12,678	11,834	+ 844	+ 7.1%
Loans to banks	38,637	28,635	+ 10,002	+ 34.9%
Loans to customers	229,625	222,591	+ 7,034	+ 3.2%
Other financial assets	104,199	112,294	- 8,095	- 7.2%
Hedging instruments	7,311	5,853	+ 1,458	+ 24.9%
Property, plant and equipment	4,172	2,363	+ 1,809	+ 76.6%
Goodwill	-	-	-	-
Other intangible assets	4	4	-	-
Tax assets	10,405	10,662	- 257	- 2.4%
Non-current assets and disposal groups classified as held for sale	1,142	117	+ 1,025	n.m.
Other assets	3,906	3,877	+ 29	+ 0.7%
<b>Total assets</b>	<b>414,474</b>	<b>405,691</b>	<b>+ 8,783</b>	<b>+ 2.2%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Deposits from banks	57,571	58,995	- 1,424	- 2.4%
Deposits from customers	215,696	211,872	+ 3,824	+ 1.8%
Debt securities issued	54,509	52,969	+ 1,540	+ 2.9%
Financial liabilities held for trading	13,403	10,384	+ 3,019	+ 29.1%
Other financial liabilities	5,090	3,535	+ 1,555	+ 44.0%
Hedging instruments	7,608	6,295	+ 1,313	+ 20.9%
Tax liabilities	1	2	- 1	- 50.0%
Liabilities included in disposal groups classified as held for sale	-	-	-	-
Other liabilities	9,077	10,728	- 1,651	- 15.4%
Shareholders' equity:	51,519	50,911	+ 608	+ 1.2%
- capital and reserves	52,074	48,469	+ 3,605	+ 7.4%
- net profit (loss)	(555)	2,442	- 2,997	n.m.
<b>Total liabilities and Shareholders' equity</b>	<b>414,474</b>	<b>405,691</b>	<b>+ 8,783</b>	<b>+ 2.2%</b>

# Reclassified company accounts

## Reclassified balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2019	09.30.2019	06.30.2019	03.31.2019	12.31.2018	09.30.2018	06.30.2018	03.31.2018
Cash and cash balances	2,395	6,265	10,675	6,079	7,461	6,347	4,849	22,951
Financial assets held for trading	12,678	16,474	14,023	14,231	11,834	17,605	16,595	15,877
Loans to banks	38,637	31,268	26,875	27,353	28,635	32,917	26,423	23,699
Loans to customers	229,625	227,973	218,425	220,890	222,591	215,733	220,447	205,697
Other financial assets	104,199	104,994	105,962	106,841	112,294	110,211	107,009	104,160
Hedging instruments	7,311	9,460	7,969	6,939	5,853	5,257	5,869	5,720
Property, plant and equipment	4,172	3,709	3,610	3,660	2,363	2,356	2,365	2,416
Goodwill	-	-	-	-	-	-	-	-
Other intangible assets	4	3	3	4	4	4	4	4
Tax assets	10,405	10,175	10,495	10,562	10,662	9,939	9,774	9,760
Non-current assets and disposal groups classified as held for sale	1,142	1,267	167	49	117	137	435	101
Other assets	3,906	4,793	5,402	4,210	3,877	4,084	4,375	3,888
<b>Total assets</b>	<b>414,474</b>	<b>416,381</b>	<b>403,606</b>	<b>400,818</b>	<b>405,691</b>	<b>404,590</b>	<b>398,145</b>	<b>394,273</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2019	09.30.2019	06.30.2019	03.31.2019	12.31.2018	09.30.2018	06.30.2018	03.31.2018
Deposits from banks	57,571	58,735	55,941	61,873	58,995	64,545	64,159	58,899
Deposits from customers	215,696	201,309	201,519	197,321	211,872	207,716	195,995	193,001
Debt securities issued	54,509	57,160	54,702	55,190	52,969	51,115	54,594	60,370
Financial liabilities held for trading	13,403	13,263	9,666	10,312	10,384	12,733	11,612	11,098
Other financial liabilities	5,090	6,205	6,597	6,497	3,535	2,900	2,790	2,748
Hedging instruments	7,608	10,014	8,956	7,518	6,295	5,263	6,057	5,877
Tax liabilities	1	3	3	3	2	3	2	2
Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	234	-
Other liabilities	9,077	14,561	11,559	9,757	10,728	9,927	10,963	11,320
Shareholders' equity:	51,519	55,131	54,663	52,347	50,911	50,388	51,739	50,958
- capital and reserves	52,074	51,345	51,049	51,744	48,469	48,468	48,795	50,561
- net profit (loss)	(555)	3,786	3,614	603	2,442	1,920	2,944	397
<b>Total liabilities and Shareholders' equity</b>	<b>414,474</b>	<b>416,381</b>	<b>403,606</b>	<b>400,818</b>	<b>405,691</b>	<b>404,590</b>	<b>398,145</b>	<b>394,273</b>

# Reclassified company accounts

## Reconciliation principles followed for the reclassified income statement

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

- in "Dividends and other income from equity investments" of "Profit (Loss) of equity investments valued at equity" the exclusion of "Dividends on equity investments, shares and equity instruments mandatorily at fair value" which are included in "Net trading income";
- the inclusion among "Net trading income" of net gains (losses) on trading, on hedge accounting, of net gains/losses on the financial assets/liabilities at fair value through profit or loss and of gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income;
- the inclusion in the "Net other operating expenses/income", excluding "Recovery of expenses" which is classified under its own item, the exclusion of the costs for "Write-downs on leasehold improvements" classified among "Other administrative expenses" and the exclusion of net results from trading of physical gold, precious stones and metals;
- 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) 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 reclassified in "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".

2018 figures were restated to reflect:

- following the first time adoption of IFRS16 - Leasing from 1 January 2019, the lessee's lease payment previously computed in the item "Other administrative expenses" is split between:

- the item "Net interest" for the interest expense with reference to the lease liability;
- the item "Amortisation, depreciation and impairment losses on intangible and tangible assets" for right of use asset depreciation.

In addition, in the item "Recovery of expenses", is no longer included in the income arising from the sublease to third parties of real estate assets leased by the Group;

- for the reclassification of some commitment fees on undrawn credit lines from the item "Net interest" to the item "Net fees and commissions" starting from December 2018.

2018 and 2019 quarters figures were restated:

- to reflect "loss of control" on FincoBank S.p.A. following the completion on 8 May 2019 of the accelerated bookbuilding (ABB) of No.103.5 million ordinary shares of the company, settled on 10 May 2019;
- to reflect adoption of fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 January 2018 for held for investment properties;
- following the reclassification starting from June 2019:
  - of revenues for "Dividends from other financial assets mandatorily at fair value" to the item "Net trading income";
  - of some expenses incurred in handling the recovery process of non-performing exposures to the item "Other administrative expenses" (previously included in the item "Net fees and commissions");
  - of some expenses for payment services and cards that, were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions";
  - of net results from sales & purchases and re-measurement of physical gold, precious stones and metals that were reclassified from the item "Net other expenses/income" to the item "Net trading income" when entered into in contemplation with other trading book exposures or "Net income from investments" otherwise;
  - of some non-recoverable expenses incurred for customer financial transaction taxes that were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions" or when otherwise recovered/debited, the related income has been included in the item "Recovery of expenses" (from the item "Net fees and commissions");
  - of some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) that were reclassified from the item "Other administrative expenses" to the item "Income tax for the period".

# Reclassified company accounts

## Reclassified income statement

(€ million)

	YEAR		CHANGE	
	2019	2018	P&L	%
Net interest	3,849	4,156	- 307	- 7.4%
Dividends and other income from equity investments	1,844	2,587	- 743	- 28.7%
Net fees and commissions	3,802	3,830	- 28	- 0.7%
Net trading income	327	121	+ 206	n.m.
Net other expenses/income	(91)	(73)	- 18	+ 24.7%
<b>OPERATING INCOME</b>	<b>9,731</b>	<b>10,621</b>	<b>- 890</b>	<b>- 8.4%</b>
Payroll costs	(2,756)	(2,866)	+ 110	- 3.8%
Other administrative expenses	(2,130)	(2,284)	+ 154	- 6.7%
Recovery of expenses	480	508	- 28	- 5.5%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(319)	(313)	- 6	+ 1.9%
<b>Operating costs</b>	<b>(4,725)</b>	<b>(4,955)</b>	<b>+ 230</b>	<b>- 4.6%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>5,006</b>	<b>5,666</b>	<b>- 660</b>	<b>- 11.6%</b>
Net write-downs on loans and provisions for guarantees and commitments	(2,659)	(1,986)	- 673	+ 33.9%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>2,347</b>	<b>3,680</b>	<b>- 1,333</b>	<b>- 36.2%</b>
Other charges and provisions	(752)	(786)	+ 34	- 4.3%
<i>of which: systemic charges</i>	(386)	(384)	- 2	+ 0.5%
Integration costs	(114)	(3)	- 111	-
Net income from investments	(1,737)	(1,607)	- 130	+ 8.1%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(256)</b>	<b>1,284</b>	<b>- 1,540</b>	<b>n.m.</b>
Income tax for the period	(299)	1,158	- 1,457	n.m.
<b>PROFIT (LOSS) AFTER TAX</b>	<b>(555)</b>	<b>2,442</b>	<b>- 2,997</b>	<b>n.m.</b>
Profit (Loss) from non-current assets held for sale after tax	-	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(555)</b>	<b>2,442</b>	<b>- 2,997</b>	<b>n.m.</b>
Goodwill impairment	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>(555)</b>	<b>2,442</b>	<b>- 2,997</b>	<b>n.m.</b>

# Reclassified company accounts

## Reclassified income statement - Quarterly figures

(€ million)

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	892	951	988	1,018	1,088	1,073	1,018	977
Dividends and other income from equity investments	9	(3)	1,468	370	36	17	2,389	145
Net fees and commissions	996	939	950	917	931	904	1,000	995
Net trading income	107	110	(49)	159	(6)	18	18	91
Net other expenses/income	(29)	(12)	(25)	(25)	(23)	(19)	(19)	(12)
<b>OPERATING INCOME</b>	<b>1,975</b>	<b>1,985</b>	<b>3,332</b>	<b>2,439</b>	<b>2,026</b>	<b>1,993</b>	<b>4,406</b>	<b>2,196</b>
Payroll costs	(691)	(682)	(690)	(693)	(715)	(705)	(717)	(729)
Other administrative expenses	(540)	(524)	(533)	(533)	(596)	(555)	(570)	(563)
Recovery of expenses	124	113	121	122	126	128	136	118
Amortisation, depreciation and impairment losses on intangible and tangible assets	(80)	(83)	(79)	(77)	(84)	(77)	(76)	(76)
<b>Operating costs</b>	<b>(1,187)</b>	<b>(1,176)</b>	<b>(1,181)</b>	<b>(1,181)</b>	<b>(1,269)</b>	<b>(1,209)</b>	<b>(1,227)</b>	<b>(1,250)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>788</b>	<b>809</b>	<b>2,151</b>	<b>1,258</b>	<b>757</b>	<b>784</b>	<b>3,179</b>	<b>946</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,361)	(401)	(585)	(312)	(626)	(491)	(535)	(334)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>(573)</b>	<b>408</b>	<b>1,566</b>	<b>946</b>	<b>131</b>	<b>293</b>	<b>2,644</b>	<b>612</b>
Other charges and provisions	(248)	(111)	(190)	(203)	(223)	(151)	(221)	(191)
<i>o/w systemic charges</i>	<i>(38)</i>	<i>(108)</i>	<i>(73)</i>	<i>(167)</i>	<i>(41)</i>	<i>(96)</i>	<i>(110)</i>	<i>(137)</i>
Integration costs	(113)	-	(1)	-	(1)	(1)	(1)	-
Net income from investments	(3,404)	(10)	1,692	(15)	(344)	(1,184)	(53)	(26)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(4,338)</b>	<b>287</b>	<b>3,067</b>	<b>728</b>	<b>(437)</b>	<b>(1,043)</b>	<b>2,369</b>	<b>395</b>
Income tax for the period	(3)	(115)	(56)	(125)	959	19	178	2
<b>PROFIT (LOSS) AFTER TAX</b>	<b>(4,341)</b>	<b>172</b>	<b>3,011</b>	<b>603</b>	<b>522</b>	<b>(1,024)</b>	<b>2,547</b>	<b>397</b>
Profit (Loss) from non-current assets held for sale, after tax	-	-	-	-	-	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(4,341)</b>	<b>172</b>	<b>3,011</b>	<b>603</b>	<b>522</b>	<b>(1,024)</b>	<b>2,547</b>	<b>397</b>
Goodwill impairment	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>(4,341)</b>	<b>172</b>	<b>3,011</b>	<b>603</b>	<b>522</b>	<b>(1,024)</b>	<b>2,547</b>	<b>397</b>

# Results of the year

## Main results and performance for the period

### The income statement

#### Breakdown of operating profit

Net operating profit (loss) at 31 December 2019 totaled €2,347 million, down -€1,333 million on the previous year. The Operating profit totaled €5,006 million (-€660 million year on year, -11.6%) and Net write-downs of loans amounted to -€2,659 million (down -€673 million versus December 2018).

The annual decrease in the Operating profit (loss) on December 2018 is attributable to the reduction in Operating income (-€890 million), partially offset by the decrease in Operating costs (+€230 million).

#### Net operating profit (loss)

	YEAR		CHANGE	
	2019	2018	P&L	%
<b>OPERATING INCOME</b>	<b>9,731</b>	<b>10,621</b>	<b>- 890</b>	<b>- 8.4%</b>
Operating costs	(4,725)	(4,955)	+ 230	- 4.6%
<b>OPERATING PROFIT (LOSS)</b>	<b>5,006</b>	<b>5,666</b>	<b>- 660</b>	<b>- 11.6%</b>
Net write-downs of loans and provisions for guarantees and commitments	(2,659)	(1,986)	- 673	+ 33.9%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>2,347</b>	<b>3,680</b>	<b>- 1,333</b>	<b>- 36.2%</b>

(€ million)

#### Operating income

At 31 December 2019, Operating income totaled €9,731 million, down -€890 million (-8.4%) on the previous year. The decrease was mainly attributable to Dividends and other income from equity investments (-€743 million) and to Net Interest decrease (-€307 million), partially offset by Net Trading Income (+€206 million).

Net interest at December 2019 amounted to €3,849 million, with a decrease on the previous year (-7.4%).

In a context of a persistent negative interest rates scenario, net interest continued to be characterized by a compression on positive interests from customer loans, because the increase of medium long term loans volumes was not enough to balance short term loans rates and volumes compression, in particular related to corporate customers. Net Interest result was also impacted by lower interests from impaired assets due to non performing volumes reduction according to Strategic Plan Transform 2019 guidelines and by the increase of subordinated issues.

In 2019, the Bank completed the medium long term Financial Plan execution, using different structures and maturities so to minimize concentration risk and to benefit from our creditworthiness for Institutional Investors.

To strengthen the amount of eligible instruments according to TLAC regulation, in January the Bank placed with success a 3-year Dual Tranche Senior Non-Preferred issue, for an amount of \$3,000 million under the "US GMTN Program". In addition, in June UniCredit S.p.A. issued a benchmark Senior Preferred bond, amounted to €1,250 million, as the first Senior Preferred callable issued by an European bank. At last, it was issued the first Senior non Preferred bond, 6-year maturity and callable after 5 years for an amount of €750 million. In October, UniCredit issued a 5.5-year maturity Senior Preferred bond, amounted to €1,000 million.

About subordinated bonds, in February the Bank launched a benchmark Tier 2 subordinated bond with 10 year maturity and callable after 5 years, for an amount of €1,000 million. In March, UniCredit S.p.A. placed an Additional Tier 1 Perpetual Non-Call ( Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes), callable up to June 2026 for a total amount of €1,000 million and a Tier 2 subordinated note targeted to institutional investors for a total amount of \$1,250 million, maturity 15 years callable after 10 years. In September UniCredit S.p.A. placed another 10 year subordinated Tier 2 bond, callable after 5 years, for an amount of €1,250 million.

All 2019 issues of bonds allowed to fully respect the different regulatory requirements, maintaining at the same time a high level of liquidity.

Dividends and other income from equity investments recorded in 2019 totaled €1,844 million, down -€743 million year on year. The decrease was mainly due to lower dividends distributed in 2019 by UniCredit Bank AG, amounted to +€520 million (-€780 million compared to 2018).



# Results of the year

Net fees and commissions at 31 December 2019 amounted to €3,802 million, down -€28 million (-0.7%) year-on-year.

The decrease was due to current accounts, loans and credit commitments sector (-€110 million) not sufficiently offset by growth in all other sectors, in particular by Asset management, custody and administration (+€29 million), driven by the mutual funds fees.

Net trading income at December 2019 (+€327 million) was essentially attributable to the gains from investment portfolio (+€109 million), Certificates and their derivatives (+€102 million), exposure related to the Additional Tier 1 Fineco (+€28 million), the effects of the revaluation of the issuance of Additional Tier1 USD instruments hedging derivative (+€28 million), Visa Inc revaluation (+€27 million) and income from CIU shares (+€25 million). In 2019 losses related to valuation of shares in Bank Pekao S.A. and the linked Secured mandatorily exchangeable equity-linked certificate amounted to -€16 million and and XVA - Credit, Funding and Debt Value Adjustment amounted to -€4 million.

Overall, Net trading income increased by +€206 million compared to the previous year.

The mainly changes in comparison with 2018 are attributable to the following:

- +€49 million related to Additional Tier 1 Fineco;
- +€47 million due to Certificates and their derivatives;
- +€27 million due to losses related to Non Core portfolio disposals and impairments;
- +€22 million due to higher gains from Investment Portfolio.

The balance of other operating income and charges at December 2019 amounted to -€91 million, decreasing by -€18 million compared to the previous year. The main impacts in 2019 are due to charges relating to company activities (compensation, rebates, services provided, recoveries, rents, etc.) totaling -€86 million.

## Operating costs

The total of Operating Costs at December 2019 amounted to -€4,725 million, decreasing of -€230 million (-4.6%) compared to the previous year.

Staff expenses, amounted to -€2,756 million, decreased compared to 2018 of about -€110 million (-3.8%), mainly due to the effect of staff structure reduction.

Full Time Equivalent (FTE) evolution stood at 34,326 at 31 December 2019 and showed a slightly increase of about 289 FTE year-on-year due to Operations and Real Estate Perimeter insourced in September from UniCredit Services (1,140 FTE).

Other administrative expenses in 2019 recorded -€2,130million, down -€154 million (-6.7%) compared to 2018. The decrease was concentrated on indirect costs thanks to Operation activities (-€104 million) and to credit recovery expenses (-€27 million).

Recovery of expenses, amounting to €480 million, decreased (-€28 million and -5.5% compared to the previous year), primarily for less recovery on stamp duties and for credit recovery expenses.

Amortization, depreciation and impairment losses on intangible and tangible assets amounted to -€319 million, slightly increasing (+1.9%) according to Industrial Plan Investments.

## Net impairment losses on loans

At the end of December 2019 net write downs on loans and provisions for guarantees and commitments sum up to -€2,659 million, increased by -€673 million (+33.9%) in respect of previous year. This amount has been significantly affected by not recurring effects referred to actions defined in the fourth quarter 2019 for strengthening the of strategy of Non Core portfolio rundown by 2021, that led to higher loan loss provisions for -€821 million in the last quarter of the year (in addition to approximately -€6 million euro recorded as a reduction in interest income). Cost of risk (measured in respect of medium volume of credits with customers) is equal to 1.19%.

For further details please refer to Notes to the consolidated accounts - Part E - Information on risks and hedging policies - Section 1 - Credit risk, table "A.1.2. Breakdown of financial assets by portfolio and credit quality (gross and net values)".

## Net operating profit

Net operating profit (loss) came to +€2,347 million, down -€1,333 million compared to +€3,680 million in 2018, mainly due to the decrease in Dividends and to the increase on net write-downs on loans and provisions for guarantees and commitments partially offset by the decrease in Operating costs.

# Results of the year

## Net profit (loss)

In the table below, the data showing the transition from operating profit (loss) to net profit (loss) have been reclassified for illustrative purposes.

### Net profit (loss)

	YEAR		CHANGE	
	2019	2018	P&L	%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>2,347</b>	<b>3,680</b>	<b>- 1,333</b>	<b>- 36.2%</b>
Other charges and provisions	(752)	(786)	+ 34	- 4.3%
Integration costs	(114)	(3)	- 111	-
Net income from investments	(1,737)	(1,607)	- 130	+ 8.1%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(256)</b>	<b>1,284</b>	<b>- 1,540</b>	<b>n.m.</b>
Income tax for the period	(299)	1,158	- 1,457	n.m.
<b>PROFIT (LOSS) AFTER TAX</b>	<b>(555)</b>	<b>2,442</b>	<b>- 2,997</b>	<b>n.m.</b>
Profit (Loss) from non-current assets held for sale after tax	-	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(555)</b>	<b>2,442</b>	<b>- 2,997</b>	<b>n.m.</b>
Goodwill impairment	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>(555)</b>	<b>2,442</b>	<b>- 2,997</b>	<b>n.m.</b>

(€ million)

## Other charges and provisions

Other charges and provisions, amounting to -€752 million, flat compared to -€786 million in 2018, considered the Deposit Guarantee Scheme (DGS) contribution to Fondo Interbancario di Tutela dei Depositi - FITD (-€92 million), the ordinary and extraordinary contribution to the Single Resolution Fund (-€185 million) and other general provisions for litigations, lawsuits, disputes, incidents and claims in which the Bank was a passive subject.

## Integration costs

Integration costs amounted to -€114 million, substantially due to the extraordinary write-down of non-productive ICT assets, carried out by UniCredit Services.

## Net income (losses) from investments

Net income from investments was -€1,737million, down -€130 million compared to 2018.

In 2019 write-downs on equity regarding UniCredit Bank Austria (-€1,862 million), UniCredit Bank AG (-€1,739 million), Koc Finansal Hizmetler Istanbul (-€500 million), UniCredit Bank Ireland (-€132 million) were recorded, partially offset by profit on FincoBank sale (+€1,722 million) and write-backs on equity regarding UniCredit Leasing S.p.A. (+€713 million) and AO UniCredit Bank (€244 million).

In addition, in 2019 it was recorded -€251 million related to fair value model and revaluation model for the measurement of Group Real Estate portfolio, respectively held for investment and used in business according to IAS40 and IAS16 regulations.

## Taxes on income

Taxes on income for 2019 reports a negative amount of €299 million, showing a decrease in comparison with the positive amounts of €1,158 million in 2018.

During the year 2019 the following changes in the tax legislation were introduced:

- as per Ministerial Decree 5 August, 2019, the tax treatment of the effects on the financial statements deriving from the application of the accounting principle IFRS16 for the accounting of the operative lease and finance lease transactions was disciplined;
- as per art.1, par.940-948, of the Law 30 December, 2018, No.145 (Budget Law 2019) the terms for a realignment of Bank assets were reopened, by repurposing, as already done in the previous years, the provision introduced by the Law No.342/2000. The realignment involves tax recognition of the higher book value registered by payment of a substitute tax to the extent of 16% for depreciable assets and to the extent of 12% for non-depreciable assets. In case of realignment the rule provides to bind a reserve in suspension of tax (for tax purposes) equal to the differential redeemed net of the substitute tax paid. In case of distribution such reserve has to be taxed. The higher values redeemed are assumed as valid for IRES and IRAP purposes as of 1 January 2021.  
The realignment was made on 28 June 2019 by payment of a substitute tax of €27 million for a misalignment of €172 million, with a benefit in the of €29 million in Profit & Loss due to the write off of deferred tax liabilities for €57 million. A reserve in suspension of tax for €144 million was created;
- as per art.1 of the Law of 27 December 2019, No.160, (Budget Law 2020) it was stated that:  
- art.1 par.713: the deduction of the 2019 reversal of deferred tax assets on loans loss provisions since the first adoption of IFRS9, to be deducted over a period of 10 years for both IRES and IRAP purposes, is deferred to the year 2028;

# Results of the year

- art.1 par.712: the deduction of the 2019 reversal of convertible deferred tax assets on loans loss provisions is deferred to the period 2022-2025 for both IRES and IRAP purposes;
  - art.1 par.714: the deduction of the 2019 reversal of convertible deferred tax assets on goodwill is deferred to the period 2025-2029 both for IRES and IRAP purposes;
  - art.1 par.287: the ACE tax benefit is restored as from the 2019 financial year with the same conditions previously in place.
- The postponement of the 2019 annual reversal of convertible deferred tax assets entails for UniCredit:
- a burden of €80.7 million for IRES and €15.9 million for IRAP in relation to the postponement of the loans loss provisions for IFRS9 as per the art.1 par.713;
  - a burden of €15 million for IRES in relation to the postponement of the loans loss provisions and goodwill as per the art.1 par.712 and par.714.

The item Taxes in the income statement is negative and equal to €299 million and is composed by:

- a negative IRES (current and deferred taxes) value of -€199 million, of which current IRES for €30 million completely subject to impairment as it was considered not sustainable following the execution of the sustainability test. Therefore, the amount of €199 million is exclusively due to the dynamics of deferred tax assets and liabilities of the period and to the impairment of the pre-existing deferred taxation for €278 million following the sustainability test;
- a negative IRAP (current and deferred taxes) of €108 million, of which -€125 million of current IRAP and +€17 million for the movement of deferred taxation;
- a provision of -€2 million related to the taxation on a transparent basis of controlled foreign companies (CFC);
- non-deductible withholding tax of -€5 million suffered in Italy and abroad;
- net extraordinary income of €33 million, inclusive of the positive effect of €29 million as a realignment of the properties mentioned above, of the recognition for €7 million of deferred taxation previously subjected to impairment based on the sustainability test and of the effect from the review of tax cases pertaining to 2018 financial year deriving in tax return since in the 2018 tax accruals only an estimation of taxes in the presence of non-definitive information has been possible;
- tax accrual referred to foreign branches for an amount equal to -€12 million;
- tax credit deriving from the conversion of the "ACE" benefit into IRAP tax credit for €21 million;
- the substitute tax paid for the realignment of the properties of -€27 million. The reduction in deferred tax liabilities for IRES and IRAP purposes is included in the movements mentioned above.

Current IRES shows a total tax loss inclusive of Profit & Loss and Net assets of €777 million. Corresponding deferred tax assets on said tax loss, equal to €214 million for taxes could have been registered, in addition to the residual tax losses carried forward for the period 2016-2018 for a total amount of €3,515 million (the amount includes a residual amount of €10 million tax loss carried forward deriving from the merger of the subsidiaries PGAM and Buddy Servizi Molecolari in 2017) of which €2,897 as deferred tax assets in Profit & Loss and €618 as deferred tax assets in Net assets. Following the sustainability test, also considering that the Tax Group shows a tax credit, an amount of deferred tax assets limited to €546 million (of which €7 million in Profit & Loss and €539 million in Net assets) can be registered.

The amount of deferred tax assets arising from tax losses not booked is equal to €3,129 million of which (i) €2,737 million (€2,668 million deriving from accounting items originated in the Income statement and €69 million from Net equity components) referred to the Italian Tax Group perimeter and related to the 24% IRES ordinary tax rate and (ii) €392 million (€382 million deriving from accounting items originated in the Income statement and €10 million from Net equity components) referred to UniCredit S.p.A. and related to the 3.5% IRES additional tax rate.

Current IRAP tax accrual shows a negative amount equal to -€108 million, with a negative effect in Profit & Loss for -€125 million and a positive effect in Net assets of €17 million.

The "ACE" ("Aiuto alla crescita economica") benefit for 2019 is currently estimated in €25 million, also considering the lowering of the notional yield at 1.3% from 1.5% in 2018. The amount of the benefit for 2018 amounts to a total of €60 million due to the positive tax ruling obtained by "Agenzia delle Entrate" on the increase of intra-Group loans as provided by the anti-avoidance rules. From that total amount, the amount of €38 million resulting from the positive tax ruling will be put into effect in 2020 by the submission of supplementary 2018 tax returns both for IRES and IRAP. An analogous tax ruling for an amount still to be defined will be presented to "Agenzia delle Entrate" also for the year 2019.

During the year 2019, owing to the negative taxable basis for IRES and the availability of tax losses carried forward determining an indefinite postponement of the monetization of the ACE benefit, the amount of ACE benefit for 2018 not yet used was converted into a tax credit for IRAP purposes, as provided for by Law Decree 24 June 2014, No.91 (converted with modification by Law 11 August 2014, No.116) as already done for the unused ACE benefit pertaining to the 2016 and 2017 financial years, for a total amount of €99 million. Therefore, the ACE benefit for 2018, for an amount of €21 million, determining an equal extraordinary revenue in Profit & Loss, considering that the same amount was impaired being not sustainable. The residual credit still to be used for IRAP purposes amounts to €82 million.

The IRAP credit will be used over 5 years in equal installments as provided for by the relevant law, with the possibility to carry forward any unused amount upon the fifth year.

# Results of the year

## The balance sheet

### Loans to Customers

As at 31 December 2019, **loans to customers** totalled €229,625 million, an increase of €7,034 million (+3.2%) compared to 31 December 2018.

#### Loans and advances to customers

	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Performing loans	170,555	179,399	- 8,844	- 4.9%
Repos	54,363	33,825	+ 20,538	+ 60.7%
Non-performing exposures	4,707	9,367	- 4,660	- 49.7%
<b>Total loans and receivables with customers</b>	<b>229,625</b>	<b>222,591</b>	<b>+ 7,034</b>	<b>+ 3.2%</b>

More specifically:

- **performing loans** decreased of €-8,844 million (-4.9%);
- **reverse repos** recorded an increase of €20,538 million (+60.7%);
- **impaired assets** recorded a decrease of €-4,660 million (-49.7%).

**Performing loans** (€170,555 million at 31 December 2019) included €1,142 million due from Special Purpose Vehicles (SPVs), attributable mainly to liquidity which UniCredit S.p.A., following the downgrading from 2012 by the rating agencies involved in the transactions, had to transfer (based on the contractual documentation signed) to other banks, still considered "eligible", in favor of the SPVs granting loans as part of the transactions originated by UniCredit S.p.A. in relation to securitisations and covered bond issue programmes.

During 2019 the aforementioned receivables from Special Purpose Vehicle (S.P.V.) increased by €395 million compared to 31 December 2018. The increase is due to the normal management of securitisation transactions

**Reverse repos** amounted to €54,363 million at 31 December 2019 (€33,825 million at the end of 2018), and consisted almost entirely of transactions with Cassa di Compensazione e Garanzia, with Cassa Depositi e Prestiti and Poste Italiane S.p.A.

**Impaired loans** at the end of December 2019 amounted to €4,707 million and came to 2.1% of the total amount of loans to customers. They mainly referred to the business segment.

The decrease of €4,660 million (-49.7% in comparison to €9,367 million at the end of December 2018) confirms the intense Bank's activity aimed to reduce the non performing credit exposure also through the target of total rundown of the Non Core portfolio within 2021. The main phenomena occurred during the 2019 financial year that have led to a reduction of the volume of the non-performing assets are: (i) the sale - through a securitisation transaction (PRISMA) - of non-performing loans related to residential mortgages to private individuals for a book value at the sale date (11 October 2019) of €1,357 million (nominal value €4,098 million); (ii) further non-performing portfolio's sales, for a book value of around €1,567 million; (iii) the reinforcement and implementation in the fourth quarter 2019 of the strategy on the Non Core portfolio, which has determined a reduction of the book value of the non performing exposures involved of around €827 million, in addition to that already recorded in previous quarters. With reference to the latter reinforcement action of the strategy on the Non Core portfolio, please refer to Part E - Information on risks and hedging policies - Section 1 - Credit Risk, table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)" of the Notes to the accounts.

### Credit quality

As at 31 December 2019, the face value of the impaired assets totaled €15,369 million, representing 6.4% of total nominal loans to customers down by 10.6% at year-end 2018.

The ratio of non-performing loans (at face values) amounted to 2.6% of total loans to customers (5.4% at 31 December 2018) loans classified as unlikely to pay amounted to 3.6% of total loans (5.0% at 31 December 2018), while impaired past due exposures amounted to 0.19% of total loans (0.19% at 31 December 2018).

The coverage ratio of impaired loans (specific write-downs to face value) came to around 69.4%, up on the 63.3% figure recorded at 31 December 2018 and consisting of 89.4% of non-performing loans, 59.8% of loans classified as unlikely to pay and 33.2% of impaired past due exposures.

# Results of the year

Performing loans, which amounted to €226,112 million at face value (€214,474 million at 31 December 2018), were written down, at 31 December 2019, by a total of €1,194 million, with a coverage ratio of 0.5% (0.6% at 31 December 2018).

Overall, therefore, total Loans to customers at 31 December 2019 stood at €241,480 million, with value adjustments of €11,856 million taking the general level of coverage for Loans to Customers to 4.9% (7.2% at 31 December 2018).

The overall reduction in the coverage ratio is substantially due to the contraction of the impact of impaired loans on the aggregate of Loans to customers.

For the management and recovery of problematic loans (non-performing and unlikely to pay), the Bank uses the services offered by doValue S.p.A., a bank specialised in loan recovery.

The summary table below provides additional details.

## Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON- PERFORMING PAST-DUE	TOTAL NON- PERFORMING	PERFORMING	TOTAL LOANS
<b>As at 12.31.2019 (*)</b>						
Gross exposure	6,340	8,563	466	15,369	226,112	241,480
as a percentage of total loans	2.63%	3.55%	0.19%	6.36%	93.64%	
Writedowns	5,384	5,123	155	10,662	1,194	11,856
as a percentage of face value	84.92%	59.83%	33.22%	69.37%	0.53%	
Carrying value	956	3,440	311	4,707	224,918	229,625
as a percentage of total loans	0.42%	1.50%	0.14%	2.05%	97.95%	
<b>As at 12.31.2018</b>						
Gross exposure	13,021	12,023	462	25,507	214,474	239,981
as a percentage of total loans	5.43%	5.01%	0.19%	10.63%	89.37%	
Writedowns	10,210	5,770	160	16,140	1,250	17,390
as a percentage of face value	78.41%	47.99%	34.56%	63.28%	0.58%	
Carrying value	2,811	6,254	302	9,367	213,224	222,591
as a percentage of total loans	1.26%	2.81%	0.14%	4.21%	95.79%	

Note:

(\*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16.

## Deposits from customers and debt securities in issue

Deposits from customers and debt securities in issue increase for the combined effect of increase attributable to operating units in Italy (€5,452 million) and decrease due to operating units abroad (-€88 million).

## Deposits from customers and debt securities in issue

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Deposits from customers	215,696	211,872	+ 3,824	+ 1.8%
Debt securities in issue	54,509	52,969	+ 1,540	+ 2.9%
<b>Total deposits from customers and debt securities in issue</b>	<b>270,205</b>	<b>264,841</b>	<b>+ 5,364</b>	<b>+ 2.0%</b>

Deposits from customers change due to:

- current accounts and demand deposits, increased by €8,131 million;
- time deposits, reduced by €452 million;
- repurchase agreements with customers, reduced by €2.931 million;
- other types of deposits, reduced by €924 million.

Debt securities in issue change mainly due to increase attributable to operating units in Italy (€1,544 million), driven by bond issues (€1,136), repos on own issued bonds (€460), certificates of deposit (-€33 million) and to "buoni fruttiferi" (-€19 million); certificates of deposit with operating units abroad increased by €4 million.

# Results of the year

## Other financial assets

In 2019 financial investments showed a decrease mainly attributable to equity investments and bonds.

### Other financial assets

	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Financial assets at fair value through profit or loss - Other financial assets mandatorily at fair value	2,019	3,164	- 1,145	- 36.2%
Financial assets at fair value through other comprehensive income	31,407	46,927	- 15,520	- 33.1%
Debt securities and loans at amortised cost	32,900	19,330	+ 13,570	+ 70.2%
Equity investments	37,873	42,873	- 5,000	- 11.7%
<b>Total other financial assets</b>	<b>104,199</b>	<b>112,294</b>	<b>- 8,095</b>	<b>- 7.2%</b>

(€ million)

More specifically:

- financial assets mandatory at fair value are mainly composed by units in investment funds (€1,242 million) and bonds (€501 million, to whom is mainly attributable the change in the year);
- financial assets at fair value through other comprehensive income included €29,857 million in debt (decreased by €15,411 million primarily due to sales and redemption of government securities) and €1,550 million in equity interests. Equity interests included in this portfolio posted an annual decrease of €106 million, mainly attributable to:
  - sale of Banca d'Italia quotes (€96 million);
  - fair value changes, of which ABHH Holding (-€18 million);
- debt securities at amortised cost mainly include government securities and have been increased due to purchases in the year;
- the value of equity investments decreased mainly driven by the combined effects arising from:
  - the write-downs of the investment, of which: UniCredit Bank Austria Credistanstalt Ag (-€1,862 million), UniCredit Bank Ag (-€1,739 million), UniCredit Bank Ireland Plc (-€132 million), Sia UniCredit Leasing (-€20 million), UniCredit Turn Around Management Cee Gmbh (-€15 million);
  - the write-up of the investment, of which: UniCredit Leasing S.p.A. (€713 million), AO UniCredit Bank (€244million), Nuova Compagnia di Partecipazioni S.p.A. (€34 million), UniCredit Banka Slovenja (€17 million), UniCredit Consumer Financing Ifn S.A. (€16 million), CNP (€16 million), UniCredit International Luxembourg S.A. (€9 million), Aviva (€6 million), Cordusio Sim S.p.A. (€3 million);
  - reclassification into assets held for sale of Koc Finansal Hizmetler Istanbul SA and sale of Mediobanca - Banca di Credito Finanziario S.p.A. and FinecoBank S.p.A.

## Interbank position

In 2019, the Bank completed the medium long term Yearly Funding Plan execution, using different structures and terms so to minimize concentration risk and to benefit from our creditworthiness versus Institutional Investors.

In order to increase the amount of eligible instruments according to TLAC requirements, in January the Bank placed with success a 3-year Dual Tranche Senior Non-Preferred issue, for an amount of \$3,000 million under the "US GMTN Programme". In addition, in June UniCredit S.p.A. placed a benchmark Senior Preferred issue, amounted to €1,250 million, as the first Senior Preferred callable bond issued by an European bank. At last, it was issued the first Senior non Preferred bond, 6-year maturity and callable after 5 years amounted to €750 million. In October, UniCredit issued a 5.5-year maturity Senior Preferred bond, amounted to €1.000 million.

As regards Subordinated issuances, in February the Bank launched a Tier 2 subordinated benchmark with 10 year maturity, callable after 5 years, amounted to €1.000 million. In March, UniCredit S.p.A. placed an Additional Tier 1 Perpetual Non-Call (Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes), callable up to June 2026 for a total amount of €1.000 million and a Tier 2 subordinated note targeted to institutional investors for a total amount of \$1,250 million, maturity 15 years callable after 10 years. In September UniCredit S.p.A. placed another 10 year subordinated Tier 2 bond, callable after 5 years, for an amount of €1,250 million.

All the 2019 issues allowed to fully meet different regulatory requirements, maintaining at the same time a high level of liquidity.

# Results of the year

## Capital and Value Management

### Principles of value creation and disciplined capital allocation

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group which is herewith quoted entirely.

### Capital ratios

#### Transitional own funds and capital ratios

	AS AT	
	12.31.2019 <sup>(*)</sup>	12.31.2018 <sup>(*)</sup>
Common Equity Tier 1 Capital	43,272	44,385
Tier 1 Capital	49,261	49,526
Total own funds	59,156	56,527
Total RWA	204,944	204,991
<b>Common Equity Tier 1 Capital Ratio</b>	<b>21.11%</b>	<b>21.65%</b>
<b>Tier 1 Capital Ratio</b>	<b>24.04%</b>	<b>24.16%</b>
<b>Total Capital Ratio</b>	<b>28.86%</b>	<b>27.58%</b>

**Notes:**  
 (\*) Transitional own funds and capital ratios including all transitional adjustments according to the yearly applicable percentages.  
 UniCredit S.p.A. has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values shown fully reflect the impact arising from the application of the IFRS9 principle.

The negative change in comparison with 31 December 2018 of about -€1,13 billion Common Equity Tier 1 mainly reflects i) the positive change (€1,168 million) in the accumulated other comprehensive income and other reserves, (ii) the loss of the period (-€555 million) recognised in the Own Funds for 2019 with the inclusion of dividends for €1,404 million and equal to -€1,959 million, (iii) the positive change (€361 million) due to the end of application of national filters on “Affrancamento multiplo dell'avviamento” and “Cessione in blocco degli immobili ad uso funzionale”, (iv) negative change for -€379 million on “Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3))” mainly reflecting the outcome of the sustainability test, after the application of the regulatory netting rules.

The positive change with respect to 31 December 2018 of about 2,69 billion on Total own funds reflects the effect deriving from the new issue of three subordinated instruments classified in Tier 2 Capital.

The loss as at 31 December 2019, equal to -€555 million, is recognised in the Own Funds for -€1,959 million, resulting after the destination to potential dividends for €1.404 million approved by the Board of Directors. The dividends envisages a 30% of pay-out ratio on 2019 consolidated underlying net profit<sup>42</sup>, equal to €4,675 million, excluding extraordinary and non-recurring items equal to -€1,301 million.

### Capital strengthening

Reference is made to the paragraph Capital strengthening of the Consolidated report on operations, which is herewith quoted entirely.

<sup>42</sup> Net profit adjusted for non-operating items; for further details, refer to definition in the Glossary.



# Results of the year

## Shareholders' equity

### Shareholders' equity

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2019	12.31.2018	AMOUNT	%
Share capital	20,995	20,940	+ 55	+ 0.3%
Share premium	13,225	13,393	- 168	- 1.3%
Equity instruments	5,602	4,610	+ 992	+ 21.5%
Reserves	11,783	10,031	+ 1,752	+ 17.5%
Revaluation reserves	471	(503)	+ 974	n.m.
Treasury shares	(2)	(2)	-	-
<b>Total capital and reserves</b>	<b>52,074</b>	<b>48,469</b>	<b>+ 3,605</b>	<b>+ 7.4%</b>
Net profit (loss)	(555)	2,442	- 2,997	n.m.
<b>Total shareholders' equity</b>	<b>51,519</b>	<b>50,911</b>	<b>+ 608</b>	<b>+ 1.2%</b>

Shareholders' equity at 31 December 2019 amounted to €51,519 million, an increase of €608 million compared to 31 December 2018, attributable to:

- -€600 million for distribution of dividends from allocation of 2018 net profit, as approved by Shareholders' Meeting of 11 April 2019;
- -€4 million assigned to the charity fund from allocation of 2018 net profit, as approved by Shareholders' Meeting of 11 April 2019;
- +€992 million from the issuance of Additional Tier 1 Notes recorded net of transaction cost and placement fees in item "Equity Instrument";
- -€282 million from the allocation to the reserves of the coupon paid to subscribers of Additional Tier 1 notes, net of related tax effects;
- -€124 million from the usufruct fees related to financial instruments ("Cashes") involving almost all the shares subscribed by Mediobanca, during the corresponding capital increase in 2009;
- +€68 million from the adjustment to the reserve dedicated to Equity Settled Share Based Payments;
- -€40 million due to recognition of the reserve from partial demerger of UniCredit Services S.C.p.A. of the activities related to Italian operations and real estate and logistics businesses (so-called "Reus" demerger);
- -€90 million for allocation to equity of realized net gains and losses from disposal of financial assets and liabilities at fair value through comprehensive income;
- +€269 million for variation of the negative reserve that recognize the effects deriving from the non-sustainability of the tax benefits connected to the shareholders' equity items;
- +€974 million from the net effect deriving from revaluation reserves, of which: +€568 million from financial assets at fair value through "other comprehensive income"; -€113 million from financial liabilities designated at fair value through profit or loss, due to changes in their creditworthiness; +€35 million from cash flow hedges; +€510 million from revaluation of real estate properties and -€26 million from defined benefit plans;
- -€555 million from the net result from the period.

Note the following significant changes occurred in 2019 which, though reflected among the various components of shareholders' equity, did not change the overall amount thereof:

- following the resolutions of the Shareholders' Meeting of 11 April 2019 occurred: (i) the allocation of the net profit of the year 2018 to the Reserve for the issue of the shares connected to the medium term incentive plan for Group personnel (€55 million) and to the Statutory reserve (€1,799 million); (ii) the coverage of the negative reserves totaling €293 million, partly by use of Share premium reserve for the component related to the payment of AT1 coupons in 2017 (€168 million) and partly by use of the Statutory reserve to cover the negative reserve arising from the payment of usufruct fees related to Cashes (€125 million);
- the increase of €55 million in share capital following the resolution of the Board of Directors of 6 February 2019 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.

Shareholders' equity at 31 December 2018 in comparison reflects the impacts deriving from the change with retroactive effect in the evaluation criterion of properties held for investment (IAS40) which resulted in i) the recognition of a specific reserve for the effects of the first application of the accounting principle at 1 January 2018 (+€91 million net of tax effect) and ii) the restatement of the 2018 result of the year as a consequence of changes in the fair value for the period and amortization adjustments (-€16 million net of the tax effect) with consequent impact on retained earnings reserves.



# Results of the year

## Shareholders

The share capital, fully subscribed and paid up, amounts to €20,994,799,961.81 divided into No.2,233,376,842 ordinary shares with no face value. As at 31 December 2019, according to the analyses performed using data from heterogeneous sources, including the content of the Register of Shareholders, the documentation relating to the participation in the shareholders' meeting of the Company, communications to CONSOB, public filings available on the market:

- shareholders were approximately 287,000;
- resident shareholders held around 19.24% of the capital and foreign shareholders 80.76%;
- 90.50% of the share capital is held by legal entities, the remaining 9.50% by natural persons.

Also as at that date, the main shareholders, those holding significant shareholdings exceeding 3%, according to communications received in accordance with current legislation, who are not entitled to the exemption from the mandatory communication as set forth under Art.119bis of the CONSOB Regulation No.11971/99, are:

### Principal UniCredit shareholders

SHAREHOLDER	ORDINARY SHARES	% OWNED
BlackRock Inc.	113,550,196	5.084%
Dodge & Cox	111,715,904	5.002%

## Treasury shares

The treasury share balance and relevant carrying value remain unchanged from year-end 2018, due to the fact that there were no transactions involving treasury shares in 2019.

The number of treasury shares in portfolio reflects the reverse stock split in preparation for the subsequent capital increase approved by the Extraordinary Shareholders' Meeting of 12 January 2017.

# Company activities

## The commercial network

### Operating structure in Italy

During 2019, UniCredit domestic Retail Commercial Banking Network was subject to the closure of 80 branches and opening of 1 branch.

As a result of the above, the structure of the domestic network at 31 December 2019 consisted of a total of 2,738 branches, of which 2,387 belonging to Retail Commercial Banking Network.

At 31 December 2019, following the initiatives described above and a small-scale branch re-organization resulting from the ongoing optimization and streamlining process of organizational units, the Italian distribution network was structured as follows.

#### Italian branch network

REGION	NUMBER OF BRANCHES AT 12.31.2019	% BREAKDOWN
- Piedmont	280	10.2%
- Valle d'Aosta	15	0.5%
- Lombardy	341	12.5%
- Liguria	50	1.8%
- Trentino Alto Adige	47	1.7%
- Veneto	330	12.1%
- Friuli Venezia Giulia	89	3.3%
- Emilia Romagna	353	12.9%
- Tuscany	112	4.1%
- Umbria	63	2.3%
- Marche	55	2.0%
- Lazio	365	13.3%
- Abruzzo	28	1.0%
- Molise	26	0.9%
- Campania	129	4.7%
- Puglia	101	3.7%
- Basilicata	9	0.3%
- Calabria	21	0.8%
- Sicily	284	10.4%
- Sardinia	40	1.5%
<b>Total branches</b>	<b>2,738</b>	<b>100.0%</b>

### Branches and representatives abroad

At 31 December 2019 UniCredit S.p.A. had eight branches abroad, plus a Permanent Establishment in Vienna and five representative offices:

#### UniCredit S.p.A. international network as at 12.31.2019

BRANCHES	PERMANENT ESTABLISHMENT	REPRESENTATIVE OFFICES
PRC - Shanghai	AUSTRIA - Wien	BELGIUM - Brussels
GERMANY - Munich		BRAZIL - Sao Paulo <sup>(*)</sup>
GERMANY - Munich <sup>(*)</sup>		PRC - Beijing
UNITED KINGDOM - London		INDIA - Mumbai
UNITED STATES - New York		LYBIA - Tripoli
FRANCE - Paris		
SPAIN - Madrid		
UNITED ARAB EMIRATES - Abu Dhabi		

#### Notes:

<sup>(\*)</sup> Formerly Branch of UniCredit Family and Financing Bank.

<sup>(\*\*)</sup> Through the subsidiary BAVÁRIA SERVIÇOS DE REPRESENTAÇÃO COMERCIAL LTDA.

# Company activities

## Resources

### Personnel developments

At 31 December 2019, UniCredit S.p.A.'s headcount is No.35,707 compared to No.35,526 at 31 December 2018. The increase in resources is mainly due to the entry of the UniCredit Services service lines Real Estate and Operations.

#### Category

	12.31.2019		12.31.2018		CHANGE	
	TOTAL	OF WHICH: OUTSIDE ITALY	TOTAL	OF WHICH: OUTSIDE ITALY	IN TOTAL	PERCENT
Senior Management	701	6	758	6	-57	- 7.5%
Management - 3 <sup>rd</sup> and 4 <sup>th</sup> grade	7,238	41	7,257	39	-19	- 0.3%
Management - 1 <sup>st</sup> and 2 <sup>nd</sup> grade	11,010	6	10,992	5	+18	+ 0.2%
Other Staff	16,758	4	16,519	10	+239	+ 1.4%
<b>Total</b>	<b>35,707</b>	<b>57</b>	<b>35,526</b>	<b>60</b>	<b>+181</b>	<b>+ 0.5%</b>
<i>of which, Part-time staff</i>	5,273	-	5,085	-	+188	+ 3.7%

The composition of the workforce by seniority and by age bracket is shown in the following tables. With respect to educational level, 38% of UniCredit S.p.A. employees have university degrees (mostly in the areas of economics and banking, or law). Women make up 48% of personnel.

#### Breakdown by seniority

	12.31.2019		12.31.2018		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 10	4,185	11.7%	4,462	12.6%	-277	- 6.2%
From 11 to 20 years	13,673	38.3%	13,221	37.2%	+452	+ 3.4%
From 21 to 30 years	9,757	27.3%	9,966	28.1%	-209	- 2.1%
Over 30	8,092	22.7%	7,877	22.2%	+215	+ 2.7%
<b>Total</b>	<b>35,707</b>	<b>100.0%</b>	<b>35,526</b>	<b>100.0%</b>	<b>+181</b>	<b>+ 0.5%</b>

#### Breakdown by age

	12.31.2019		12.31.2018		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 30	1,478	4.1%	1,300	3.7%	+178	+ 13.7%
From 31 to 40 years	5,545	15.5%	6,275	17.7%	-730	- 11.6%
From 41 to 50 years	12,837	36.0%	12,759	35.9%	+78	+ 0.6%
Over 50	15,847	44.4%	15,192	42.8%	+655	+ 4.3%
<b>Total</b>	<b>35,707</b>	<b>100.0%</b>	<b>35,526</b>	<b>100.0%</b>	<b>+181</b>	<b>+ 0.5%</b>

With regard to training, managerial growth, union relations, environment and occupational safety, refer to the Integrated Report. This document, published on the institutional website, describes how UniCredit creates sustainable value that has a positive impact on society by supporting the advancement of local communities, the competitiveness of enterprises and the well-being of individuals. The Integrated Report of UniCredit constitutes a Non-Financial Statement pursuant to articles 3 and 4 of Legislative Decree 254/2016.

## Other information

### Group activities development operations and other corporate transactions

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group with specific reference to events relating to the parent company UniCredit S.p.A. which is herewith quoted entirely.

### Conversion of tax credits

The 2018 financial year closed with a profit of €2,458 million; therefore, there were not the conditions for carrying out a new transformation of Deferred Tax Assets (DTAs) into tax credits pursuant to art.2, par.55 of the Law Decree of 29 December 2010 No.225, converted into Law No.10/2011.

Instead the 2019 financial year closed with a loss in income statement of €555 million; therefore, the conditions to proceed with a new transformation of Deferred tax assets into tax credits pursuant to the aforementioned regulation are verified. In 2020, following the approval of the financial statements for the year 2019 by the Shareholders' Meeting of UniCredit S.p.A., deferred tax assets, for IRES and IRAP, amounting to €87 million will be converted into tax credits.

### Certifications and other communications

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group which is herewith quoted entirely. For more information on related-party transactions refer to Notes to the accounts - Part H.

### Information on risks

For a complete description of the risks and uncertainties that the Bank must face under the current market conditions, refer to the appropriate section in the Company financial statements - Notes to the accounts - Part E.

## Subsequent events and outlook

### Subsequent events<sup>43</sup>

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group with specific reference to events relating to the parent company UniCredit S.p.A. which is herewith quoted entirely.

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<sup>43</sup> Up to the date of approval by the Board of Directors' Meeting of 5 February 2020 which, on the same date, authorised the publication also in accordance with IAS10.

## Subsequent events and outlook

### Outlook

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group which is herewith quoted entirely.

Milan, 5 February 2020

CHAIRMAN  
CESARE BISONI



THE BOARD OF DIRECTORS

CEO  
JEAN PIERRE MUSTIER



# Capital and balance sheet management.



We will continue to take decisive actions to increase our flexibility, with a proactive approach to capital allocation, both top down and bottom up. In Team 23, one key commitment is to maintain a CET1 MDA buffer between 200 to 250 basis points.

# Proposal to Shareholders' Meeting

For the proposals to Shareholders' Meeting refer to the specific Board of Directors' reports in relation to the allocation of the 2019 result.





# Company accounts

Balance sheet carrying values as at 31 December 2018 reported for comparative purposes are subject to restatement, compared to those stated at the same date, as a result of the change in investment properties evaluation criterion that represents a voluntary change in accounting policy to be applied retrospectively according to IAS8 par.19-b). In addition, as requested by IAS1 par.40A and 40B, also comparative figures as at 1 January 2018 are exposed.

Income statement carrying values as at 31 December 2018 reported for comparative purposes are subject to restatement, compared to those stated at the same date, as a result of the change in investment properties evaluation criterion.

## Balance sheet

ASSETS	AMOUNTS AS AT		
	12.31.2019	12.31.2018	01.01.2018
10. Cash and cash balances	2,394,848,301	7,460,706,040	25,816,708,377
20. Financial assets at fair value through profit or loss:	14,697,124,050	14,998,825,205	16,884,089,389
a) financial assets held for trading	12,678,323,652	11,834,351,538	13,863,778,570
b) financial assets designated at fair value	239	351	443
c) other financial assets mandatorily at fair value	2,018,800,159	3,164,473,316	3,020,310,376
30. Financial assets at fair value through other comprehensive income	31,406,841,298	46,926,536,608	57,541,000,068
40. Financial assets at amortised cost:	301,162,647,624	270,556,434,138	234,110,103,848
a) loans and advances to banks	42,067,990,546	30,971,842,243	27,922,884,774
b) loans and advances to customers	259,094,657,078	239,584,591,895	206,187,219,074
50. Hedging derivatives	5,222,562,432	4,167,319,172	4,399,939,250
60. Changes in fair value of portfolio hedged items (+/-)	2,088,787,884	1,685,974,892	1,743,967,550
70. Equity investments	37,872,616,053	42,872,911,676	44,145,484,970
80. Property, plant and equipment	4,171,693,854	2,363,644,170	2,336,372,442
90. Intangible assets	4,171,605	3,932,839	4,349,513
of which: goodwill	-	-	-
100. Tax assets:	10,404,625,898	10,662,126,452	10,370,017,970
a) current	594,152,335	757,454,501	1,660,306,432
b) deferred	9,810,473,563	9,904,671,951	8,709,711,538
110. Non-current assets and disposal groups classified as held for sale	1,141,912,829	116,383,603	158,692,747
120. Other assets	3,905,767,865	3,875,730,081	4,717,334,712
<b>Total assets</b>	<b>414,473,599,693</b>	<b>405,690,524,876</b>	<b>402,228,060,836</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		
	12.31.2019	12.31.2018	01.01.2018
10. Financial liabilities at amortised cost:	329,125,681,020	323,835,358,883	318,891,410,242
a) deposits from banks	57,577,982,401	58,994,789,432	56,807,016,417
b) deposits from customers	217,038,976,876	211,871,724,249	197,138,761,654
c) debt securities in issue	54,508,721,743	52,968,845,202	64,945,632,171
20. Financial liabilities held for trading	13,402,931,609	10,383,522,810	13,095,915,029
30. Financial liabilities designated at fair value	3,739,785,334	3,534,518,992	2,737,624,598
40. Hedging derivatives	4,882,147,506	4,525,258,448	4,530,285,734
50. Value adjustment of hedged financial liabilities (+/-)	2,726,228,912	1,770,149,836	1,720,371,037
60. Tax liabilities:	1,326,449	1,786,328	1,151,624
a) current	1,326,449	1,786,328	1,151,624
b) deferred	-	-	-
70. Liabilities associated with assets classified as held for sale	173,846	-	-
80. Other liabilities	6,154,981,085	7,617,123,027	7,535,311,386
90. Provision for employee severance pay	622,577,290	629,190,259	828,450,167
100. Provisions for risks and charges:	2,298,714,075	2,482,620,470	2,372,534,587
a) commitments and guarantees given	414,707,405	491,897,124	529,529,880
b) post-retirement benefit obligations	94,697,401	90,539,306	77,312,166
c) other provisions for risks and charges	1,789,309,269	1,900,184,040	1,765,692,541
110. Valuation reserves	472,051,927	(502,666,304)	267,486,440
120. Redeemable shares	-	-	-
130. Equity instruments	5,601,632,491	4,610,073,464	4,610,073,464
140. Reserves	11,783,312,155	10,030,395,017	5,123,892,640
150. Share premium	13,224,956,198	13,392,918,356	13,399,798,681
160. Share capital	20,994,799,962	20,940,398,467	20,880,549,802
170. Treasury shares (-)	(2,440,001)	(2,440,001)	(2,440,001)
180. Profit (Loss) of the year (+/-)	(555,260,165)	2,442,316,824	6,235,645,406
<b>Total liabilities and shareholders' equity</b>	<b>414,473,599,693</b>	<b>405,690,524,876</b>	<b>402,228,060,836</b>

## Company accounts

## Income statement

ITEMS	YEAR	
	2019	2018
10. Interest income and similar revenues	5,120,039,055	5,275,772,261
<i>of which: interest income calculated with the effective interest method</i>	5,319,567,182	5,188,014,031
20. Interest expenses and similar charges	(1,301,471,197)	(1,109,354,399)
<b>30. Net interest margin</b>	<b>3,818,567,858</b>	<b>4,166,417,862</b>
40. Fees and commissions income	4,357,389,871	4,350,574,073
50. Fees and commissions expenses	(555,087,480)	(400,336,954)
<b>60. Net fees and commissions</b>	<b>3,802,302,391</b>	<b>3,950,237,119</b>
70. Dividend income and similar revenues	1,906,293,914	2,630,046,719
80. Net gains (losses) on trading	442,929,372	(313,353)
90. Net gains (losses) on hedge accounting	(3,317,901)	1,129,982
100. Gains (Losses) on disposal and repurchase of:	121,500,729	52,089,007
a) financial assets at amortised cost	75,908,898	(34,059,358)
b) financial assets at fair value through other comprehensive income	57,130,652	86,905,280
c) financial liabilities	(11,538,821)	(756,915)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(241,173,762)	(8,815,157)
a) financial assets/liabilities designated at fair value	(226,807,101)	124,803,444
b) other financial assets mandatorily at fair value	(14,366,661)	(133,618,601)
<b>120. Operating income</b>	<b>9,847,102,601</b>	<b>10,790,792,179</b>
130. Net losses/recoveries on credit impairment relating to:	(2,756,070,109)	(2,011,419,803)
a) financial assets at amortised cost	(2,739,676,792)	(1,997,651,409)
b) financial assets at fair value through other comprehensive income	(16,393,317)	(13,768,394)
140. Gains/Losses from contractual changes with no cancellations	(20,926,172)	(3,293,454)
<b>150. Net profit from financial activities</b>	<b>7,070,106,320</b>	<b>8,776,078,922</b>
160. Administrative expenses:	(5,363,208,761)	(5,825,870,722)
a) staff costs	(2,760,458,136)	(2,866,359,659)
b) other administrative expenses	(2,602,750,625)	(2,959,511,063)
170. Net provisions for risks and charges:	(288,098,607)	(390,722,022)
a) commitments and financial guarantees given	77,189,718	37,627,123
b) other net provisions	(365,288,325)	(428,349,145)
180. Net value adjustments/write-backs on property, plant and equipment	(316,417,188)	(130,640,514)
190. Net value adjustments/write-backs on intangible assets	(2,322,964)	(2,136,588)
200. Other operating expenses/income	291,807,308	411,522,115
<b>210. Operating costs</b>	<b>(5,678,240,212)</b>	<b>(5,937,847,731)</b>
220. Gains (Losses) of equity investments	(1,397,472,018)	(1,589,813,036)
230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(251,484,324)	(34,261,250)
240. Goodwill impairment	-	-
250. Gains (Losses) on disposals on investments	351,687	44,029,673
<b>260. Profit (Loss) before tax from continuing operations</b>	<b>(256,738,547)</b>	<b>1,258,186,578</b>
270. Tax expenses (income) for the year from continuing operations	(298,521,618)	1,184,130,246
<b>280. Profit (Loss) after tax from continuing operations</b>	<b>(555,260,165)</b>	<b>2,442,316,824</b>
290. Profit (Loss) after tax from discontinued operations	-	-
<b>300. Profit (Loss) of the year</b>	<b>(555,260,165)</b>	<b>2,442,316,824</b>

## Company accounts

## Statement of other comprehensive income

ITEMS	YEAR	
	2019	2018
<b>10. Profit (Loss) of the year</b>	<b>(555,260,165)</b>	<b>2,442,316,824</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	2,176,971	19,186,637
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(112,676,719)	98,845,352
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	510,810,759	-
60. Intangible assets	-	-
70. Defined-benefit plans	(27,407,628)	1,726,609
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	-	-
<b>Other comprehensive income after tax reclassified to profit or loss</b>		
100. Foreign investments hedging	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedging	34,960,603	(33,793,267)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	566,854,245	(823,990,853)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	-	-
<b>170. Total other comprehensive income after tax</b>	<b>974,718,231</b>	<b>(738,025,522)</b>
<b>180. Other comprehensive income (Item 10+170)</b>	<b>419,458,066</b>	<b>1,704,291,302</b>

## Company accounts

## Statement of changes in the shareholders' equity as at 31 December 2019

	BALANCE AS AT 12.31.2018	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2019	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE YEAR								SHAREHOLDERS' EQUITY AS AT 12.31.2019
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS						OTHER COMPREHENSIVE INCOME 2019	
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS		
Share capital:														
- ordinary shares	20,940,398,467	-	20,940,398,467	-	-	-	54,401,495	-	-	-	-	-	-	20,994,799,962
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	13,392,918,356	-	13,392,918,356	-	-	(167,962,158)	-	-	-	-	-	-	-	13,224,956,198
Reserves:														
- from profits	5,540,721,546	-	5,540,721,546	1,837,918,785	-	(216,096,175)	(54,401,495)	-	-	-	-	-	-	7,108,142,661
- other	4,489,673,471	-	4,489,673,471	-	-	116,902,530	-	-	-	-	-	68,593,493	-	4,675,169,494
Valuation reserves	(502,666,304)	-	(502,666,304)	-	-	-	-	-	-	-	-	-	974,718,231	472,051,927
Equity instruments	4,610,073,464	-	4,610,073,464	-	-	-	-	-	-	991,559,027	-	-	-	5,601,632,491
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Profit (Loss) for the year	2,442,316,824	-	2,442,316,824	(1,837,918,785)	(604,398,039)	-	-	-	-	-	-	-	(555,260,165)	(555,260,165)
Shareholders' equity	50,910,995,823	-	50,910,995,823	-	(604,398,039)	(267,155,803)	-	-	-	991,559,027	-	68,593,493	419,458,066	51,519,052,567

The amounts disclosed in column "Stock Options" represent the effects of the delivery of shares connected with the ESOP Plans and other Group Executive Incentive Plans.

## Company accounts

## Statement of changes in the shareholders' equity as at 31 December 2018

	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE YEAR								SHAREHOLDERS' EQUITY AS AT 12.31.2018
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS						OTHER COMPREHENSIVE INCOME 2018	
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS		
Share capital:														
- ordinary shares	20,878,182,216	-	20,878,182,216	-	-	-	62,216,251	-	-	-	-	-	-	20,940,398,467
- other shares	2,367,586	-	2,367,586	-	-	-	-	(2,367,586)	-	-	-	-	-	-
Share premium	13,399,798,681	-	13,399,798,681	-	-	(6,880,325)	-	-	-	-	-	-	-	13,392,918,356
Reserves:														
- from profits	2,766,246,127	(2,674,797,285)	91,448,842	5,521,086,601	-	(11,965,232)	(59,848,665)	-	-	-	-	-	-	5,540,721,546
- other	5,032,443,799	-	5,032,443,799	-	-	(613,235,689)	-	-	-	-	-	70,465,361	-	4,489,673,471
Valuation reserves	585,547,376	(318,060,936)	267,486,440	-	-	(32,127,223)	-	-	-	-	-	-	(738,025,521)	(502,666,304)
Equity instruments	4,610,073,464	-	4,610,073,464	-	-	-	-	-	-	-	-	-	-	4,610,073,464
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Profit (Loss) for the year	6,235,645,406	-	6,235,645,406	(5,521,086,601)	(714,558,805)	-	-	-	-	-	-	-	2,442,316,824	2,442,316,824
Shareholders' equity	53,507,864,654	(2,992,858,221)	50,515,006,433	-	(714,558,805)	(664,208,469)	2,367,586	(2,367,586)	-	-	-	70,465,361	1,704,291,303	50,910,995,823

The column changes in opening balances includes the reclassification and remeasurement effects resulting from the first time adoption of the accounting principle IFRS9 and the effects of the retroactive application of the fair value model to properties held for investment purposes pursuant to accounting principle IAS40.

## Company accounts

## Cash flow statement (indirect method)

	YEAR	
	2019	2018
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations:</b>	<b>3,568,001,841</b>	<b>4,482,553,630</b>
- profit (loss) for the year (+/-)	(555,260,165)	2,442,316,824
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(520,037,003)	315,724,218
- gains (losses) on hedge accounting (-/+)	3,317,901	(1,129,982)
- net losses/recoveries on impairment (+/-)	3,621,825,718	2,728,453,465
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	570,224,476	167,038,352
- net provisions for risks and charges and other expenses/income (+/-)	(1,519,341,780)	249,442,852
- unpaid duties, taxes and tax credits (+/-)	286,355,476	(1,184,130,246)
- impairment/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	1,680,917,218	(235,161,853)
<b>2. Liquidity generated/absorbed by financial assets:</b>	<b>(15,855,824,639)</b>	<b>(26,030,069,943)</b>
- financial assets held for trading	800,983,072	2,775,852,205
- financial assets designated at fair value	117	111
- other financial assets mandatorily at fair value	2,330,607,117	(274,212,969)
- financial assets at fair value through other comprehensive income	16,267,164,585	9,423,653,624
- financial assets at amortised cost	(34,407,373,761)	(39,416,177,019)
- other assets	(847,205,769)	1,460,814,105
<b>3. Liquidity generated/absorbed by financial liabilities:</b>	<b>3,944,800,118</b>	<b>2,185,793,164</b>
- financial liabilities at amortised cost	3,724,592,465	5,168,925,419
- financial liabilities held for trading	1,949,647,033	(3,773,190,709)
- financial liabilities designated at fair value	(200,250,655)	1,040,196,632
- other liabilities	(1,529,188,725)	(250,138,178)
<b>Net liquidity generated/absorbed by operating activities</b>	<b>(8,343,022,680)</b>	<b>(19,361,723,149)</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Liquidity generated by:</b>	<b>3,852,260,120</b>	<b>2,868,978,416</b>
- sales of equity investments	1,847,332,652	89,572,834
- collected dividends on equity investments	1,833,797,810	2,571,148,764
- sales of property, plant and equipment	171,126,634	69,799,346
- sales of intangible assets	3,024	-
- sales of business units	-	138,457,472
<b>2. Liquidity absorbed by:</b>	<b>(471,618,496)</b>	<b>(751,416,024)</b>
- purchases of equity investments	(276,328,315)	(514,035,831)
- purchases of property, plant and equipment	(193,074,012)	(235,642,129)
- purchases of intangible assets	(2,216,169)	(1,738,064)
- purchases of business units	-	-
<b>Net liquidity generated/absorbed by investment activities</b>	<b>3,380,641,624</b>	<b>2,117,562,392</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	991,559,027	-
- dividend distribution and other	(1,121,578,609)	(1,153,014,877)
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(130,019,582)</b>	<b>(1,153,014,877)</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR</b>	<b>(5,092,400,638)</b>	<b>(18,397,175,634)</b>

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

## Company accounts

### Reconciliation

ITEMS	YEAR	
	2019	2018
Cash and cash balances at the beginning of the year	7,460,706,040	25,816,708,377
Net liquidity generated/absorbed in the year	(5,092,400,638)	(18,397,175,634)
Cash and cash balances: foreign exchange effect	26,542,899	41,173,297
Cash and cash balances at the end of the year	2,394,848,301	7,460,706,040





## Part A - Accounting policies

### A.1 - General

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

These Company 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 31 December 2019, pursuant to EU Regulation No.1606/2002 which was incorporated into Italian legislation through Legislative Decree No.38 of 28 February 2005 (see Section 4 - Other matters).

These financial statements are an integral part of the Annual Financial Statements as required by Art.154-ter, par.1 of the Single Finance Act (TUF, Legislative Decree No.58 of 24 February 1998).

In its circular 262 of 22 December 2005 and subsequent amendments Banca d'Italia laid down the formats for the financial statements and Notes to the accounts used to prepare these Accounts.

Banca d'Italia issued on 30 November 2018 the 6<sup>th</sup> update of its circular 262 adjusting the formats for the financial statements and Notes to the accounts to requirements of IFRS16: Leasing.

#### Section 2 - General Preparation Criteria

As mentioned above, these Company financial statements have been prepared in accordance with the IFRS endorsed by the European Commission.

The following documents have been used to interpret and support the application of IFRS, even though not all of them have 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 IFRSs;
- Interpretative documents on the application of 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.

The Company financial statements include the Balance sheet, the Income statement, the Statement of other comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement (compiled using the "indirect method") and the Notes to the accounts, together with the Report on operations and Annexes.

In addition, pursuant to Art.123-bis par.3 of TUF, as reported in chapter "Other information" of the Report on operations, the report on Corporate Governance and Ownership structures is available in the "Governance" section of UniCredit website:

<https://www.unicreditgroup.eu/it/governance/system-policies/corporate-governance-report.html> - Italian version, and

<https://www.unicreditgroup.eu/en/governance/system-policies/corporate-governance-report.html> - English version.

Unless otherwise specified, figures in the Company accounts are given in units of euros and the Notes to the accounts in millions of euros.

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

In this regard, the Directors, based on the 2020-2023 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 Bank will continue to operate profitably in the foreseeable future; as a result, in accordance with the provisions of IAS1, the Company financial statements as at 31 December 2019 have been prepared on a going-concern basis.

The measurement criteria adopted are therefore consistent with the assumption that the business is a going-concern 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 compared with the previous year.

#### Risks and uncertainty relating to the use of estimates

Pursuant to IFRSs, Management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets, liabilities, income and expenses reported in the accounts, as well as the disclosure concerning potential assets and liabilities. Estimates and the 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.

## Part A - Accounting policies

In particular estimated figures have been used for the recognition of some of the largest value-based items in the Company financial statements at 31 December 2019, as required by the accounting policies and regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going-concern, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted confirm the carrying values at 31 December 2019. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment.

The parameters and information used to check the above-mentioned 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 in the measurement of:

- financial instruments not listed in active markets measured at fair value;
- loans and receivables, equity investments 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 - Section 5 - Operational risk);
- deferred tax assets;
- investment and used in business 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 Bank or received as collateral.

Regarding the evaluation of credit exposures, it should be noted that, with the entrance into force of IFRS9, their evaluation depends on forward-looking information and, in particular, on the evolution of macro-economic scenarios used in the calculation of loan loss provisions.

Note that the economic and political uncertainty in Turkey and Russia were taken into account during the assessment of the net assets owned by the Bank in these countries. Refer to Part E - Information on risks and hedging policies - Section 5 - Other Risks - Top and emerging risks of the Notes to the consolidated accounts.

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 of the Consolidated report on operations.

With specific reference to future cash flow projections used in the valuation of deferred tax assets, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change in unpredictably.

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 - Subsequent events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Company financial statements as of 31 December 2019.

For a description of the significant events after year-end refer to the information below.

On 8 January 2020 UniCredit S.p.A. launched a Tier 2 subordinated benchmark with 12 year maturity, callable after 7 years. The amount issued is equal to €1.25 billion and represents the first Tier 2 issuance in 2020, reaffirming UniCredit's solid fixed income investors base and its market access in different formats.

The bond pays a fixed coupon of 2.731% during the first 7 years, and has an issue price of 100%, equivalent to a spread of 280 bps over the 7 year swap rate. If the issuer does not call the bonds after 7 years, the coupon for the subsequent period until maturity will be reset on the base of the 5 year swap rate at the end of the seventh year, increased by the initial spread.

Barclays, BBVA, Credit Agricole CIB, Mediobanca, Morgan Stanley and UniCredit Bank AG have managed the placement acting as joint bookrunners.

## Part A - Accounting policies

On 13 January 2020 UniCredit S.p.A. launched €1.25 billion Senior Non-Preferred with 6 year maturity, callable after 5 years, and €750 million Senior Non-Preferred with 10 years maturity. The combined amount represents the largest EUR institutional unsecured issuance ever done by UniCredit.

The amount issued is part of the 2020 Funding Plan presented at the Capital Market Day last December 3 and will be computed in UniCredit's TLAC requirement. This further confirms UniCredit's ability to access the market in different formats.

BofA Securities, Commerzbank, HSBC, ING, JP Morgan, Société Générale and UniCredit Bank AG have managed the placement acting as joint bookrunners.

On 28 January 2020 UniCredit S.p.A. sold senior notes, related to the PRISMA securitisation transaction, for a nominal value of €100 million.

On 5 February 2020 the agreements whose signing was announced on 30 November 2019 were completed; such agreements envisaged: (i) the disposal of the entire UniCredit S.p.A.'s 50% stake in Koç Finansal Hizmetleri A.Ş. ("KFS") to the Koç Group, (ii) the disposal of shares of Yapi ve Kredi Bankası A.Ş. ("Yapi Kredi") by KFS to UniCredit S.p.A. and Koç Holding A.Ş., as a result of which UniCredit S.p.A. became a direct shareholder of Yapi Kredi with a stake equal to 31.93% of the share capital, and (iii) the termination of the shareholders agreement related to KFS. On the same date, UniCredit S.p.A. completed the Accelerated BookBuild offering for the disposal to institutional investors of the 11.93% of the share capital of Yapi Kredi; following such transaction UniCredit S.p.A. holds a direct stake in Yapi Kredi equal to 20% of the share capital, which is accounted among the participations under significant influence.

On 5 February 2020, the Italian Personal Data Protection Authority notified UniCredit S.p.A. of the start of sanctioning proceedings regarding a violation of customers' personal data following a Cyber-attack (data breach) occurred in October 2018, communicated through its Group website on 22 October 2018. As required by the "Italian personal data protection Code (Art.166, c.6 of Legislative Decree 196/03)" the Bank will present its statement of defence on the matter and will request a hearing with the Authority to explain its arguments. It is currently not possible to define the timeline and outcome of the proceedings.

For further details refer to Consolidated financial statements - Notes to the consolidated accounts - Part E - Information on risks and hedging policies - Section 2 - Risks on the prudential consolidated perimeter - 2.6 Other risks - Top end emerging risks - 3. Systemic threats - 3.1 Systemic threats associated with cybercrime.

### Section 4 - Other matters

In 2019 the following standards, amendments or interpretations came into force:

- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (Reg. UE 2019/237);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (Reg. UE 2019/402);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Reg. UE 2019/412);
- IFRS16 - Leasing (EU Regulation 2017/1986);
- IFRIC23 Uncertainty over Income Tax Treatments (Reg. UE 2018/1595);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

IFRS16, effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the previous set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the 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. After the initial recognition the right-of-use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

In this context, the Bank has performed the activities aimed to ensure compliance with this accounting principle, in particular with reference to the calculation and accounting for Right of Use and Lease Liability that represent the main discontinuity compared to the current accounting model required by IAS17.

The activities aimed to the development of rules, principles and IT systems to be used for the proper evaluation of new assets and liabilities and the subsequent calculation of the related economic effects have been finalised.

For more details on the contents of the standard and on the main accounting choices taken by the Bank, see section "A.2 - Main items of the accounts" of this document.

## Part A - Accounting policies

With reference to the first time adoption of IFRS16 the Bank has decided, as allowed by the standard, to calculate the lease liability as the present value of future lease payments as at 1 January 2019 and to determine the right of use on the basis of the value of the lease liability. This present value has been determined as at 1 January 2019 according to the methodologies reported in section "A.2 - Main items of the accounts" of this document. As a result comparative information has not been restated.

On 1 January 2019 the Bank has recognised the right of use tangible assets for an amount of €1,339 million relating to lease contracts of the following assets:

- Buildings for an amount of €1,323 million;
- Other for an amount of €16 million.

At the same date the Bank has also recognised lease liabilities for an amount of €1,350 million relating to lease contracts of the following assets:

- Buildings for an amount of €1,334 million;
- Other for an amount of €16 million.

The difference between the amount of the right of use and the amount of the lease liability arises from the recognition as part of the right of use of the provisions for risks and charges previously recognised for vacancies on rented buildings.

The first application of the accounting standard has determined during the year the recognition of interest expenses on lease liabilities at an average interest rate of about 1.3%.

Finally we note that the Company annual report as at 31 December 2018 - Notes to the accounts - Part B - Balance sheet did not show both future minimum non-cancellable lease payments relating to operating leases and lease payments relating to finance lease because the Bank had not in place contracts formally qualified as leases. As a consequence, no reconciliation is possible with the amount of the lease liability recognised on 1 January 2019 as the latter has been determined on the basis of rental contracts.

### **Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40)**

The Bank, also following the several business combinations completed over a long period of time holds a significant real estate portfolio including land and buildings (3,217 items) whose book value as at 30 June 2019 amounted to €1,910 million of which €1,634 million for assets used in business (IAS16) and €276 million for assets held for investment (IAS40).

In the last years, following a constantly changing market scenario, the Bank has launched a series of initiatives to enhance such this real estate assets through targeted actions which, in the same way, will continue and constitute an integral part of those contained in the strategic plan Team 23.

With reference to the properties used in business, these initiatives are aimed at a continuous enhancement of these properties through an "active management" of the portfolio even beyond the time horizon of Team 23, according to a corporate strategy mainly oriented to typical commercial banking activities, including also the possibility of disposal in case of suitable conditions.

These initiatives result in:

- progressive release of the physical workstations assigned to employees as a result of remote work, and this due to the stable use of flexible work compared to the previous occasional use;
- rationalization of the spaces of the headquarters structures present in the major cities, to be carried out through the progressive merging into management centers with shared workstations;
- digitalization and progressive focus on remote marketing channels;
- further transformation of the "physical" branches, consolidating them in their nature as centers oriented to customer advisory activities;
- rationalization of labor costs also connected to the automation of business processes.

The actions mentioned above will allow a progressive reduction of the occupied areas and the subsequent sale of the vacated spaces.

With reference to properties held for investment, a gradual disposal of the properties in the portfolio is expected by 2025.

Based on the above, for the purposes of preparing the financial statements at 31 December 2019, the Bank has decided to change the evaluation criterion of the following assets:

- for the properties used in business (ruled by IAS16 "Property, plant and machinery") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition;
- for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

## Part A - Accounting policies

This decision was made by the UniCredit S.p.A. Board of Directors during the meeting held on 2 December 2019 which also approved the Team 23 strategic plan.

In this context, the Bank has considered that the possibility of measuring real estate assets at current values (and no longer at cost) allows, in line with the provisions of IAS8 concerning changes in accounting principles, to provide reliable and more relevant information on the effects of business management as well as the Bank's financial position and economic result.

More specifically, it is believed that the change in the valuation criterion of properties, consistently with the initiatives planned by the Team 23 strategic plan previously described, may allow:

- a more significant representation of the financial position since the expression at current values allows to represent the value, updated on the basis of the current appreciation of properties by the market, which the Bank expects to achieve as a result of the enhancement and/or disposal of the properties, accounting for timely at assets and equity level (in the form of valuation reserves or profit of the year), the stock of value that will be created by the planned initiatives.  
This circumstance is verified both in the case of properties to be disposed, for which the representation at current values allows to evidence their expected realization values, and for the instrumental properties considering that a significant part of these properties is exposed in the financial statements at historical values that are less representative of current market conditions due to their not recent acquisition. In addition, the adoption of a valuation criterion at current values allows a more significant representation of the financial position since it allows to represent the value of the real estate assets assuming a single reference date (the date of preparation of the financial statements) thus overcoming the time lag due to the adoption of the cost model which implies the enhancement of the real estate assets at different times (the purchase dates) which are not homogeneous in terms of market conditions;
- a more relevant representation of the Bank's economic dynamics since the adoption of a criterion at current values allows to represent the changes in value at the moment in which they arise, in compliance with the objectives of active management of the initiatives mentioned above. In this way, the recognition of capital gains and losses is not deferred at the time of sale of the real estate assets and is not influenced by the difference between market value (embedded in sale price) and cost which, as mentioned, may no longer be meaningful when the acquisition of real estate assets did not take place recently.

In substance, the change in the valuation criterion of properties determines both a higher alignment of the financial information with the strategies of the real estate asset management provided by the Team 23 strategic plan and a more reliable, relevant and immediate representation of the economic substance, and the related accounting impacts, of the actions that will be taken.

The representation of voluntary changes in accounting principles (accounting policies) is regulated by IAS8 which establishes, as a general rule, that these changes have to be represented retrospectively starting from the most remote date when this is feasible.

This means that, based on the general principle, at the date on which the change takes place, the opening balances of the comparative year and the data of that year shown in the financial statements and in the notes must be restated.

However, this general rule allows for exceptions. In fact IAS8, (paragraph 17), establishes that for the purposes of the valuation of the property, plant and machinery, regulated by IAS16, the transition from the cost model to the revaluation model must be represented as a normal application in continuity of the revaluation mode. As a result the revaluation model has been applied prospectively and not retrospectively as required by the general principle reported in IAS8 without, therefore, making any adjustment of the opening balances of the comparative year and of the comparative data, nor of the interim financial statements prior to the date of the change.

Consequently, for the properties used in business, ruled by IAS16, the transition from a cost valuation to a valuation at current values, required the determination of the related fair value at 31 December 2019.

The differences between this value and the previous value determined by applying the "cost" criterion are recognised:

- if negative, in the income statement;
- if positive, in the other comprehensive income statement, and accumulated in equity under the item revaluation reserve, unless impairment was accounted for on that asset; in this case the positive differences between fair value and book value are recognised in the income statement.

As the change in the evaluation criterion took place at the end of the year, the calculation of the depreciation for the 2019 financial year was made with the previous cost model.

From 2020 on, properties used in business, measured according to IAS16 revaluation model, will continue to be depreciated over their useful life.

Unlike what is envisaged for used in business properties, IAS8 does not mention investments properties among the assets for which a deviation from the retroactive application rule for the change in standards is envisaged.

As a result, except for cases where it is not feasible to determine the related effects, it was decided to apply the change in accounting principle retrospectively.

## Part A - Accounting policies

This has determined:

- the book value of the land and properties held for investment as at 1 January 2018 adjusted to their fair value with the recognition of the difference in retained earnings (item Reserves), which can be used to cover losses and are included in the calculation of CET1 ratio;
- the measurement at fair value, in place of depreciation and impairment recognition, accounting for in the income statement of the positive and negative differences, both in 2018 and in 2019, a circumstance that led to the restatement of the comparative data as at 31 December 2018.

Starting from 2020, properties held for investment will continue to be measured at fair value with recognition of the differences in the income statement and will no longer be subject to depreciation and/or impairment.

With reference to the methods for determining the market value (fair value), it should be noted that this value was determined through the use of independent expert evaluators through the preparation of specific appraisals.

These appraisals, based on the relevance of the single real estate item, consisted of:

- "full/on site" appraisals based on a physical inspection of the property by the expert; or
- "desktop" appraisals based on an assessment conducted without carrying out a physical inspection of the real estate property and, therefore, based on reference market values.

For the preparation of the appraisals relating to the properties, the rents, the sale prices, the discount rates and the capitalization rates of the properties that compose the Bank's portfolio were estimated. More specifically, to determine fair value, the Bank alternatively uses, depending on properties features and appraisal type, the so-called Market Comparable Approach taking into consideration the prices observable in the market for comparable transactions or the Income Approach taking into account the present value of the rent.

At the date of initial application of the change in the valuation criterion, 100% of the properties belonging to the Bank were appraised with a percentage of coverage with "full/on site" appraisals of over 58% of their market value.

### Impacts deriving from the change in the valuation criterion for tangible assets

In the separate financial statements as at 31 December 2019, the change in the valuation criterion of the properties resulted in an overall positive balance sheet effect of €628 million gross of tax effect as detailed below:

- for properties used in business, the recognition of a revaluation of €761 million gross of tax effect (€510 million net of the tax effect). This value, net of deferred tax, equal to €251 million was attributed to a specific valuation reserve in the equity. In addition to this higher value, net losses for - €123 million were recognised in the income statement gross of the tax effect;
- for properties held for investment an overall revaluation in the equity equal to €118 million gross of the tax effect (€75 million net of the tax effect) composed as follows:
  - recognition of a revaluation of €136 million gross of tax effect (€91 million net of the tax effect) as a re-exposure of the opening balances of equity as at 1 January 2018 (as a reserve from the first application of the new accounting principle). This value, net of the related tax effect, was attributed to a specific reserve in the equity as at 1 January 2018;
  - the restatement of retained earnings reserves relating to 31 December 2018 as a consequence of changes in the fair value of properties during the previous year and the fact that properties held for investment are no longer subject to depreciation, for an equal amount €-18 million gross of tax effect (€-16 million net of the tax effect);
- still with regard to properties held for investment, during 2019 it has been recognised an income statement result equal to -€128 million gross of the tax effect.

This change in measurement criteria has determined an effect equal to +18bps in CET1.



## Part A - Accounting policies

The following tables summarise the effects on the balance sheet assets and liabilities as at 1 January and 31 December 2018 as well as the changes in the income statement for the year ended at that date following the retrospective application of the change in the evaluation criterion of the properties held for investment:

### Balance sheet

	01.01.2018 <sup>(*)</sup>	DELTA	01.01.2018 RECASTED
<b>ASSETS</b>			
10. Cash and cash balances	25,816,708,377	-	25,816,708,377
20. Financial assets at fair value through profit or loss:	16,884,089,389	-	16,884,089,389
a) financial assets held for trading	13,863,778,570	-	13,863,778,570
b) financial assets designated at fair value	443	-	443
c) other financial assets mandatorily at fair value	3,020,310,376	-	3,020,310,376
30. Financial assets at fair value through other comprehensive income	57,541,000,068	-	57,541,000,068
40. Financial assets at amortised cost:	234,110,103,848	-	234,110,103,848
a) loans and advances to banks	27,922,884,774	-	27,922,884,774
b) loans and advances to customers	206,187,219,074	-	206,187,219,074
50. Hedging derivatives	4,399,939,250	-	4,399,939,250
60. Changes in fair value of portfolio hedged items (+/-)	1,743,967,550	-	1,743,967,550
70. Equity investments	44,145,484,970	-	44,145,484,970
80. Property, plant and equipment	2,209,454,955	126,917,487	2,336,372,442
90. Intangible assets	4,349,513	-	4,349,513
of which: goodwill	-	-	-
100. Tax assets:	10,414,745,670	(44,727,700)	10,370,017,970
a) current	1,660,306,432	-	1,660,306,432
b) deferred	8,754,439,238	(44,727,700)	8,709,711,538
110. Non-current assets and disposal groups classified as held for sale	150,030,667	8,662,080	158,692,747
120. Other assets	4,717,334,712	-	4,717,334,712
<b>Total assets</b>	<b>402,137,208,969</b>	<b>90,851,867</b>	<b>402,228,060,836</b>

	01.01.2018 <sup>(*)</sup>	DELTA	01.01.2018 RECASTED
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
10. Financial liabilities at amortised cost:	318,891,410,242	-	318,891,410,242
a) deposits from banks	56,807,016,417	-	56,807,016,417
b) deposits from customers	197,138,761,654	-	197,138,761,654
c) debt securities in issue	64,945,632,171	-	64,945,632,171
20. Financial liabilities held for trading	13,095,915,029	-	13,095,915,029
30. Financial liabilities designated at fair value	2,737,624,598	-	2,737,624,598
40. Hedging derivatives	4,530,285,734	-	4,530,285,734
50. Value adjustment of hedged financial liabilities (+/-)	1,720,371,037	-	1,720,371,037
60. Tax liabilities:	1,151,624	-	1,151,624
a) current	1,151,624	-	1,151,624
b) deferred	-	-	-
70. Liabilities associated with assets classified as held for sale	-	-	-
80. Other liabilities	7,535,311,386	-	7,535,311,386
90. Provision for employee severance pay	828,450,167	-	828,450,167
100. Provisions for risks and charges:	2,372,534,587	-	2,372,534,587
a) commitments and guarantees given	529,529,880	-	529,529,880
b) post-retirement benefit obligations	77,312,166	-	77,312,166
c) other provisions for risks and charges	1,765,692,541	-	1,765,692,541
110. Valuation reserves	267,486,440	-	267,486,440
120. Redeemable shares	-	-	-
130. Equity instruments	4,610,073,464	-	4,610,073,464
140. Reserves	5,033,040,773	90,851,867	5,123,892,640
150. Share premium	13,399,798,681	-	13,399,798,681
160. Share capital	20,880,549,802	-	20,880,549,802
170. Treasury shares (-)	(2,440,001)	-	(2,440,001)
180. Profit (Loss) of the year (+/-)	6,235,645,406	-	6,235,645,406
<b>Total liabilities and shareholders' equity</b>	<b>402,137,208,969</b>	<b>90,851,867</b>	<b>402,228,060,836</b>

Note:

(\*) It should be noted that amounts presented take into account effects coming from IFRS9 standard introduction.



## Part A - Accounting policies

## Balance sheet

			(€)
ASSETS	12.31.2018	DELTA	12.31.2018 RECASTED
10. Cash and cash balances	7,460,706,040	-	7,460,706,040
20. Financial assets at fair value through profit or loss:	14,998,825,205	-	14,998,825,205
a) financial assets held for trading	11,834,351,538	-	11,834,351,538
b) financial assets designated at fair value	351	-	351
c) other financial assets mandatorily at fair value	3,164,473,316	-	3,164,473,316
30. Financial assets at fair value through other comprehensive income	46,926,536,608	-	46,926,536,608
40. Financial assets at amortised cost:	270,556,434,138	-	270,556,434,138
a) loans and advances to banks	30,971,842,243	-	30,971,842,243
b) loans and advances to customers	239,584,591,895	-	239,584,591,895
50. Hedging derivatives	4,167,319,172	-	4,167,319,172
60. Changes in fair value of portfolio hedged items (+/-)	1,685,974,892	-	1,685,974,892
70. Equity investments	42,872,911,676	-	42,872,911,676
80. Property, plant and equipment	2,246,183,476	117,460,694	2,363,644,170
90. Intangible assets	3,932,839	-	3,932,839
of which: goodwill	-	-	-
100. Tax assets:	10,704,290,933	(42,164,481)	10,662,126,452
a) current	757,454,501	-	757,454,501
b) deferred	9,946,836,432	(42,164,481)	9,904,671,951
110. Non-current assets and disposal groups classified as held for sale	116,674,288	(290,685)	116,383,603
120. Other assets	3,875,730,081	-	3,875,730,081
<b>Total assets</b>	<b>405,615,519,348</b>	<b>75,005,528</b>	<b>405,690,524,876</b>

			(€)
LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2018	DELTA	12.31.2018 RECASTED
10. Financial liabilities at amortised cost:	323,835,358,883	-	323,835,358,883
a) deposits from banks	58,994,789,432	-	58,994,789,432
b) deposits from customers	211,871,724,249	-	211,871,724,249
c) debt securities in issue	52,968,845,202	-	52,968,845,202
20. Financial liabilities held for trading	10,383,522,810	-	10,383,522,810
30. Financial liabilities designated at fair value	3,534,518,992	-	3,534,518,992
40. Hedging derivatives	4,525,258,448	-	4,525,258,448
50. Value adjustment of hedged financial liabilities (+/-)	1,770,149,836	-	1,770,149,836
60. Tax liabilities:	1,786,328	-	1,786,328
a) current	1,786,328	-	1,786,328
b) deferred	-	-	-
70. Liabilities associated with assets classified as held for sale	-	-	-
80. Other liabilities	7,617,123,027	-	7,617,123,027
90. Provision for employee severance pay	629,190,259	-	629,190,259
100. Provisions for risks and charges:	2,482,620,470	-	2,482,620,470
a) commitments and guarantees given	491,897,124	-	491,897,124
b) post-retirement benefit obligations	90,539,306	-	90,539,306
c) other provisions for risks and charges	1,900,184,040	-	1,900,184,040
110. Valuation reserves	(502,666,304)	-	(502,666,304)
120. Redeemable shares	-	-	-
130. Equity instruments	4,610,073,464	-	4,610,073,464
140. Reserves	9,939,543,149	90,851,868	10,030,395,017
150. Share premium	13,392,918,356	-	13,392,918,356
160. Share capital	20,940,398,467	-	20,940,398,467
170. Treasury shares (-)	(2,440,001)	-	(2,440,001)
180. Profit (Loss) of the year (+/-)	2,458,163,164	(15,846,340)	2,442,316,824
<b>Total liabilities and shareholders' equity</b>	<b>405,615,519,348</b>	<b>75,005,528</b>	<b>405,690,524,876</b>

## Part A - Accounting policies

## Income statement

ITEMS	12.31.2018	DELTA	12.31.2018 RECASTED
10. Interest income and similar revenues	5,275,772,261	-	5,275,772,261
of which: interest income calculated with the effective interest method	5,188,014,031	-	5,188,014,031
20. Interest expenses and similar charges	(1,109,354,399)	-	(1,109,354,399)
<b>30. Net interest margin</b>	<b>4,166,417,862</b>	<b>-</b>	<b>4,166,417,862</b>
40. Fees and commissions income	4,350,574,073	-	4,350,574,073
50. Fees and commissions expenses	(400,336,954)	-	(400,336,954)
<b>60. Net fees and commissions</b>	<b>3,950,237,119</b>	<b>-</b>	<b>3,950,237,119</b>
70. Dividend income and similar revenues	2,630,046,719	-	2,630,046,719
80. Net gains (losses) on trading	(313,353)	-	(313,353)
90. Net gains (losses) on hedge accounting	1,129,982	-	1,129,982
100. Gains (Losses) on disposal and repurchase of:	52,089,007	-	52,089,007
a) financial assets at amortised cost	(34,059,358)	-	(34,059,358)
b) financial assets at fair value through other comprehensive income	86,905,280	-	86,905,280
c) financial liabilities	(756,915)	-	(756,915)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(8,815,157)	-	(8,815,157)
a) financial assets/liabilities designated at fair value	124,803,444	-	124,803,444
b) other financial assets mandatorily at fair value	(133,618,601)	-	(133,618,601)
<b>120. Operating income</b>	<b>10,790,792,179</b>	<b>-</b>	<b>10,790,792,179</b>
130. Net losses/recoveries on credit impairment relating to:	(2,011,419,803)	-	(2,011,419,803)
a) financial assets at amortised cost	(1,997,651,409)	-	(1,997,651,409)
b) financial assets at fair value through other comprehensive income	(13,768,394)	-	(13,768,394)
140. Gains/Losses from contractual changes with no cancellations	(3,293,454)	-	(3,293,454)
<b>150. Net profit from financial activities</b>	<b>8,776,078,922</b>	<b>-</b>	<b>8,776,078,922</b>
160. Administrative expenses:	(5,825,870,722)	-	(5,825,870,722)
a) staff costs	(2,866,359,659)	-	(2,866,359,659)
b) other administrative expenses	(2,959,511,063)	-	(2,959,511,063)
170. Net provisions for risks and charges:	(390,722,022)	-	(390,722,022)
a) commitments and financial guarantees given	37,627,123	-	37,627,123
b) other net provisions	(428,349,145)	-	(428,349,145)
180. Net value adjustments/write-backs on property, plant and equipment	(151,995,175)	21,354,661	(130,640,514)
190. Net value adjustments/write-backs on intangible assets	(2,136,588)	-	(2,136,588)
200. Other operating expenses/income	411,522,115	-	411,522,115
<b>210. Operating costs</b>	<b>(5,959,202,392)</b>	<b>21,354,661</b>	<b>(5,937,847,731)</b>
220. Gains (Losses) of equity investments	(1,589,813,036)	-	(1,589,813,036)
230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-	(34,261,250)	(34,261,250)
240. Goodwill impairment	-	-	-
250. Gains (Losses) on disposals on investments	49,532,642	(5,502,969)	44,029,673
<b>260. Profit (Loss) before tax from continuing operations</b>	<b>1,276,596,136</b>	<b>(18,409,558)</b>	<b>1,258,186,578</b>
270. Tax expenses (income) for the year from continuing operations	1,181,567,028	2,563,218	1,184,130,246
<b>280. Profit (Loss) after tax from continuing operations</b>	<b>2,458,163,164</b>	<b>(15,846,340)</b>	<b>2,442,316,824</b>
290. Profit (Loss) after tax from discontinued operations	-	-	-
<b>300. Profit (Loss) of the year</b>	<b>2,458,163,164</b>	<b>(15,846,340)</b>	<b>2,442,316,824</b>

For sake of completeness, it should be noted that tangible assets other than real estate, real estate items accounted for in accordance with IAS2 (Inventories) and investment properties (IAS40) under construction have not been subject to modification of the evaluation criteria.

## Real estate risk and Sensitivity analysis

The change in the valuation criterion of properties at current values implies a possible risk of volatility as well as an increase of the so-called real estate risk (for the description of which see the Part E of the Notes to the consolidated the accounts - Other risk included in the Economic Capital). By reference to the real estate units held as at 31 December 2019 and their corresponding market value overall equal to €2,616 million, has been estimated a sensitivity to the increase/decrease in real estate values of +/-1% equal to approximately €26.2 million corresponding to approximately +/-1 basis point of CET ratio.

## Part A - Accounting policies

As at 31 December 2019, the European Commission endorsed the following changes to the Accounting principles applicable to reporting, which entered into force on or after 1 January 2020:

- Amendments to references to the Conceptual Frameworks in IFRS standards (March 2018).

### Strengthening the rundown strategy for Non Core perimeter

It should be noted that, in line with the basis underlying the 2020-2023 Strategic Plan, in December 2019 the Boards of Directors of UniCredit S.p.A. took important decisions by introducing a series of management initiatives and actions for the implementation and strengthening of the *rundown* strategy of the Non Core perimeter, with the aim of ensuring the complete runoff of the related credit exposures within the year 2021. This change led, at 31 December 2019, to modifications in the parameters used to estimate the recovery values of credit exposures to customers, which, pursuant to IAS8, qualifies as "change in accounting estimate", since the measurement basis of the loans has not been modified.

Detailed information on the effects of this change is provided as required by IAS8 in Part E - Information on risks and hedging policies - Section 1 - Credit risk, under the table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)".

### Sustainability test for the booking of the Deferred Tax Assets for the carry-forward of unused tax losses - time length used to assess the future taxable incomes

Starting from this year, the sustainability test for both IRES and IRAP has been developed on a 10 years-time length, lengthening the forecast interval compared to 5 years used in previous years, since it is considered more appropriate based on the following considerations:

- the implementation of 2019 Transform Plan, completed in line with expectations, through which UniCredit has demonstrated its forward-looking ability, also confirming the underlying assumption of the sustainability of positive long-term results (for a detailed description of the objectives achieved in the Transform 2019 can be found in the Consolidated report on operations - Group results - Main results and performance for the period);
- the approval of Team 23 on 2 December 2019, which including - among others - non-recurring elements such as the updating of the rundown strategy of the Non Core portfolio by 2021, as well as the completion of the operational reorganization (including extraordinary operations already carried out or planned in the plan horizon), allows to assume the stability of future operating results and the definition of a context of greater reliability of forecasts (for a detailed description of the objectives of Team 23, see the Consolidated report on operations - Group Results - Main Results and performance for the period).

In addition to the reasons outlined above, the choice relating to a 10 years-time length also derives: (i) from the presence of tax legislation that does not set time limits for recovery but on the other hand (ii) also by the need to limit the uncertainty deriving from an excessive lengthening of the time period; therefore, based on mentioned explanations, the 10 years-time length is appropriate for assessing the generation of future taxable income that will allow the recognition of unreported tax losses, which is expected to reduce future tax charges.

This time length includes also a period subsequent to the official forecasts contained in the new Strategic Plan Team 23, therefore, also considering ESMA recommendation issued on 15 July 2019, the new sustainability test for the determination of future taxable incomes envisages:

- a deterministic approach for the years for which official projections are available (i.e. the period 2020-2023);
- a statistical approach for the years beyond official projections (2024-2029).

For more information, see the Company Financial Statements - Notes to the accounts - Part B - Information on the Balance sheet assets - Section 10 Tax assets and tax liabilities.

### Interbank Offered Rates (IBORs) transition

A comprehensive reference rates reform is currently taking place following the concerns raised in recent years about the integrity and reliability of major financial market benchmarks. In order to assess the relevant risks associated with the global benchmark reforms mandated by the Financial Stability Board (FSB), and taking appropriate actions to ensure an adequate transition to alternative or reformed benchmark rates ahead of the deadline of the end of 2021 specified in the revised EU Benchmark Regulation BMR, UniCredit Group launched in October 2018 a Group wide project in order to manage the IBORs discontinuation.

Accordingly, a multiyear roadmap has been defined based on both Group Exposure (mainly focused on Euro) and transition timeline. The project governance involves the main internal stakeholders, both at Group and at main Legal Entities level. The program is also monitored by ECB as Regulator for the Holding Company, and progresses are shared with the Group top management.

## Part A - Accounting policies

In 2019, UniCredit has ensured compliance, for EURIBOR and €STR/Eonia outstanding contracts, to the following main market changes:

- discontinuation of some EURIBOR tenors and basis, according to the deadline set by European Money Markets Institute - EMMI (3 December 2018 for tenors and 1 April 2019 for Act/365 and 30/360 basis decommissioning);
- changes requested by Euribor administrator (EMMI) on contribution process, following its new methodology;
- introduction of the new €STR overnight rate (EONIA substitute), which has been published for the first time on 2 October 2019.

Possible uncertainties, involving other IBORs, with timing and/or fallback rules applied to outstanding stock of assets, liability and derivatives however cannot be excluded.

On this regard, on 15 January 2020 the "Amendments to IFRS9, IAS39 and IFRS7 Interest Rate Benchmark Reform" (the Amendment) have been endorsed by the European Commission for use in the European Union (EU).

The Amendment solves a potential source of uncertainty on the effects of the Interbank offered rates (IBOR) reform on existing accounting hedge relationships that are affected by the IBOR reform, clarifying that the reform does not require to terminate such hedge relationships.

The EU effective start date for Amendment is the annual period beginning on or after 1 January 2020. As the earlier adoption is permitted, UniCredit group has adopted the Amendment with reference to 2019 Financials for its existing hedge accounting relationships involving other IBORs, whose volume is presented below:

### Hedging contracts: notional amount<sup>(\*)</sup>

(€ million)

HEDGING RELATIONSHIP	HEDGED ITEMS	INDEX			
		LIBOR USD	LIBOR OTHER CURRENCIES	CEE COUNTRIES IBORS	OTHERS
Fair value	Assets	2,971	2,894	118	-
	Liabilities	10,310	-	-	326
Cash flows	Assets	3,249	2,470	170	-
	Liabilities	12,195	-	-	-
<b>Total</b>		<b>28,725</b>	<b>5,364</b>	<b>288</b>	<b>326</b>

Note:

(\*) Double-entry method when relevant.

In order to closely follow the developments on IBORs and to proper manage the transition and the discontinuation impacts, UniCredit group will continuously monitor the market, also attending the European Working Groups, the industry working groups (e.g. International Swaps and Derivatives Association ISDA) and participating to the relevant public consultations.

As at 31 December 2019 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17: Insurance Contracts (May 2017);
- Amendments to IFRS3: Business combination (October 2018);
- Amendments to IAS1 and IAS8: Definition of Material (October 2018);
- Amendments to IFRS9, IAS39 e IFRS7: Interest Rate Benchmark Reform (September 2019).

Except for the IFRS9, IAS39 and IFRS7 amendments, the Group did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2019 was optional.

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The Company and the Consolidated financial statements of UniCredit as at 31 December 2019 are audited by Deloitte & Touche S.p.A. pursuant to Legislative Decree No.39 of 27 January 2010 and to the resolution passed by the Shareholders' Meeting on 11 May 2012.

UniCredit group prepared and published within the time limits set by law and in manner required by Consob, the Consolidated first half financial Report as at 30 June 2019, subject to limited scope audit, as well as the Consolidated interim reports as at 31 March and 30 September 2019, both as press releases.

The Company and the Consolidated Group financial statements as at 31 December 2019 have been approved by the Board of Directors' meeting of 5 February 2020, which authorised its disclosure to the public, also pursuant to IAS10.

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

## Part A - Accounting policies

### A.2 - Main items of the accounts

#### 1 - Financial assets at fair value through profit or loss

##### 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. Held for Trading derivatives are recognised at trade date.

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 lower than what 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.

##### 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. Net gains (losses) on other 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 income statement according to IFRS9.

## Part A - Accounting policies

### 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 Bank 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. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: b) other financial assets mandatorily at fair value".

## 2 - Financial assets at fair value through other comprehensive income

A financial asset is classified as at fair value through other 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 Bank 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" if positive, or in item "20. Interest expenses and similar charges" if negative.

The gains and losses arising from changes in fair value are recognised in the Statement of comprehensive income and shown under item "110. Valuation reserves" in shareholders' equity.

These instruments are tested for impairment as illustrated in the specific Section 15 - Other Information - Impairment.

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 other comprehensive income and also shown under item "110. 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 income statement 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".

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

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.

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognised in the Statement of other comprehensive income and reported under item "110. Valuation reserves" in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in item "140. 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 income statement within item "70. Dividend income and similar revenues".



## Part A - Accounting policies

### 3 - Financial assets at amortised cost

A financial asset is classified as financial assets 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" if positive, or in item "20. Interest expenses and similar charges" if negative.

The amount of financial assets at amortised cost is adjusted in order to take into account impairment losses arising from valuation process as illustrated in the specific section 15 - Other information - Impairment.

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 income statement 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: a) financial assets at amortised cost".

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

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.

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk.

Following the decisions taken in December 2019 by the Board of Directors - referring to the introduction of a series of management initiatives and actions for the implementation and strengthening of the *rundown* strategy of the Non Core perimeter, with the aim of ensuring the complete runoff of the related credit exposures within the year 2021 - UniCredit S.p.A. modified the parameters used to estimate the recoverable amount of their credit exposures to customers. Accordingly with IAS8, this change qualifies as a "change in accounting estimates", since the measurement basis of the loans has not been modified.

Detailed information on the effects of this change is provided as required by IAS8 in Part E - Information on risks and hedging policies - Section 1 - Credit risk, under the table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)".

### 4 - Hedge accounting

Hedging instruments are created to hedge market (interest-rate, currency and price) and/or credit risk to which the hedged positions are exposed.

They may be described as follows:

- Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- Hedge of a net investment in a foreign entity, whose operations are based or conducted in a currency other than euro.

It should be noted that 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.

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

## Part A - Accounting policies

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Generally a hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80 -125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when (i) the hedging instrument expires or is sold, terminated or exercised, (ii) the hedged item is sold, expires or is repaid, (iii) it is no longer highly probable that the forecast transaction will occur.

Hedging instruments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:

- **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting"; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the difference is recognised in profit or loss under item "90. Net gains (losses) on hedge accounting" at once. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in item "100. Gains (Losses) on disposal and repurchase";
- **Cash Flow Hedging** - hedging instruments are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognised in equity item "110. Revaluation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item "90 Net gains (losses) on hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in revaluation reserves from the period when the hedge was effective remains separately recognised in "110. Revaluation reserves" until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to "90 Net gains (losses) on hedge accounting". The fair value changes are recorded in the Statement of Other Comprehensive Income and disclosed in item "110. Revaluation reserves";
- **Hedging a Net Investment in a Foreign Entity** - hedges of a net investment in a foreign entity whose activities are based or conducted in a country or currency other than those of the reporting entity are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign entity.  
The fair value changes are recorded in the Statement of Comprehensive Income and disclosed in item "110. Valuation reserves"; the ineffective portion of the gain or loss is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting";
- **Macro-hedges of Financial Assets (Liabilities)** - IAS39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro-hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macrohedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes, gains or losses, in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item "60. Changes in fair value of portfolio hedged items (+/-)" or liability item "50. Value adjustment of hedged financial liabilities (+/-)", respectively and offset the profit or loss item "90. Net gains (losses) on hedge accounting".



## Part A - Accounting policies

The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item "90. Net gains (losses) on hedge accounting". If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items "60.

Changes in fair value of portfolio hedged items (+/-)" (Assets) and "50. Value adjustment of hedged financial liabilities (+/-)" (Liabilities) is recognised through profit or loss in items "10. Interest income and similar revenues" or "20. Interest expenses and similar charges", along the residual life of the hedged financial assets or liabilities.

If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item "100. Gains (Losses) on disposal and repurchase".

### 5 - Equity investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32.

Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

The following are the types of equity investment:

#### Subsidiaries

Entities, including structured entities, over which the Bank has direct or indirect control, are considered subsidiaries. Control over an entity entails the Bank's ability to exercise power in order to influence the variable returns to which the Bank is exposed through its relationship with them.

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 ruled;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to rule the relevant activities; to this end only substantial rights that provide practical ability to rule 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 deriving from variations in the investee's performance;
- the existence of potential principal - agent relationships.

If the relevant activities are ruled 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 (or those that contribute most to the results) and the Group's exposure to the variability of returns deriving from these activities.

#### Joint venture

A joint venture is an entity in which the Bank has:

- a joint control agreement;
- rights on the net assets of the entity.

In detail a joint control exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

#### Associates

An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.

## Part A - Accounting policies

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 associates.

Investments in subsidiaries, associates and joint ventures are measured at cost.

The purchase price of an equity investment is the sum of:

- the fair value, at the date of acquisition, of the assets sold, liabilities assumed and equity instruments issued by the purchaser in exchange for control of the investee; and
- any cost directly attributable to the acquisition.

If there is evidence that an equity investment may have become impaired, its carrying value is compared with its recoverable value, which is determined on the basis of its value in use, in turn calculated by means of valuation models in general use in financial business, which discount expected future cash flow from the equity investment. (methodology Discounted Cash Flow).

If it is not possible to obtain sufficient information the value in use is considered to be the net worth of the company.

If the recovery value is less than the carrying value, the difference is recognised through profit or loss in item "220. Gains (Losses) of equity investments". If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, write-backs are made through same profit or loss item.

Equity investments considered strategic investments not covered by the above definitions and not recognised in item "110. Non-current assets and disposal groups classified as held for sale" are classified as financial assets at fair value through other comprehensive income or other financial assets mandatorily at fair value and accordingly treated.

### 6 - Property, plant and equipment

The item includes:

- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;

and is divided between:

- assets used in the business;
- assets held as investments;
- inventories in the scope of IAS2 standard.

This item also includes tangible assets arising from collection of collaterals.

#### Assets used in the business and Assets held as investments

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used for more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease.

The item "Property, plant and equipment" includes assets used by the Group as lessee under a lease contract (right of use), or let/hired out by the Group as lessor under an operating lease.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants).

## Part A - Accounting policies

Leasehold improvements are usually borne in order to make leased premises fit for the expected use.

Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item "120. Other assets".

Assets held for investment purposes are properties covered by IAS40, i.e. properties held (owned or under Alease contract) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:

- "160. Administrative expenses: b) other administrative expenses", if they refer to assets used in the business; or
- "200. Other operating expenses/income", if they refer to property held for investment.

After being recognised as an asset:

- buildings and lands used in the business are measured according to revaluation model;
- tangible assets used in the business, different from lands and buildings, are measured according to cost model;
- buildings and lands held as investments are measured according to fair value model.

Revaluation model requires tangible assets to be exposed in Balance sheet at a value not significantly different from fair value. In this respect, UniCredit Group requests such assets to be revalued on a half year basis through "desktop" or "on site" appraisals, based on the asset relevance, performed by external appraisers.

Positive changes in Fair Value are booked in Other Comprehensive Income Statement, item "50. Tangible Assets", and cumulated in item "110. Valuation reserves", unless they offset previous negative changes accounted for in income statement in item "230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value".

Negative changes in Fair Value are booked in income statement in item "230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value", unless they offset previous positive changes accounted for in Other Comprehensive Income Statement, item "50. Tangible Assets", and cumulated in item "110. Valuation reserves".

When the tangible asset is revalued at its Fair Value it is required to adjust both gross carrying amount and cumulated depreciation on the basis of the net carrying amount revaluation.

Cost model requires the gross carrying amount to be depreciated across its useful life.

Both tangible assets measured according to revaluation model and cost model are subject to straight-line depreciation over their useful life to the extent they have a finite useful life.

Residual useful life is usually assessed as follows:

- |                          |                 |
|--------------------------|-----------------|
| • buildings              | up to 33 years; |
| • furniture and fixtures | up to 7 years;  |
| • electronic equipment   | up to 12 years; |
| • other                  | up to 7 years;  |
| • leasehold improvements | up to 15 years. |

Depreciations are accounted for, period by period, in item "180. Net value adjustments/write-backs on property, plant and equipment".

An item with an indefinite useful life is not depreciated.

Land and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings have instead a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is clear evidence that an asset measure according to cost model has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in profit and loss item "180. Net value adjustments/write-backs on property, plant and equipment".

## Part A - Accounting policies

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

Buildings and land held as investments, including right of use on land and buildings classified as held for investment, are measured according to fair value model which requires to account for in income statement in item "230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value", changes in fair value. Such assets are not subject to depreciation and impairment test.

An item of property, plant and equipment is derecognised (i) on disposal or (ii) when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in profit and loss item "250. Gains (losses) on disposals on investments", "230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value" or "180. Net value adjustments/write-backs on property, plant and equipment", respectively. For tangible assets measured according to revalued amount, any gain from disposal, including amounts cumulated in item "110. Valuation reserves", is reclassified to item "140 Reserves" with no impact in income statement.

### Inventories in the scope of IAS2 standard

Inventories are assets held for sale in the ordinary course of business. They are accounted for at the lower of their carrying amounts and net realizable value.

Any value adjustment arising from the application of the aforementioned criterion is recognised under item "180. Net value adjustments/write-backs on property, plant and equipment".

## 7 - Intangible assets

An intangible asset is an identifiable non-monetary without physical substance which is expected to be used for more than one period and from which future economic benefits are probable.

Intangible assets are principally represented by software.

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.

Costs sustained after purchase are:

- added to initial cost, provided they increase future economic benefits arising from the underlying asset (i.e. if they increase its value or productive capacity);
- in other cases (i.e. when they do not increase the asset's original value, but are intended merely to preserve its original functionality) are taken to profit or loss in a single amount in the year in which they have been borne.

An intangible asset with a definite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- software up to 10 years.

If there is clear evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item "190. Impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is derecognised (i) on disposal or (ii) when no further future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item "250. Gains (Losses) on disposal of investments" or "190. Impairment/write-backs on intangible assets", respectively.

## 8 - Non-current assets held for sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the related liabilities, as required by IFRS5.

## Part A - Accounting policies

Individual assets (or groups of assets held for sale) are recognised in item "110. Non-current assets and disposal groups classified as held for sale" and item "70. Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to non-current assets classified as held for sale, which are recorded as a contra item to changes in value relevant for this purpose, are reported separately in the Statement of Other Comprehensive Income (see Notes to the accounts - Part D - Other comprehensive income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to discontinued operations are recognised in the income statement under item "290. Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets or disposal groups, that do not constitute discontinued operations, held for disposal are recognised in the income statement under the appropriate item.

### 9 - Current and deferred tax

Tax assets and tax liabilities are recognised in the Balance Sheet respectively in item 100. of assets ("Tax assets") and item 60. of liabilities ("Tax liabilities").

In compliance with the "Balance sheet method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with local tax regulations;
- current tax liabilities, i.e. amounts of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses;
  - the carryforward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

Current tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognised in profit or loss on an accrual basis. In particular current corporate tax ("IRES") is calculated at a rate of 27.50%; the regional tax on productive activity ("IRAP") is applied on a regional basis. The national rate is set at 4.65%, to which each Region can autonomously increase a surcharge up to 0.92%, therefore theoretically a rate of 5.57% (plus an additional surcharge of 0.15% provided for the Regions with an healthcare deficit status).

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Under the tax consolidation system adopted by the Bank, deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit evaluated based on the Bank's ability to generate it in future financial years will be available. Deferred tax liabilities are always recognised. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognised in profit and loss item "270. Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on financial assets at fair value through other comprehensive income and those relating to changes in the fair value of cash flow hedging instruments, whose changes in value are recognised, net of tax, directly in the Statement of Other Comprehensive Income - Valuation reserves. IRES is determined on the basis of the "consolidato fiscale" rules pursuant to L.D.344/03; UniCredit S.p.A. opted to apply tax consolidation of the Group's Italian entities (see also Part B of these Notes to the accounts - Section 10.7 Other information).

Current tax assets and liabilities are presented on the Balance sheet net of the related current tax liabilities if the following requirements are met:

- existence of a legally enforceable right to offset the amounts recognised;
- the intention to extinguish for the remaining net, or realise the asset and at the same time extinguish the liability.

## Part A - Accounting policies

Deferred tax assets are presented on the Balance sheet net of the related deferred tax liabilities if the following requirements are met:

- existence of an enforceable right to offset current tax assets with current tax liabilities; and
- the deferred tax assets and liabilities must relate to income taxes applied to the same tax authority on the same taxable entity or on different taxable entities that intend to settle the current tax liabilities and assets on a net basis (usually in presence of a “consolidato fiscale”).

### 10 - Provisions for risks and charges

#### Commitments and guarantees given

Provisions for risks and charges for commitments and guarantees given are recognised against for irrevocable commitments and guarantees whether they are in scope of IFRS9 or IAS37.

The item hosts the estimates of expected loss calculated on these instruments resulting from valuation process as described in Section 15 - Other Information - Impairment.

The provision of the period is accounted under item “170. Net provisions for risks and charges: a) commitments and financial guarantees given”.

Note that all contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument are considered financial guarantees.

#### Retirement payments and similar obligations

Retirement provisions, i.e. provisions for employee benefits payable after the completion of employment, are defined as contribution plans or defined-benefit plans according to the nature of the plan.

In detail:

- defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company;
- defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefits to all employees.

Defined-benefit plans are present-valued by an external actuary using the Unit Credit Projection Method.

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

More specifically, the amount recognised according to IAS19 Revised as a net liability/asset in item “100. Provisions for risks and charges: b) post-retirement benefit obligations” is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses arising from the valuation of defined-benefit liabilities are recorded in the Statement of other comprehensive income and disclosed in the item “110. Revaluation reserves”.

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds (HQCB: high quality corporate bonds) with an average life in keeping with that of the relevant liability.

#### Other provisions

Provisions for risks and charges are recognised when:

- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation.

The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

## Part A - Accounting policies

In particular, where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised.

Allocations made in the year are recognised in profit and loss item "170. Net provisions for risks and charges b) other net provisions" and include increases due to the passage of time; they are also net of any reversals.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the Unit Credit Projection method (see previous paragraph Retirement Payments and Similar Obligations).

### 11 - 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" if negative or in item "10. Interest income and similar revenues" if positive.

Hybrid debt 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 income statement 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 "130. 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.

Financial liabilities are derecognised in case of redemption, prepayment, significant amendments to contractual conditions that determine a change in their present value which exceeds the threshold defined by the accounting standard or in case of re-purchase. When derecognition arises from significant amendments or re-purchase, the difference between the carrying amount of the liability and the amount arising from the amendments or paid for the repurchase is recognised in profit or loss in item "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.

### 12 - 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.



## Part A - Accounting policies

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 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".

Financial liabilities are derecognised in case of redemption, prepayment, significant amendments to contractual conditions that determine a change in their present value which exceeds the threshold defined by the accounting standard or in case of re-purchase. When derecognition arises from significant amendments or re-purchase, the difference between the carrying amount of the liability and the amount arising from the amendments or paid for the repurchase is recognised in profit or loss in item "80. Net gains (losses) on trading". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

### 13 - 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 "110. 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.

Financial liabilities are derecognised in case of redemption, prepayment, significant amendments to contractual conditions that determine a change in their present value which exceeds the threshold defined by the accounting standard or in case of re-purchase. When derecognition arises from significant amendments or re-purchase, the difference between the carrying amount of the liability and the amount arising from the amendments or paid for the repurchase is recognised in profit or loss in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss a) financial assets/liabilities designated at fair value" while the balance of cumulated changes in fair value due to own credit risk booked in item "110. Valuation reserves" is reclassified in item "140. Reserves". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

### 14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item "80. Gains (Losses) on financial assets and liabilities held for trading".

Exchange rate differences arising on a monetary item that is part of an entity's net investment in a foreign operation whose activities are based or conducted in a country or currency other than those of the reporting entity are initially recognised in the entity's equity, and recognised in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. In this case the exchange differences are recognised:

- in profit and loss if the financial asset is classified in a portfolio measured at fair value through profit or loss; or
- in the Statement of other comprehensive income, and disclosed in the Revaluation reserves, if the financial asset is classified in "Financial assets at fair value through other comprehensive income".

Hedges of a net investment in a foreign operation are recognised similarly to cash flow hedges.

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences, classified in an Equity reserve, is reclassified in profit or loss in the year in which the company sale is recognised.



## Part A - Accounting policies

### 15 - Other information

#### Impairment

Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and related 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.

The allocation of credit exposures in one of the abovementioned stages is done at initial recognition, when the exposures is classified at stage 1 and it is periodically reviewed based on "stage allocation" rules as specified in Part E - Section 1 - Credit risk.

In order to calculate the expected loss and the related loan loss provision, the Bank uses Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") parameters, used for regulatory purposes and adjusted in order to ensure that impairment measurement represents values which are "point in time", "forward looking" and inclusive of multiple scenarios. In this respect see Part E - Section 1 - Credit risk for further information on expected loss calculation methodologies.

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.

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

- Bad loans: cash and off-balance exposures to counterparty 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/instalments. 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 forborne 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.

## Part A - Accounting policies

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 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).

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.

In particular, the amount of the loss on impaired exposures classified as bad loans and unlikely to pay, according to the categories specified above, 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.

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 IFRS9 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 the Bank's NPE strategy foresees the recovery through sale on the market according to what is specified in Part E - Section 1 - Credit risk.

If there are no reasonable expectations to recover a financial assets in its entirety or a portion thereof, the gross exposure is subject to write-off.

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 to recover the credit exposure, are closed and doesn't imply the forfeiture of the legal right to recover. In this context the Bank has developed a specific guideline that assess the need to recognise a write-off. For further information see Part E - Section 1 - Credit risk.

### 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 income statement 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.

## Part A - Accounting policies

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.

### Business combinations

A business combination is a transaction through which an entity obtains control of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidary relationship in which the acquirer is the Parent and the acquiree is a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS3 requires that all business combinations concerning business divisions shall be accounted for by applying the purchase method, that involves the following steps:

- identifying an acquirer;
- measuring the cost of the business combination; and
- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value, and the recognition of the effects in the Income Statement, of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

Positive difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and recognise immediately any excess remaining after that reassessment in profit or loss.

In the case of business combinations resulting in a parent company-subsidary (acquirer-acquiree) relationship, the equity investment is accounted for under the cost method.

### Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity's balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset, or a group of assets, (e.g. interest cash flows from an asset);
- the part comprises a clearly identified percentage of the cash flows from a financial asset (e.g. a 90 per cent share of all cash flows from an asset);
- the part comprises only a fully proportionate (pro-rata) share of specifically identified cash flow (e.g. 90 per cent share of interest cash flows from an asset).

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

## Part A - Accounting policies

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Bank to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Bank is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset and expense accruing on the liability.

The main transactions that could not permit, under the above rules, full derecognition of a financial asset are securitisations, reverse repos and lending transactions.

In the case of securitisations the Bank does not derecognise the financial asset on purchase of the equity tranche or provision of other types of support of the structure which result in the Bank retaining the credit risk of the securitised portfolio.

In the case of reverse repos and stock securities lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Finally, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

### Repo transactions and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks, or as an asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers, or as held for trading financial liability. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The income statement items connected with these transactions are booked respectively:

- in item Interest, with respect to the positive item (borrower) and the negative item (lender) relating to the return on cash paid to the lender;
- in item Fees and commissions, with respect to the negative item (borrower) and the positive item (lender) relating to the service provided by the lender by making the security available.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role, lender or borrower, respectively, played in the transaction.

Counterparty risk relating to the latter securities lending or borrowing transactions is shown under the tables of Notes to the accounts - Part E - Section 1 - Credit risk - Quantitative information - A. Credit quality.

### Equity instruments

Equity instruments are instruments that represent a residual interest in Group's assets net of its liabilities.

Classification of an issued instrument as equity is possible only if there are no contractual obligation to make payments in form of capital redemptions, interest or other kinds of returns.

## Part A - Accounting policies

In particular, instruments having the following features are classified as equity instruments:

- the instrument is perpetual or has a maturity equal to duration of the entity;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Additional Tier 1 instruments are included in this category, in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, if, additionally to the characteristics described above:

- i) maintain within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- ii) do not incorporate outlook that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Equity instruments, different from common or saving shares, are presented in item "130. Equity instruments" for the consideration received including transaction costs directly attributable to the instruments.

Any coupon paid, net of related taxes, reduces item "140. Reserves".

Any difference between the amounts paid for the redemption or repurchase of these instruments and their carrying value is recognised in item "140. Reserves".

### Treasury shares

Changes in treasury shares are reported as a direct contra item to shareholders' equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax repurchase cost is recognised entirely as a contra item to shareholders' equity.

### Leases

Lease contracts shall be classified by the lessor in finance leases and operating leases.

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee. The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

Operating leases do not transfer all the risks and benefits of ownership of an asset to the lessee which are therefore retained by the lessor.

In case of operating leases, the lessor recognises in the income statement the leases payments on an accrual basis.

The lessee recognises an asset representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

It should be noted that as allowed by the standard, the Group has decided not to recognise any right of use nor lease liability with reference to the following lease contracts:

- leases of intangible assets;
- short term leases, lower than 12 months; and
- low value assets leases. For this purpose an asset is considered as "low value" when its fair value as new is equal to or lower than €5 thousand. This category mainly comprises office equipment (PC, monitors, tablets, etc.) and fixed and mobile phones.

Therefore, lease payments concerning these kind of lease assets are recognised in item "160. Administrative expenses" on an accrual basis.

With reference to contracts different from those mentioned above, the lease liability, recognised in Item "10. Financial liabilities at amortised cost", is determined by discounting the future lease payments to be due over the lease term at the proper discount rate.

Future lease payments subject to discounting are determined based on contractual provisions and net of VAT, when applicable, as the obligation to pay this tax starts when the invoice is issued by the lessor and not at the starting date of the lease contract.

In addition, if the lease payments foreseen by the contracts include additional services beside the mere rental of the asset, the right of use and the associated lease liability are calculated considering also these components.

## Part A - Accounting policies

To perform the mentioned calculation, lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The key assumption followed to calculate this rate is that the lessee incurs a loan, senior secured, having the same maturity of the lease contract in order to acquire the assets underlying the contract itself. The resulting rate, where necessary, is adjusted in order to consider the specific features of the lease contract.

In order to determine the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset taking also into account potential renewal options if the lessee is reasonably certain to renew.

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

The right of use is initially recognised in item "80. Property, plant and equipment" on the basis of the initial recognition amount of the associated lease liability, adjusted to consider, if applicable, lease payments made at or before the commencement of the lease, initial direct costs and estimates of costs required to restore the assets to the conditions requested by the terms of the lease contract.

Subsequent to the initial recognition, interests accrue on the lease liability at the interest rate implicit in the contract and are recognised in item "20. Interest expenses and similar charges".

The amount of the lease liability is reassessed in case of changes in the lease term, also arising from a change in the assessment of an option to purchase the leased asset, or in the lease payments, either coming from a change in an index or rate used to determine these payments or as a result of the amount expected to be payable under a residual value guarantees.

In these cases, the carrying value of the lease liability is calculated by discounting lease payments over the lease term using the original or a revised discount rate as applicable.

Changes in the amount of the lease liability resulting from the reassessment are recognised as an adjustment of the right of use.

In case of modification of a lease contracts, the lessee recognises an additional separate lease if the modification increases the scope of the lease adding to the right of use one or more assets and the consideration to be paid for such increase is commensurate with the stand-alone price of the increase.

For other types of modifications the lease liability is recalculated by discounting the lease payments for the revised lease term using a revised discount rate.

Changes in the Lease liabilities also adjust the carrying value of the corresponding right of use with the exception of gains/losses relating to the partial or full termination of the lease that are recognised in the income statement.

Subsequent to the initial recognition the right of use is depreciated over the lease term and subject to impairment if applicable. Depreciation and impairment, determined using the same criteria used for tangible assets and also considering the actual usage of the leased assets, are recognised in item "180. Net value adjustments/write-backs on property, plant and equipment". The useful life used for calculating the depreciation of leasehold improvements shall not exceed the useful life attributed to the right of use.

### Factoring

Loans acquired in factoring transactions with recourse are recognised to the extent of the advances granted to customers on their consideration.

Loans acquired without recourse are recognised as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

### Italian staff severance pay (Trattamento di fine rapporto - "TFR")

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see previous paragraph 10 - under Provisions for Risks and Charges - *Retirement Payments and Similar Obligations*). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following pension reform by Law No.252/2005, TFR installments accrued to 31 December 2006, to the date between 1 January 2007 and 30 June 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e. forecast future pay rises are not considered.

TFR installments accrued since 1 January 2007 (date of Law 252's coming into effect) (or since the date between 1 January 2007 and 30 June 2007) have been, at the employee's discretion, either (i) paid into a pension fund or (ii) left in the company and (where the company has in excess of 50 employees) are paid into an INPS Treasury fund by the employer, are assimilated to a defined-contribution plan.

## Part A - Accounting policies

Costs relating to TFR are recognised in the Income Statement in item "160. Administrative costs: a) staff expense" and include, for the part of obligations already exiting at the date of the reform (assimilated to a defined benefit plan), interest cost accrued in the year; for the part of plan considered defined contribution plan, the accrued installments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains (losses), i.e. the difference between the liabilities' carrying value and the present value of the obligation at the end of the period are recorded in the Statement of Other Comprehensive Income and disclosed in the item "110. Revaluation reserves according to IAS19 Revised.

### Share-based payment

Equity-settled payments made to employees or other staff in consideration of goods received or services rendered, using equity instruments comprise:

- Stock options;
- Performance shares (i.e. awarded on attainment of certain objectives);
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services rendered against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

This fair value is recognised as cost in profit and loss item "160. Administrative costs: a) staff expenses" offsetting the Shareholders' Equity item "140. Reserves", on an accruals basis over the period in which the services are rendered.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in item "80. Other liabilities". The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognised in profit and loss item "160. Administrative costs: a) staff costs".

### Guarantees and credit derivatives in the same class

Guarantees and credit derivatives in the same class measured under IFRS9 (i.e. contracts under which the issuer make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument) are initially and subsequently (on remeasurement following impairment losses) recognised in item "100. Provisions for risks and charges: a) commitments and guarantees given".

On initial recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued.

After the initial recognition, guarantees given are recognised at the higher of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation.

The effects of valuation, relating to any impairment of the underlying, are recognised in the same balance-sheet item contra item "170. Net provisions for risks and charges: a) commitments and financial guarantees given" in the income statement.

### Offsetting financial assets and financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS32, assessing the fulfillment of the following requirements:

- a) current legally enforceable right to set off the recognised amounts;
- b) intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS7, further information have been included in the table of Note to the accounts, in Part B - Other information.

In these tables, in particular, following information have to be reported:

- balance-sheet values, before and after the accounting offsetting effects, related to the assets and liabilities which meet the criteria for applying those effects;
- values of the exposures which do not meet the above mentioned criteria, but are included in Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances (i.e. default events);
- amounts of related collaterals.

### Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at the initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability.



## Part A - Accounting policies

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include financing costs or internal administrative or holding costs.

### Recognition of income and expenses

#### **Interest income and expenses**

Interest income and expenses and similar income and expense items relate to monetary items, i.e. liquidity and debt financial instruments (i) held for trading, (ii) designated at fair value (iii) mandatorily at fair value (iv) at fair value through other comprehensive income (v) at amortised cost and financial liabilities at amortised cost.

Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:

- hedging interest-bearing assets and liabilities;
- HFT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HFT assets and liabilities paying differentials or margins on different maturities.

#### **Fees and commissions income and other operating income**

Fees and commissions income and other operating income are accounted for in income statement as the entity satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognised in income statement when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognised in income statement in order to reflect the progress of satisfaction of such obligation.

Due to the above mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognised during the term of the contract (input method).

For this second type of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Bank accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Bank expects to receive.

Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognised will not be significantly reversed.

Note, nevertheless, that for the services provided by the Bank such a variability is not usually foreseen.

Finally, if a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in income statement on the basis of the timing of satisfaction of each obligation.

This circumstance, which is not significant, might happen in case of customer loyalty programs that require to provide goods or services for free, or by cashing-in a price not at market condition, if the client reaches a specific volume of fees, or in case of programs to acquire new customers that assign a bonus to the target (in the form of a product or a service) when it becomes a new client.

#### **Dividends**

Dividends are recognised in the profit and loss account for the year in which their distribution has been approved.



## Part A - Accounting policies

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

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

### A.4 - Information on fair value

#### Qualitative information

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

Fair value is the price that 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.

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.

## Part A - Accounting policies

### 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>44</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*

UniCredit 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.

##### *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.

<sup>44</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.

## Part A - Accounting policies

### *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 31 December 2019, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €36 million negative. The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €71 million negative.

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

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

UniCredit FVA methodology is based on the following inputs:

- positive and negative exposure profiles derived leveraging on a risk-neutral spin-off of the Counterparty Credit Risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- a funding spread curve that is representative of the average funding spread of peer financial groups.

## Part A - Accounting policies

As at 31 December 2019 the Fair Value adjustment component (FundVA) reflect into P&L amounts to €16.6 million negative.

### *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 localisation, consistency, destination and in consideration of market analysis.

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique.

### *Financial liabilities at amortised cost*

Fair value for debt securities in issue is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves.

On the other hands, fair value for other financial liabilities is determined using the discounted cash flow model adjusted for UniCredit credit risk.

The Credit Spread is determined using UCG's senior and subordinated risk curves.

### **Description of the valuation techniques**

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

## Part A - Accounting policies

### *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.

#### *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.

## Part A - Accounting policies

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.

## Part A - Accounting policies

### 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.

### Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorised as Level 3

The following table shows the relevant unobservable parameters for the valuation of financial instruments classified at fair value level 3 according to the IFRS13 definition.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	UNCERTAINTY RANGES
<b>Derivatives</b>	Financial	Foreign Exchange	3.14	Option Pricing Model	Volatility	0% 7%
					Discounted Cash Flows	Interest rate (bps) 0.3 37.6
		Interest Rate	38.32	Discounted Cash Flows	Swap Rate (bps)	0.3 37.6
					Inflation Swap Rate (bps)	2.9 6.3
		Equity & Commodities	250.29	Option Pricing Model	Volatility	2% 11%
					Correlation	2% 20%
	Credit		-	Hazard Rate Model	Credit Spread (bps)	1.3 329.3
					Recovery rate	0% 5%
<b>Debt Securities and Loans</b>	Corporate/Government/Other	Mortgage & Asset Backed Securities	1,488.53	Discounted Cash Flows	Credit Spread (bps)	0.7 76.5
					Credit Spread (bps)	10 416
					Recovery rate	0% 28%
					Default Rate	0% 1%
					Prepayment Rate	0% 9%
<b>Equity Securities</b>	Unlisted Equity & Holdings		742.94	Market Approach	Price (% of used value)	0% 37%
				Gordon Growth Model	Ke	7% 16%
					Growth Rate	2% 3%
<b>Units in Investment Funds</b>	Real Estate & Other Funds	1,212.59	-	Adjusted Nav		1% 11%

### A.4.2 Valuations processes and sensitivities

The Group verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as *discounted cash flow* and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.

When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and *benchmarking*. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the *bid/ask* spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily *mark-to-market* or *mark-to-model* valuation, the *Independent Price Verification* (IPV) is applied by from *Market Risk* function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.



## Part A - Accounting policies

### **Fair value sensitivity to variations in unobservable inputs used in the fair value computation for instruments categorised as Level 3**

The sensitivities to change in the unobservable parameter for the different financial instrument categories of level 3 valued at fair value are presented in the table below where: for derivatives on equities, commodities and foreign exchanges is shown the change in value for a 1% shift of underlying volatility; for interest rate derivatives is indicated the change in value for a 1 basis point shift of underlying curves; for credit derivatives is reported either the change in value to a 1 basis point shift of credit spread or the CVA impact of a 5% shift of the recovery rate, for debt securities is presented the change in value to a 1 basis point shift in credit spread, for equities is shown the change in value to a 1% shift in the underlying, for CIU quotes is indicated the change in value to a 1% shift in NAV.

PRODUCT CATEGORIES		FAIR VALUE MOVEMENTS	
<b>Derivatives</b>			(€ million)
Financial	Equities & Commodities	+/-	2.80
	Foreign Exchange	+/-	-
	Interest Rate	+/-	-
	Credit	+/-	1.31
<b>Debt Securities and Loans</b>			
	Corporate/Government/Other	+/-	0.09
	Mortgage & Asset Backed Securities	+/-	0.43
<b>Equity Securities</b>			
	Unlisted Equity & Holdings	+/-	7.43
<b>Units in investment funds</b>			
	Real Estate & Other Funds	+/-	0.10

Within the unlisted Level 3 Units in Investment Funds, measured using a model, the shares in Atlante and Italian Recovery Fund, former Atlante II, (€352 million at 31 December 2019) are classified and, within Equity Securities, the investments in the Voluntary Scheme (as at 31 December 2019 equal to €16,3 million). For further information, please refer to Part B - Section 4 - Available for sale financial assets c) other financial assets mandatory at fair value.

Amongst the financial instruments subject of valuation methods and sensitivity analysis, there are also included ABS issued by securitisation vehicles as per Italian law 130/99 where the Bank is both originator and underwriter of some issues and quotes of open investment funds acquired through credit disposal.

#### **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.



## Part A - Accounting policies

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

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

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

### Transfers between hierarchy levels

The main drivers to transfers in and out the 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

### A.4.5 Hierarchy of fair value

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 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	6,816	5,954	1,927	7,107	5,820	2,071
a) Financial assets held for trading	6,740	5,646	292	6,516	4,700	618
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	76	308	1,635	591	1,120	1,453
2. Financial assets at fair value through other comprehensive income	26,056	3,315	2,036	41,695	4,351	881
3. Hedging derivatives	146	5,077	-	99	4,063	5
4. Property, plant and equipment	-	-	2,616	-	-	392
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>33,018</b>	<b>14,346</b>	<b>6,579</b>	<b>48,901</b>	<b>14,234</b>	<b>3,349</b>
1. Financial liabilities held for trading	7,422	5,916	65	4,661	5,297	426
2. Financial liabilities designated at fair value	-	3,607	133	-	3,535	-
3. Hedging derivatives	166	4,716	-	99	4,414	12
<b>Total</b>	<b>7,588</b>	<b>14,239</b>	<b>198</b>	<b>4,760</b>	<b>13,246</b>	<b>438</b>

The item "1. c) Financial assets mandatorily at fair value" at Level 3 as at 31 December 2019 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €352 million) and in "Schema Volontario" (carrying value €16 million).

Since no market valuations or prices of comparable securities are available for Schema Volontario, at 31 December 2019 the fair value of such instrument was determined using internal models (Discounted Cash Flow and Market Multiples) also having as reference the valuation of the financial assets of the "Schema Volontario" (supported by the advisor in charge) contained in the Rendiconto 2019 of the "Schema Volontario" itself, while concerning Atlante and Italian Recovery Fund, former Atlante II, the Fair Value was determined having as reference the valuation of the financial assets provided from the fund itself, supplemented, if appropriate, using internal models (Discounted Cash Flow and Market Multiples). See Part B - Section 2.5 - Financial assets mandatorily at fair value income for further information.

## Part A - Accounting policies

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

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 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 reserves (financial assets at fair value through other comprehensive income) for approximately €1,348 million

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

(€ million)

	CHANGES IN 2019							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
	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				
<b>1. Opening balances</b>	<b>2,072</b>	<b>618</b>	-	<b>1,454</b>	<b>881</b>	<b>5</b>	<b>392</b>	-
<b>2. Increases</b>	<b>1,226</b>	<b>837</b>	-	<b>389</b>	<b>1,344</b>	-	<b>2,505</b>	-
2.1 Purchases	443	191	-	252	1,253	-	-	-
2.2 Profits recognised in	757	646	-	111	53	-	762	-
2.2.1 Income statement	757	646	-	111	2	-	-	-
- of which unrealised gains	281	198	-	83	-	-	-	-
2.2.2 Equity	X	X	X	X	51	-	762	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	26	-	-	26	38	-	1,743	-
<b>3. Decreases</b>	<b>1,371</b>	<b>1,163</b>	-	<b>208</b>	<b>189</b>	<b>5</b>	<b>281</b>	-
3.1 Sales	504	500	-	4	15	-	-	-
3.2 Redemptions	73	-	-	73	49	-	-	-
3.3 Losses recognised in	545	434	-	111	117	-	244	-
3.3.1 Income statement	545	434	-	111	27	-	244	-
- of which unrealised losses	349	297	-	52	-	-	123	-
3.3.2 Equity	X	X	X	X	90	-	-	-
3.4 Transfers to other levels	230	229	-	1	-	3	-	-
3.5 Other decreases	19	-	-	19	8	2	37	-
- of which: business combinations	-	-	-	-	-	-	-	-
<b>4. Closing balances</b>	<b>1,927</b>	<b>292</b>	-	<b>1,635</b>	<b>2,036</b>	-	<b>2,616</b>	-

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

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

The sub-item "2.2.2 Profits recognised in Equity" and the sub-item "3.3.2 Losses recognised in Equity" on fair value on financial assets at fair value through other comprehensive income are accounted in item "110. Valuation reserves" of shareholder's equity until the financial assets is not sold, instant in which cumulative gains and losses are reported: i) if referred to debt securities in income statement under item "100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income" and ii) if referred to equity instruments in the shareholder's equity under item "140. Reserves"; the exception regards the case of impairment and gains and losses on exchange rates on monetary assets (debt securities) which are reported respectively under item "130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income" and item "80. Net gains (losses) on trading".

## Part A - Accounting policies

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

(€ million)

	CHANGES IN 2019		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>426</b>	<b>-</b>	<b>12</b>
<b>2. Increases</b>	<b>662</b>	<b>310</b>	<b>-</b>
2.1 Issuance	168	280	-
2.2 Losses recognised in	494	30	-
2.2.1 Income statement	494	10	-
- of which unrealised losses	50	4	-
2.2.2 Equity	X	20	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
<b>3. Decreases</b>	<b>1,023</b>	<b>177</b>	<b>12</b>
3.1 Redemptions	443	-	-
3.2 Purchases	-	157	-
3.3 Profits recognised in	440	20	-
3.3.1 Income statement	440	-	-
- of which unrealised gains	296	-	-
3.3.2 Equity	X	20	-
3.4 Transfers to other levels	140	-	10
3.5 Other decreases	-	-	2
of which: business combinations	-	-	-
<b>4. Closing balances</b>	<b>65</b>	<b>133</b>	<b>-</b>

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

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

## A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

(€ million)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at amortised cost	301,163	30,294	107,738	165,574	270,557	16,476	130,497	122,715
2. Property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups classified as held for sale	1,142	-	17	-	116	-	62	-
<b>Total</b>	<b>302,305</b>	<b>30,294</b>	<b>107,755</b>	<b>165,574</b>	<b>270,673</b>	<b>16,476</b>	<b>130,559</b>	<b>122,715</b>
1. Financial liabilities at amortised cost	329,126	30,222	83,396	218,012	323,836	27,590	95,424	200,695
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>329,126</b>	<b>30,222</b>	<b>83,396</b>	<b>218,012</b>	<b>323,836</b>	<b>27,590</b>	<b>95,424</b>	<b>200,695</b>

The changes occurred between 31 December 2018 and 31 December 2019 in the ratio between fair value and book value for financial assets at amortised cost reflect the enhancement of the methodology and the parameters adopted for the fair value calculation for disclosure and the evolution in the benchmark interest rate, in the risk premium and in the probability of default depending on or deriving from markets trend. These events together with the evolution of the approach to identify the significance of non-observable inputs have been reflected in fair value hierarchy level distribution.

The book value of items "3. Non-current assets and disposal groups classified as held for sale" (Assets) includes amounts referred to assets measured on Balance Sheet on the basis of their cost €1,125 million. For further details on these two sub-items see Part B - Section 11 - table 11.1.

## Part A - Accounting policies

### A.5 - Information on “day one profit/loss”

The value at which financial instruments are recognised is equal to their fair value on the same date.

The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading (see Sections 1.a) and 12 of part A.2 above) and instruments designated at fair value (see Sections 1.b) and 13 of part A.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

The use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk ensure that the amount recognised in the income statement is not derived from the use of valuation parameters that cannot be observed.

More specifically, the calculation of fair value adjustments to reflect model risk ensures that the fair value portion of these instruments relating to the use of subjective parameters is not recognised in the profit and loss account, but changes the balance sheet value of these instruments. Recognition of this portion in the profit and loss account is then made only when objective parameters are applied and therefore the adjustments are derecognised.

At 31 December 2019, as well as at 31 December 2018, there were no value adjustments to reflect model risk (amount not recognised though profit or loss).

## Part B - Balance sheet - Assets

### Assets

#### Section 1 - Cash and cash balances - Item 10

##### 1.1 Cash and cash balances: breakdown

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
a) Cash	1,561	1,530
b) Demand deposits with Central Banks	834	5,931
<b>Total</b>	<b>2,395</b>	<b>7,461</b>

(€ million)

The change in the item "Demand deposits with Central Banks" is mainly attributable to the decrease in cash invested with Banca d'Italia, which, starting from the end 2019, is maintained in the Compulsory Reserves.

#### 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	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial assets (non-derivatives)</b>						
1. Debt securities	6,737	-	-	6,511	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,737	-	-	6,511	-	-
2. Equity instruments	-	-	-	-	-	-
3. Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total (A)</b>	<b>6,737</b>	<b>-</b>	<b>-</b>	<b>6,511</b>	<b>-</b>	<b>-</b>
<b>B. Derivative instruments</b>						
1. Financial derivatives	3	5,646	292	5	4,700	618
1.1 Trading	3	5,418	45	5	4,574	350
1.2 Linked to fair value option	-	103	207	-	7	228
1.3 Other	-	125	40	-	119	40
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>Total (B)</b>	<b>3</b>	<b>5,646</b>	<b>292</b>	<b>5</b>	<b>4,700</b>	<b>618</b>
<b>Total (A+B)</b>	<b>6,740</b>	<b>5,646</b>	<b>292</b>	<b>6,516</b>	<b>4,700</b>	<b>618</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>12,678</b>			<b>11,834</b>

(€ million)

The sub-item "Financial assets (non-derivatives)" consists mainly of Italian Government bonds from Market Making activity.

The sub-item "Derivative instruments - Financial derivatives Other" comprises derivatives that, for economic purposes, relate to banking book entries.

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

## Part B - Balance sheet - Assets

## 2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>A. Financial assets (non-derivatives)</b>		
<b>1. Debt securities</b>	<b>6,737</b>	<b>6,511</b>
a) Central Banks	-	-
b) Governments and other Public Sector Entities	6,737	6,511
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	-	-
<b>2. Equity instruments</b>	-	-
a) Banks	-	-
b) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
<b>3. Units in investment funds</b>	-	-
<b>4. Loans</b>	-	-
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total A</b>	<b>6,737</b>	<b>6,511</b>
<b>B. Derivative instruments</b>		
a) Central counterparties	253	153
d) Other	5,688	5,170
<b>Total B</b>	<b>5,941</b>	<b>5,323</b>
<b>Total (A+B)</b>	<b>12,678</b>	<b>11,834</b>

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

The items are composed of debt securities for an immaterial amount of €239.

## 2.4 Financial assets designated at fair value: breakdown by borrowers/issuer

No data to be disclosed.

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	-	274	227	175	1,054	235
1.1 Structured securities	-	-	-	-	5	29
1.2 Other debt securities	-	274	227	175	1,049	206
<b>2. Equity instruments</b>	76	-	106	416	37	103
<b>3. Units in investment funds</b>	-	29	1,213	-	29	1,057
<b>4. Loans</b>	-	5	89	-	-	58
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	5	89	-	-	58
<b>Total</b>	<b>76</b>	<b>308</b>	<b>1,635</b>	<b>591</b>	<b>1,120</b>	<b>1,453</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>2,019</b>			<b>3,164</b>

The sub-item "Debt securities" includes investments in FINO Project's Mezzanine and Junior Notes with a value of €51 million and Mezzanine and Junior bonds of Prisma securitisation for €3 million.

## Part B - Balance sheet - Assets

The item "Equity instruments" includes the investment in a "Schema Volontario" (presented among Level 3 instruments) with a value of €16 million. In 2018 the item included also the residual shares of Bank Pekao S.A. with a value of €416 million, reclassified into such category after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. (with subsequent loss of control) occurred in first half of 2017 and the IFRS9 adoption starting from 2018.

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 €352 million.

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

### Exposures to securities relating to Securitisation transactions

(€ million)	
TRANCHING	AMOUNTS AS AT 12.31.2019
Senior	5
Mezzanine	62
Junior	62
<b>Total</b>	<b>129</b>

### Information about the units of Atlante Fund and Italian Recovery Fund (former Atlante II)

Atlante is a closed-end alternative investment fund (FIA) ruled by Italian law reserved to professional investors, and managed by DeA Capital Alternative Funds SGR S.p.A. ("DeA"). 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 31 December 2019 UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value with a carrying value of €168 million. The year-to-date overall cash investments are equal to €844 against which impairments for €684 million and positive fair value changes for €18 million were carried out. Received reimbursement amount to €10 million. In addition UniCredit S.p.A. has a residual commitment to invest in the fund for an amount less than €2 million.

On August 2016, it was launched the Atlante II fund, redenominated Italian Recovery Fund since 27 October 2017, a closed-end investment alternative fund reserved to professional investors, also managed by DeA, 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 31 December 2019 UniCredit S.p.A. holds shares with a carrying value of €184 million, classified as financial assets mandatory at fair value. The year-to-date overall cash investments are equal to €187 against which positive fair value changes for €10 million were carried out. Received reimbursement amount to €13 million. In addition UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €8 million.

As at 31 December 2019 the book value (fair value) of both funds is substantially in line with the information provided by the management company DeA relating to the shares valuation based on the value of the assets held by the funds. This fair value valuation determined in the year a higher value for €13 million accounted into the Bank profit and loss.

Under a regulatory perspective, the treatment of the quotes held by UniCredit S.p.A. in the Atlante Fund and Italian Recovery Fund foresees the application of article 128 of the CRR (Items associated with particular high risk). With reference to the residual commitments, the regulatory 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 investment in the Schema Volontario

In November 2015 UniCredit S.p.A. has joined the "Schema Volontario" (SV), a private entity introduced by Fondo Interbancario di Tutela dei Depositi (FITD), with appropriate modification of its statute.

SV is an instrument for the resolution of bank crises through supporting measures in favour of its member banks, if specific conditions laid down by the legislation occur. SV has an independent funding and the participating banks are committed to supply the relevant resources upon demand, when resources are needed to fund interventions. The initial participating size of the SV has been set up to €700 million (of which €110 million referred to UniCredit S.p.A.).

Here follow the most recent transactions.

## Part B - Balance sheet - Assets

### **Cassa di Risparmio di Cesena** (*CariCesena*)

In June 2016 the SV approved an action supporting CariCesena, in relation to a capital increase approved by the bank itself on 8 June 2016 for €280 million of which €44 million referred to UniCredit S.p.A. On 30 September 2016 this commitment was converted into a monetary payment which has led to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as "available for sale" for €44 million for UniCredit S.p.A. (in line with the monetary payment). The update of the evaluation of the instruments as at 31 December 2016, according to an internal evaluation model based on multiples of a banking basket integrated with estimates on Cassa di Risparmio di Cesena's credit portfolio and the related equity/capital needs, brought to the full impairment of the position.

### **CariCesena, Cassa di Risparmio di Rimini** (*Carim*) **e Cassa di Risparmio di San Miniato** (*Carismi*)

In September 2017, in order to face Credit Agricole CariParma intervention in favour of CariCesena, Carim and Carismi, based on a capital increase of €464 million and on the subscription of bonds from NPL securitisation of these banks for €170 million, the Fund increased its capital endowment for €95 million (to an overall amount of €795 million), increasing the residual commitment referred to UniCredit S.p.A. to €81 million. Hence, in the same month UniCredit S.p.A. paid €9 million in respect of the part of the intervention relating to the capital increase of Carim and Carismi, and in December 2017, UniCredit S.p.A. paid the remaining €72 million (of which €45 million referred to the capital increase of the banks and €27 million referred to the subscription of securitisations). Following these events, UniCredit group's residual commitment towards "Schema Volontario" was substantially nil.

All the payments referred to the capital increase of the banks brought to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as "available for sale" and amounting to €54 million for UniCredit S.p.A., entirely cancelled in 2017 financial statements due to the sale of the banks to Credit Agricole CariParma at a symbolic price.

Regarding the portion of investment referred to the subscription of SV of Junior and Mezzanine quotes of the securitisation, the initial value (€27 million for UniCredit S.p.A.) was rectified in 2017 to reflect fair value valuation declared by the "Schema Volontario" (€4 million for UniCredit S.p.A.) resulting from the analysis conducted by the advisors in charge of the underlying credits evaluation, conducted according to a Discounted Cash Flow model based on recovery plans elaborated by SPV's special servicer.

Following the update of the assessment received from the SV (supported by the analysis of the appointed advisor), as at 31 December 2018 UniCredit S.p.A. recognised an impairment of €1.2 million; updated valuation as at 31 December 2019 has resulted in a further impairment of €0.2 million. Thus, 31 December 2019 UniCredit S.p.A. carrying value of investments related to securitisation is equal to nearly €3 million

### **Banca Carige**

On 30 November 2018, the Shareholders' Meeting of the SV decided to intervene in favour of Banca Carige S.p.A. by subscribing a Tier 2 subordinated loan (for a maximum amount of €320 million) issued by Banca Carige S.p.A. and addressed to the conversion into capital to the extent necessary to allow an expected capital increase of €400 million.

On the same date, within the framework of the agreement stipulated with SV, Banca Carige S.p.A. placed bonds for €320 million, of which €318.2 million subscribed directly through the SV itself. The bonds were issued at par (100% of the nominal value), with a fixed rate coupon of 13% and a maturity of 10 years (maturity 30 November 2028).

Considering the failure to provide by 22 December 2018 the delegation to the Board of Directors by the Extraordinary Shareholders' Meeting of Banca Carige S.p.A. to increase by payment the share capital for a maximum total amount of €400 million, with retroactive effect interests on the principal amount of outstanding bonds from time to time mature at a nominal fixed rate of 16% starting from the date of issue.

With reference to the intervention in favour of Banca Carige S.p.A., UniCredit S.p.A. contribution to the SV at the recognition date amounts to approximately €53 million, and it has been identified as a financial instrument classified, on the basis of the existing accounting standard IFRS9, under item "20.c) Financial assets mandatorily at fair value through profit or loss".

As at 31 December 2018, following the evaluation process of the investment, UniCredit S.p.A. recognized impairments for €16 million, thus bringing the carrying value of the instrument to nearly €37 million.

As at 31 December 2019 UniCredit S.p.A. has evaluated instrument's fair value according to internal models (Market Multiples and Multi-Scenario Analysis) for nearly €13 million, also considering the occurred reimbursement of interests for €9 million.



## Part B - Balance sheet - Assets

## 2.6 Other Financial assets mandatorily at fair value: breakdown by borrowers/issuers

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Equity instruments</b>	<b>182</b>	<b>556</b>
of which: banks	-	416
of which: other financial companies	105	140
of which: non-financial companies	77	-
<b>2. Debt securities</b>	<b>501</b>	<b>1,464</b>
a) Central banks	-	-
b) Governments and other Public Sector Entities	65	810
c) Banks	207	398
d) Other financial companies	174	220
of which: insurance companies	45	43
e) Non-financial companies	55	36
<b>3. Units in investment funds</b>	<b>1,242</b>	<b>1,086</b>
<b>4. Loans and advances</b>	<b>94</b>	<b>58</b>
a) Central banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	94	58
f) Households	-	-
<b>Total</b>	<b>2,019</b>	<b>3,164</b>

Decrease into debt securities is mainly determined by maturity of some instruments outstanding at the end of 2018.

Increase into units in investment funds is mainly determined by purchase of new instruments.

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

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>26,056</b>	<b>2,402</b>	<b>1,399</b>	<b>41,695</b>	<b>3,343</b>	<b>231</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	26,056	2,402	1,399	41,695	3,343	231
<b>2. Equity instruments</b>	<b>-</b>	<b>913</b>	<b>637</b>	<b>-</b>	<b>1,008</b>	<b>650</b>
<b>3. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>26,056</b>	<b>3,315</b>	<b>2,036</b>	<b>41,695</b>	<b>4,351</b>	<b>881</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>31,407</b>			<b>46,927</b>		

Decrease in debt securities is mainly determined by sale and maturity of government bonds not matched by new purchases.

Item "Debt Securities" includes investments FINO Project's in instrument Senior and in part in instrument Mezzanine notes with a value of €164 million and in Senior bonds of Prisma securitisation for €1,215 million.

Item "Equity instruments" includes (i) Banca d'Italia stake (presented among Level 2 instruments), with a value of €913 million and (ii) ABH Holding SA investments (presented among Level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsoibank to Alfa Group, with a value of €316 million.

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

## Part B - Balance sheet - Assets

## Exposures to securities relating to Securitisation transactions

	(€ million)
TRANCHING	AMOUNTS AS AT 12.31.2019
Senior	1,366
Mezzanine	13
Junior	-
<b>Total</b>	<b>1,379</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 the end of fourth quarter 2019, the disposal of about 10% of the share capital for about €746 million, of which about €96 million in 2019 (equal to 1.3%), reducing its shareholding to 12.2% (carrying value equal to about €913 million).

The disposal process is the result of a capital increase carried out by Banca d'Italia 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 were applicable to shares exceeding the above limit.

During last years shareholders with excess shares started the disposal process, finalising sales for more than 30% of the total capital. The carrying value as at 31 December 2019, in line with the figure at the end of the previous year 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 31 December 2019, the value of the investment, measured at fair value, in the balance sheet is given a weighting of 100% (in accordance with article 133 "Exposures in Equity Instruments" of the CRR).

## 3.2 Financial assets at fair value through other comprehensive income: breakdown by borrowers/issuers

	(€ million)	
	AMOUNTS AS AT	
ITEMS/VALUES	12.31.2019	12.31.2018
<b>1. Debt securities</b>	<b>29,857</b>	<b>45,269</b>
a) Central Banks	-	-
b) Governments and other Public Sector Entities	24,905	41,671
c) Banks	2,403	2,555
d) Other financial companies	1,728	410
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	821	633
<b>2. Equity instruments</b>	<b>1,550</b>	<b>1,658</b>
a) Banks	999	1,116
b) Other issuers	551	542
- Other financial companies	454	430
<i>of which: insurance companies</i>	6	4
- Non-financial companies	97	112
- Other	-	-
<b>3. Loans and advances</b>	<b>-</b>	<b>-</b>
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>31,407</b>	<b>46,927</b>

The item "2. Equity instruments a) Banks" includes Banca d'Italia stake with a value of €913 million.

## Part B - Balance sheet - Assets

## 3.3 Financial assets at fair value through other comprehensive income: gross value and total accumulated impairments

(€ million)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
Debt securities	29,886	29,886	-	-	29	-	-	-
Loans and advances	-	-	-	-	-	-	-	-
<b>Total 12.31.2019</b>	<b>29,886</b>	<b>29,886</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	-	-	-	-	-	-	-	-
<b>Total 12.31.2018</b>	<b>45,288</b>	<b>45,054</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	X	X	-	-	X	-	-	-

Note:

(\*) value shown for information purposes.

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

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019						AMOUNTS AS AT 12.31.2018					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans and advances to Central Banks</b>	<b>11,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,406</b>	<b>1,837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,837</b>
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	11,406	-	-	X	X	X	1,837	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	1	-	-	X	X	X	-	-	-	X	X	X
<b>B. Loans and advances to banks</b>	<b>30,661</b>	<b>-</b>	<b>-</b>	<b>1,781</b>	<b>21,788</b>	<b>7,212</b>	<b>29,135</b>	<b>-</b>	<b>-</b>	<b>1,224</b>	<b>21,111</b>	<b>6,997</b>
1. Loans	27,250	-	-	-	20,118	7,203	26,799	-	-	-	19,989	6,988
1.1 Current accounts and demand deposits	1,538	-	-	X	X	X	1,601	-	-	X	X	X
1.2 Time deposits	8,235	-	-	X	X	X	4,153	-	-	X	X	X
1.3 Other loans	17,477	-	-	X	X	X	21,045	-	-	X	X	X
- Reverse repos	9,987	-	-	X	X	X	10,741	-	-	X	X	X
- Lease Loans	20	-	-	X	X	X	-	-	-	X	X	X
- Other	7,470	-	-	X	X	X	10,304	-	-	X	X	X
2. Debt securities	3,411	-	-	1,781	1,670	9	2,336	-	-	1,224	1,122	9
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	3,411	-	-	1,781	1,670	9	2,336	-	-	1,224	1,122	9
<b>Total</b>	<b>42,068</b>	<b>-</b>	<b>-</b>	<b>1,781</b>	<b>21,788</b>	<b>18,618</b>	<b>30,972</b>	<b>-</b>	<b>-</b>	<b>1,224</b>	<b>21,111</b>	<b>8,834</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>42,187</b>						<b>31,169</b>		

Increase into loans with central banks in respect of December 2018 is determined by retention into compulsory reserve of liquidity to be invested in a short term.

Loans and receivables with banks are not managed on the basis of their fair value, which is only shown in order to meet financial disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting policies - A.4 Information on fair value of these Notes to the accounts.

It should be noted that securities lending transactions collateralised by other securities or not collateralised are shown under "off-balance sheet" exposures in table A.1.6 Part E - section 1 - Credit risk - Quantitative information - A. Asset quality. See also the Part B of paragraph "Other information" of these Notes to the accounts.

## Part B - Balance sheet - Assets

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019						AMOUNTS AS AT 12.31.2018					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Loans</b>	<b>224,921</b>	<b>4,687</b>	<b>70</b>	<b>-</b>	<b>84,644</b>	<b>146,626</b>	<b>213,178</b>	<b>9,355</b>	<b>9</b>	<b>-</b>	<b>107,619</b>	<b>113,585</b>
1.1 Current accounts	11,950	630	2	X	X	X	13,300	1,172	5	X	X	X
1.2 Reverse repos	54,363	-	-	X	X	X	33,825	-	-	X	X	X
1.3 Mortgages	93,750	2,743	2	X	X	X	94,395	5,576	4	X	X	X
1.4 Credit cards and personal loans, including wage assignment	11,170	206	-	X	X	X	10,520	183	-	X	X	X
1.5 Lease loans	76	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	262	3	-	X	X	X	304	7	-	X	X	X
1.7 Other loans	53,350	1,105	66	X	X	X	60,834	2,417	-	X	X	X
<b>2. Debt securities</b>	<b>29,486</b>	<b>1</b>	<b>-</b>	<b>28,513</b>	<b>1,306</b>	<b>330</b>	<b>17,052</b>	<b>-</b>	<b>-</b>	<b>15,252</b>	<b>1,767</b>	<b>296</b>
2.1 Structured securities	19	-	-	13	-	7	21	-	-	13	-	9
2.2 Other debt securities	29,467	1	-	28,500	1,306	323	17,031	-	-	15,239	1,767	287
<b>Total</b>	<b>254,407</b>	<b>4,688</b>	<b>70</b>	<b>28,513</b>	<b>85,950</b>	<b>146,956</b>	<b>230,230</b>	<b>9,355</b>	<b>9</b>	<b>15,252</b>	<b>109,386</b>	<b>113,881</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>261,419</b>						<b>238,519</b>					

It should be noted that the decreases in loans and advances to customers impaired (Stage 3) is mainly attributable to the disposal transactions (among which Prisma transaction) performed during the period and the strengthening of the rundown of the Non Core perimeter. With regard to the latter, it should be noted that, in line with the basis underlying the 2020-2023 Strategic Plan, in December 2019 the Board of Directors of UniCredit S.p.A. took important decisions by introducing a series of management initiatives and actions for the implementation and strengthening of the rundown strategy of the Non Core perimeter, with the aim of ensuring the complete runoff of the related credit exposures within the year 2021. This change led, at 31 December 2019, to a change in the parameters used to estimate the recovery values of credit exposures to customers, which, pursuant to IAS8, qualifies as "change in accounting estimate", since the measurement basis of the loans has not been modified.

Detailed information on the effects of this change is provided as required by IAS8 in Part E - Information on risks and hedging policies - Section 1 - Credit risk, under the table "A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values).

For further details see also the Report on operations and the chapter "Credit quality" in Part E - Information on risks and hedging policies of these Notes to the accounts.

Increase in item 2. Debt securities - 2.2. Other debt securities is mainly due to the adoption, from second half of 2018, of a business model held to collect for new purchases of Italian Government securities that have been consequently classified in item 40. Financial assets at amortized cost.

It should be noted that during the period, the sales performed out of item "40. Financial assets at amortised cost" have been non significant being below the threshold established internally.

Loans and receivables with customers are not managed on the basis of their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting policies - A.4 Information on fair value of this Notes to the accounts.

The fair value of impaired loans was estimated by considering that the realizable value expressed by the net book value is the best estimate of the future expected cash flows discounted at the valuation date, further adjusted to incorporate, when available, a premium derived from significant market's transaction for similar instruments. According to this assumption, impaired loans were classified as Level 3 in the fair value hierarchy.

The item "2.2 Other debt securities" include securities related to securitisation transactions shown in the following table.

## Part B - Balance sheet - Assets

## Exposures to securities relating to Securitisation transactions

		(€ million)
TRANCHING		AMOUNTS AS AT 12.31.2019
Senior		1,014
Mezzanine		-
Junior		-
<b>Total</b>		<b>1,014</b>

## 4.3 Financial assets at amortised cost: breakdown by borrowers/issuers of loans and advances to customers

(€ million)						
TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	STAGE 1 OR STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 OR STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Debt securities	29,486	1	-	17,052	-	-
a) Governments and other Public Sector Entities	26,663	-	-	14,336	-	-
b) Other financial companies	1,204	1	-	1,602	-	-
of which: insurance companies	51	-	-	52	-	-
c) Non-financial companies	1,619	-	-	1,114	-	-
2. Loans	224,921	4,687	70	213,178	9,355	9
a) Governments and other Public Sector Entities	3,450	5	-	4,097	56	-
b) Other financial companies	84,870	299	66	68,920	685	-
of which: insurance companies	204	-	-	198	-	-
c) Non-financial companies	73,697	3,172	4	76,678	5,592	7
d) Households	62,904	1,211	-	63,483	3,022	2
Total	254,407	4,688	70	230,230	9,355	9

## 4.4 Financial assets at amortised cost: gross value and total accumulated impairments

(€ million)									
		GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
		STAGE 1							
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION							
				STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
1. Debt securities		32,477	32,477	449	1	8	20	-	-
2. Loans		254,907	-	9,889	15,286	519	700	10,599	1,899
<b>Total</b>	<b>12.31.2019</b>	<b>287,384</b>	<b>32,477</b>	<b>10,338</b>	<b>15,287</b>	<b>527</b>	<b>720</b>	<b>10,599</b>	<b>1,899</b>
<i>of which: purchased or originated credit-impaired financial assets</i>									
		X	X	-	80	X	-	10	23
<b>Total</b>	<b>12.31.2018</b>	<b>251,155</b>	<b>19,176</b>	<b>11,353</b>	<b>25,410</b>	<b>549</b>	<b>757</b>	<b>16,055</b>	<b>2,395</b>
<i>of which: purchased or originated credit-impaired financial assets</i>									
		X	X	-	22	X	-	13	25

Note:

(\*) value shown for information purposes.



## Part B - Balance sheet - Assets

## Section 7 - Equity investments - Item 70

## 7.1 Equity: information on shareholder's equity

COMPANY NAME	MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE <sup>(1)</sup>	EQUITY % <sup>(2)</sup>	VOTING RIGHTS %
<b>A. Subsidiaries</b>				
1 Anthemis EVO LLP	London	London	50.00%	
2 AO UniCredit Bank	Moscow	Moscow	100.00%	
3 Bavaria Servicos de Representacao Comercial LTDA	Sao Paulo	Sao Paulo	100.00%	<sup>(A)</sup>
4 Box 2004 S.r.l. (in liquidation)	Rome	Rome	100.00%	
5 Capital Dev S.p.A.	Rome	Rome	100.00%	
6 Cordusio SIM S.p.A.	Milan	Milan	97.12%	
7 Cordusio Società Fiduciaria per Azioni	Milan	Milan	100.00%	
8 Crivelli S.r.l.	Milan	Milan	100.00%	
9 Fineco Verwaltung AG (in liquidation)	Munich	Munich	100.00%	
10 Island Finance (ICR4) S.r.l. (in liquidation)	Rome	Rome	100.00%	
11 Istituto Immobiliare di Catania S.p.A.	Catania	Catania	1.12%	<sup>(B)</sup>
12 Nuova Compagnia di Partecipazioni S.p.A.	Rome	Rome	100.00%	
13 PAI (Bermuda) Limited (già Pioneer Alternative Investments (Bermuda) Limited)	Hamilton	Hamilton	100.00%	
14 Pai Management LTD	Dublin	Dublin	100.00%	
15 PAI (New York) Limited (già Pioneer Alternative Investments (New York) Limited)	Dover	New York	100.00%	
16 Pirta Verwaltungs GMBH	Wien	Wien	100.00%	
17 Sanità - S.r.l. (in liquidation)	Rome	Rome	99.60%	
18 Società di Gestioni Esattoriali in Sicilia SO.G.E.SI. S.p.A. (in liquidation)	Palermo	Palermo	80.00%	
19 Sofigere Société par Actions Simplifiée	Paris	Paris	100.00%	
20 UniCredit Bank A.D. Banja Luka	Banja Luka	Banja Luka	99.43%	
21 UniCredit Bank AG	Munich	Munich	100.00%	
22 UniCredit Bank Austria AG	Wien	Wien	99.99%	
23 UniCredit Bank Ireland P.I.c.	Dublin	Dublin	100.00%	
24 UniCredit Bank Hungary ZRT	Budapest	Budapest	100.00%	
25 UniCredit Bank S.A.	Bucharest	Bucharest	98.63%	
26 UniCredit Bank Serbia JSC	Belgrade	Belgrade	100.00%	
27 UniCredit Banka Slovenija D.D.	Ljubljana	Ljubljana	100.00%	
28 UniCredit BPC Mortgage S.r.l.	Verona	Verona	60.00%	
29 UniCredit Bulbank A.D.	Sofia	Sofia	99.45%	
30 UniCredit Bank Czech Republic and Slovakia A.S.	Prague	Prague	100.00%	
31 UniCredit Consumer Financing IFN S.A.	Bucharest	Bucharest	49.90%	<sup>(C)</sup>
32 UniCredit Factoring S.p.A.	Milan	Milan	100.00%	
33 UniCredit Global Leasing Export GMBH	Wien	Wien	100.00%	
34 UniCredit International Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	100.00%	
35 UniCredit Leasing S.p.A.	Milan	Milan	100.00%	
36 UniCredit Myagents S.r.l.	Bologna	Bologna	100.00%	
37 UniCredit OBG S.r.l.	Verona	Verona	60.00%	
38 UniCredit Servics S.c.p.A. (già UniCredit Business Integrated Solutions S.c.p.A.)	Milan	Milan	100.00%	<sup>(D)</sup>
39 UniCredit Subito Casa S.p.A.	Milan	Milan	100.00%	
40 UniCredit Turn-Around Management GMBH	Wien	Wien	100.00%	
41 Visconti S.r.l.	Milan	Milan	76.00%	
42 Zagrebacka Banka D.D.	Zagreb	Zagreb	84.48%	

## Part B - Balance sheet - Assets

continued: 7.1 Equity: information on shareholder's equity

COMPANY NAME	MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE <sup>(*)</sup>	EQUITY % <sup>(**)</sup>	VOTING RIGHTS %
<b>C. Companies under significant influence</b>				
1 Asset Bancari II	Milan	Milan	21.55% <sup>(E)</sup>	
2 Aviva S.p.A.	Milan	Milan	49.00%	
3 Camfin S.p.A.	Milan	Milan	12.70%	19.84%
4 CNP UniCredit Vita S.p.A.	Milan	Milan	38.80%	
5 Compagnia Aerea Italiana S.p.A.	Fiumicino (Rome)	Fiumicino (Rome)	36.59%	
6 Creditas Assicurazioni S.p.A.	Milan	Milan	50.00%	
7 Creditas Vita S.p.A.	Milan	Milan	50.00%	
8 Europrogetti & Finanza S.p.A. (in liquidation)	Rome	Rome	39.79%	
9 Fenice Holding S.p.A. (in liquidation)	Calenzano (FI)	Calenzano (FI)	25.91%	
10 Focus Investments S.p.A.	Milan	Milan	8.33%	25.00%
11 Incontra Assicurazioni S.p.A.	Milan	Milan	49.00%	
12 La Fortezza S.r.l.	Catanzaro	Catanzaro	1.00%	
13 Le Vigne S.r.l.	Catanzaro	Catanzaro	1.00%	
14 Maccorp Italiana S.p.A.	Milan	Milan	25.45%	
15 Risanamento S.p.A.	Milan	Milan	22.23%	
16 Torre SGR S.p.A.	Rome	Rome	37.50%	
17 UniQLegal S.t.a.p.A.	Milan	Milan	9.00%	

**Notes:**

(\*) Also meaning the administrative office.

(\*\*) The equity stake is held by the Parent Company and does not include any stake held by other Group companies.

(A) A fractional share is held by UniCredit U.S. Finance LLC (controlled by UniCredit Bank AG).

(B) 93.92% is held by Capital Dev S.p.A.

(C) The remaining share of 50.10% is held indirectly by UniCredit Bank S.A.

(D) A fractional share is held by various Group companies.

(E) It is a real estate closed-end investment fund

In May the stake in FinecoBank S.p.A. was partially sold with subsequent loss of control. The sale determined a gain for €1,722 million. The residual shares had been reclassified in Assets mandatory at fair value. In July the residual shares were entirely sold.

In November the stake in Mediobanca - Banca di Credito Finanziario S.p.A. has been entirely sold with the recognition of a gain for €31 million.

The investments are individually tested for impairment in accordance with the provisions of IAS36. When the conditions provided for therein apply, their recovery value is determined, meant as the higher of their "fair value" and "value in use" (the latter determined by discounting the cash flows at a rate that takes account of the current market rates and the specific risks of the asset or using other commonly accepted valuation criteria and methods suitable for the correct valuation of the investment). If the recovery value is lower than the carrying amount, the latter is consequently reduced by allocating the corresponding impairment loss to the income statement.

On the basis of the above impairment loss has been recognised in subsidiaries, including: UniCredit Bank Austria Credistanstalt Ag (-€1,862 million), UniCredit Bank Ag (-€1,739 million), Koc Finansal Hizmetler Istanbul AS (-€500 million), UniCredit Bank Ireland Plc (-€132 million), Sia UniCredit Leasing (-€20 million), UniCredit Turn Around Management Cee Gmbh (-€15 million). Further, some write-up have been recognised, including: UniCredit Leasing S.p.A. (€713 million), AO UniCredit Bank (€244million), Nuova Compagnia di Partecipazioni S.p.A. (€34 million), UniCredit Banka Slovenja (€17 million), UniCredit Consumer Financing Ifn S.A. (€16 million), CNP (€16 million), UniCredit International Luxembourg S.A. (€9 million), Aviva (€6 million), Cordusio Sim S.p.A. (€3 million).



## Part B - Balance sheet - Assets

### 7.5 Equity investments: annual changes

	CHANGES IN	
	2019	2018
<b>A. Opening balance</b>	<b>42,873</b>	<b>44,146</b>
<b>B. Increases</b>	<b>3,148</b>	<b>600</b>
of which: business combinations	-	1
B.1 Purchases	273	505
B.2 Write-backs	1,064	65
B.3 Revaluation	-	-
B.4 Other changes	1,811	30
<b>C. Decreases</b>	<b>8,148</b>	<b>1,873</b>
of which: business combinations	797	-
C.1 Sales	1,800	70
C.2 Write-downs	4,203	1,796
C.3 Impairment	-	-
C.4 Other changes	2,145	7
<b>D. Closing balance</b>	<b>37,873</b>	<b>42,873</b>
<b>E. Total revaluation</b>	<b>-</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>13,659</b>	<b>13,060</b>

The sub-items "B.4 Other charges" and "C.1 Sales" include the effects arising from the sale of FinecoBank S.p.A. and Mediobanca - Banca di Credito Finanziario S.p.A. occurred during the year.

The sub-item "C.4 Other changes" includes the effects deriving from the reclassification for the loss of control to Assets mandatorily at fair value of the residual shares held in FinecoBank S.p.A. after the partial sale in May, which were entirely sold in July. Further, it includes effects deriving from reclassification of Koc Finansal Hizmetler Istanbul AS into assets held for sale.

## Section 8 - Property, plant and equipment - Item 80

It should be noted that as result of the retrospective application, starting from 1 January 2019, of the change in measurement criteria of real estate held for investment, the amounts presented for 31 December 2018 are different from those published.

Furthermore, starting from 1 January 2019, IFRS16 has become effective; therefore the tables below have been adjusted as a result of the 6<sup>th</sup> update to the Circular 262 of Banca d'Italia with the introduction of specific items dedicated to the right of use.

Refer to Part A - Section 5 - Other Matters, for further details on these topics.

### 8.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Owned assets</b>	<b>320</b>	<b>1,972</b>
a) Land	-	760
b) Buildings	-	909
c) Office furniture and fitting	50	37
d) Electronic systems	175	164
e) Other	95	102
<b>2. Right of use of Leased Assets</b>	<b>1,236</b>	<b>-</b>
a) Land	-	-
b) Buildings	1,220	-
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	16	-
<b>Total</b>	<b>1,556</b>	<b>1,972</b>
of which: obtained by the enforcement of collateral	-	-

Changes in carrying amount of land and buildings as at 31 December 2018 come from reclassification performed, in the context of the change in the evaluation criteria of tangible assets, on some properties from held for investment to used in the business.

### 8.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

No data to be disclosed.

## Part B - Balance sheet - Assets

## 8.3 Property, plant and equipment used in the business: breakdown of revalued assets

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>2,380</b>	-	-	-
a) Land	-	-	856	-	-	-
b) Buildings	-	-	1,524	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
<b>2. Right of use of Leased Assets</b>	-	-	-	-	-	-
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
<b>Total</b>	-	-	<b>2,380</b>	-	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>	<b>2,380</b>			<b>-</b>		

## 8.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>236</b>	-	-	<b>392</b>
a) Land	-	-	82	-	-	137
b) Buildings	-	-	154	-	-	255
<b>2. Right of use of Leased Assets</b>	-	-	-	-	-	-
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
<b>Total</b>	-	-	<b>236</b>	-	-	<b>392</b>
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>	<b>236</b>			<b>392</b>		

## 8.5 Inventories of tangible assets regulated by IAS2: breakdown

The Company does not have tangible assets to be recorded according to IAS2.

## Part B - Balance sheet - Assets

## 8.6 Tangible assets used in the business: annual changes

(€ million)

	CHANGES IN 2019					TOTAL
	LANDS	BUILDINGS	OFFICE FURNITURE	ELECTRONIC SYSTEMS	OTHER	
<b>A. Gross opening balance</b>	<b>760</b>	<b>1,526</b>	<b>637</b>	<b>1,238</b>	<b>471</b>	<b>4,632</b>
A.1 Total net reduction in value	-	(617)	(600)	(1,074)	(370)	(2,661)
A.2 Net opening balance	760	909	37	164	101	1,971
<b>B. Increases</b>	<b>188</b>	<b>2,176</b>	<b>23</b>	<b>60</b>	<b>42</b>	<b>2,489</b>
B.1 Purchases	27	162	22	60	26	297
<i>of which: business combinations</i>	-	34	16	17	-	67
B.2 Capitalised expenditure on improvements	-	70	-	-	-	70
B.3 Write-backs	-	17	-	-	-	17
B.4 Increases in fair value:	159	603	-	-	-	762
a) In equity	159	603	-	-	-	762
b) Through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	2	1,324	1	-	16	1,343
<b>C. Reductions</b>	<b>92</b>	<b>341</b>	<b>10</b>	<b>49</b>	<b>32</b>	<b>524</b>
C.1 Disposals	-	-	2	-	-	2
<i>of which: business combinations</i>	-	-	-	-	-	-
C.2 Depreciation	2	223	8	47	31	311
C.3 Impairment losses:	-	20	-	2	-	22
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	20	-	2	-	22
C.4 Reduction of fair value:	89	34	-	-	-	123
a) In equity	-	-	-	-	-	-
b) Through profit or loss	89	34	-	-	-	123
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	1	1	-	-	-	2
a) Property, plant and equipment held for investment	-	-	X	X	X	-
b) Non-current assets and disposal groups classified as held for sale	1	1	-	-	-	2
C.7 Other changes	-	63	-	-	1	64
<b>D. Net final balance</b>	<b>856</b>	<b>2,744</b>	<b>50</b>	<b>175</b>	<b>111</b>	<b>3,936</b>
D.1 Total net reduction in value	-	(66)	(631)	(1,132)	(381)	(2,210)
D.2 Gross closing balance	856	2,810	681	1,307	492	6,146
<b>E. Carried at cost</b>	<b>787</b>	<b>954</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,741</b>

It should be noted that the amount reported under item B. Increases - B.7 Other changes also include the opening balances of the right of use recognized as a result of IFRS16 introduction. For additional information, refer to Part A - Section 5 - Other matters of these Notes to the accounts. Furthermore, item "E. Carried at cost" also include the carrying amount of right of use measured according to the cost model.

## Part B - Balance sheet - Assets

## 8.7 Tangible assets held for investment: annual changes

(€ million)

	CHANGES IN 2019		
	LANDS	BUILDINGS	TOTAL
<b>A. Opening balances</b>	<b>137</b>	<b>255</b>	<b>392</b>
<b>B. Increases</b>	<b>23</b>	<b>30</b>	<b>53</b>
B.1 Purchases	2	3	5
<i>of which: business combinations</i>	2	3	5
B.2 Capitalised expenditure on improvements	-	1	1
B.3 Increases in fair value	21	1	22
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from properties used in the business	-	-	-
B.7 Other changes	-	25	25
<b>C. Reductions</b>	<b>78</b>	<b>131</b>	<b>209</b>
C.1 Disposals	-	-	-
<i>of which: business combinations</i>	-	-	-
C.2 Depreciation	-	-	-
C.3 Reductions in fair value	45	105	150
C.4 Impairment losses	-	-	-
C.5 Negative exchange differences	-	-	-
C.6 Transfer to:	31	22	53
a) Properties used in the business	-	-	-
b) Non-current assets and disposal groups classified as held for sale	31	22	53
C.7 Other changes	2	4	6
<b>D. Closing balances</b>	<b>82</b>	<b>154</b>	<b>236</b>
<b>E. Measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 8.8 Inventories of tangible assets regulated by IAS2: annual changes

No data to be disclosed.

## 8.9 Commitments to purchase property, plant and equipment

At Financial Statement date, Commitments for the purchase of tangible assets do not exist.

## Section 9 - Intangible assets - Item 90

## 9.1 Intangible assets: breakdown by asset type

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2019		AMOUNTS AS AT 12.31.2018	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>A.2 Other intangible assets</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>
A.2.1 Assets carried at cost	4	-	4	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	4	-	4	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>Total finite and indefinite life</b>		<b>4</b>		<b>4</b>

## Part B - Balance sheet - Assets

## 9.2 Intangible assets: annual changes

(€ million)

(€ million)

	CHANGES IN 2019					TOTAL
	OTHER INTANGIBLE ASSETS					
	GOODWILL	GENERATED INTERNALLY		OTHER		
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
A. Gross opening balance	7,710	-	-	243	-	7,953
A.1 Total net reduction in value	(7,710)	-	-	(239)	-	(7,949)
A.2 Net opening balance	-	-	-	4	-	4
B. Increases	-	-	-	2	-	2
B.1 Purchases	-	-	-	2	-	2
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C. Reduction	-	-	-	2	-	2
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	-	-	2	-	2
- Amortisation	X	-	-	2	-	2
- Write-downs	-	-	-	-	-	-
+ In equity	X	-	-	-	-	-
+ Through profit or loss	-	-	-	-	-	-
C.3 Reduction in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
D. Net closing balance	-	-	-	4	-	4
D.1 Total net write-down	(7,710)	-	-	(241)	-	(7,951)
E. Gross closing balance	7,710	-	-	245	-	7,955
F. Carried at cost	-	-	-	-	-	-

## Part B - Balance sheet - Assets

### Section 10 - Tax assets and tax liabilities - Item 100 (Assets) and Item 60 (Liabilities)

It should be noted that as result of the retrospective application, starting from 1 January 2018, of the change in measurement criteria of real estate held for investment, the amounts presented for 31 December 2018 for tax assets and tax liabilities are different from those published.

#### 10.1 Deferred tax assets: breakdown

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>Deferred tax assets arising from Italian law 214/2011</b>	<b>8,146</b>	<b>8,151</b>
<b>Deferred tax assets arising from tax losses</b>	<b>546</b>	<b>78</b>
<b>Deferred tax assets arising from temporary differences</b>	<b>1,562</b>	<b>1,927</b>
Financial assets and liabilities (different from loans and deposits)	27	213
Loans and deposits to/from banks and customers	801	884
Hedging and hedged item revaluation	41	42
Property, plant and equipment and intangible assets different from goodwill	111	55
Goodwill and equity investments	-	-
Current assets and liabilities held for sale	-	-
Other assets and Other liabilities	-	-
Provisions, pension funds and similar	582	733
Other	-	-
<b>Accounting offsetting</b>	<b>(444)</b>	<b>(251)</b>
<b>Total</b>	<b>9,810</b>	<b>9,905</b>

#### 10.2 Deferred tax liabilities: breakdown

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>Deferred tax liabilities arising from temporary differences</b>	<b>444</b>	<b>251</b>
Financial assets and liabilities (different from loans and deposits)	117	99
Loans and deposits to/from banks and customers	-	-
Hedging and hedged item revaluation	26	10
Property, plant and equipment and intangible assets different from goodwill	297	139
Goodwill and equity investments	-	-
Assets and liabilities held for sale	-	-
Other assets and Other liabilities	3	2
Other	1	1
<b>Accounting offsetting</b>	<b>(444)</b>	<b>(251)</b>
<b>Total</b>	<b>-</b>	<b>-</b>

#### Deferred tax assets deriving from Law no. 214/2011

The item includes:

- the amount of €3,167 million related to Deferred tax assets (for IRES and IRAP) due to the tax release of the value of the equity investments pursuant to art.23 of D.L. no.98/2011;
- the amount of €1,287 million related to Deferred tax assets (for IRES and IRAP) arising from goodwill tax redemption.

As of 31 December 2019, the total amount of Deferred tax assets convertible into tax credits is equal to €7,189 million for IRES and €957 million for IRAP.

#### Deferred Tax Assets for the carry-forward of unused tax losses - DTA TLCF

The possibility to book DTA TLCF, against future taxable income, implies an estimate of future economic results; this estimate is based on the execution of a sustainability test, in accordance with the provisions of IAS12.

Starting from this year, the sustainability test for both IRES and IRAP has been developed on a 10 years-time length (from 2020 to 2029<sup>45</sup> lengthening the forecast interval compared to 5 years used in previous years, since it is considered more appropriate based on the following considerations:

- the implementation of 2019 Transform Plan, completed in line with expectations, through which UniCredit has demonstrated its forward-looking ability, also confirming the underlying assumption of the sustainability of positive long-term results (for a detailed description of the objectives achieved in the Transform 2019 can be found in the Consolidated report on operations - Group results - Main results and performance for the period);

45 The period of 10 years was defined with reference to the test carried out on Italian Tax Group perimeter for IRES purposes applying the ordinary current rate of 24%, on UniCredit S.p.A. also applying the additional IRES rate of 3.5% related to the banks and to each subsidiaries belonging to the Italian Tax Group perimeter where applicable.

## Part B - Balance sheet - Assets

- the approval of Team 23 on 2 December 2019, which including - among others - non-recurring elements such as the updating of the rundown strategy of the Non Core portfolio by 2021, as well as the completion of the operational reorganization (including extraordinary operations already carried out or planned in the plan horizon), allows to assume the stability of future operating results and the definition of a context of greater reliability of forecasts (for a detailed description of the objectives of Team 23, see the Consolidated report on operations - Group Results - Main Results and performance for the period.

In addition to the reasons outlined above, the choice relating to a 10 years-time length also derives: (i) from the presence of tax legislation that does not set time limits for recovery but on the other hand (ii) also by the need to limit the uncertainty deriving from an excessive lengthening of the time period; therefore, based on mentioned explanations, the 10 years-time length is appropriate for assessing the generation of future taxable income that will allow the recognition of unreported tax losses, which is expected to reduce future tax charges<sup>46</sup>.

The lengthening of the time period therefore also includes periods subsequent to the official forecasts contained in the new Strategic Plan Team 23 approved on 2 December 2019 (MYP), that is, beyond the period 2020-2023. Therefore in order to mitigate the effects the uncertainty inherent the adoption of an approach based also on estimates beyond the plan horizon, it has been adopted a model incorporating a probabilistic component. In particular, in line with ESMA recommendation issued on 15 July 2019, the new sustainability test for the determination of future taxable incomes envisages:

- a deterministic approach for the years for which official projections are available (i.e. the period 2020-2023);
- a statistical approach for the years beyond official projections (2024-2029); this approach is based on the statistical generation of multiple scenarios that lead to generating projections of future taxable income in the test time horizon. As far as possible, objective criteria and realistic assumptions have been adopted to define the values of this projection, such as:
  - long-term annual growth rate set at 2%, which incorporates an assumption of growth at 0% in real terms, as 2% represents the target rate of price stability<sup>47</sup>;
  - nominal future growth rate with 4% cap applied to pre-tax profit for projections beyond the deterministic period, which leads to consistency with the long-term annual growth rate of 2%.

Furthermore, in line with IAS12, as well as taking into consideration the ESMA document, a confidence interval has been selected which reflects a probability greater than 50% in relation to the expected tax incomes.

The risk elements related to this approach are linked to a possible significant reduction in the tax rate, as well as to any time limits on the recovery of tax assets that may be introduced by changes in the current legislation. Sensitivity analyzes were conducted on these aspects, however, keeping in mind the substantial invariance of the DTA TLCF for the purposes of the impact on Common Equity Tier 1 capital, given their regulatory treatment.

Consistently with the approach outlined, the sustainability test was performed on the Italian Tax Group perimeter applying the current ordinary tax rate of 24% and on UniCredit S.p.A. also applying the additional tax rate of 3.5% determined the sustainability of DTA TLCF as at 31 December 2019 for a total amount of €546 million, of which: (i) €7 million recognised through income statement and (ii) €539 million recognized through Net equity as they are attributable to transactions recognized through Net equity according to international accounting standards.

The amount of deferred tax assets arising from tax losses not booked is equal to €3,129 million of which (i) €2,737 million (€2,668 million deriving from accounting items originated in the Income statement and €69 million from Net equity components) referred to the Italian Tax Group perimeter and related to the 24% IRES ordinary tax rate and (ii) €392 million (€382 million deriving from accounting items originated in the Income statement and €10 million from Net equity components) referred to UniCredit S.p.A. and related to the 3.5% IRES additional tax rate.

### Deferred Tax Assets from temporary differences

With particular reference to Deferred tax assets due to temporary differences (€1,562 million booked before the offset against the corresponding Deferred tax liabilities), the sustainability test determined the need to an impairment for an amount of €281 million, of which (i) €278 million recognised through income statement and (ii) €3 million recognized through Net equity as they are attributable to transactions recognized through Net equity according to international accounting standards.

Deferred tax assets on income statement decreased during the year by €262 million, of which a decrease of €270 million for IRES and an increase of €8 million for IRAP, due to the normal dynamic in offsetting against current taxes and to the results of sustainability test as above mentioned.

<sup>46</sup> It should also be recalled that the ESMA 2016/410 document highlights referring to a sample of about 20 issuers from the European Economic Area who have provided disclosure regarding the time horizon used for the test, that approximately 40% of the selected issuers expect to recover DTAs in a period from 6 to 15 years.

<sup>47</sup> "The primary objective of the ECB's monetary policy is to maintain price stability. The ECB aims at inflation rates of below, but close to, 2% over the medium term" (<https://www.ecb.europa.eu/mopo/html/index.en.html>).

## Part B - Balance sheet - Assets

## 10.3 Deferred tax assets: annual changes (balancing P&amp;L)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	<b>9,548</b>	<b>8,365</b>
<b>2. Increases</b>	<b>820</b>	<b>2,111</b>
2.1 Deferred tax assets arisen during the year	484	1,717
a) Relating to previous years	33	50
b) Due to change in accounting criteria	-	-
c) Write-backs	-	430
d) Other	451	1,237
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	336	394
<b>3. Decreases</b>	<b>1,192</b>	<b>928</b>
3.1 Deferred tax assets derecognised during the year	746	595
a) Reversals of temporary differences	-	519
b) Write-downs of non-recoverable items	344	-
c) Change in accounting criteria	-	-
d) Other	402	76
3.2 Reduction in tax rates	-	-
3.3 Other decreases	446	333
a) Conversion into tax credit under Italian Law 214/2011	-	-
b) Other	446	333
<b>4. Closing balance</b>	<b>9,176</b>	<b>9,548</b>

The sub-items "2.3 Other increases" and "3.3 Other decreases b) Other" include the effect of netting DTA/DTL of previous and current year.

## 10.3bis Deferred tax assets (Italian Law 214/2011): annual changes

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	<b>8,151</b>	<b>8,157</b>
<b>2. Increases</b>	<b>-</b>	<b>-</b>
<b>3. Decreases</b>	<b>5</b>	<b>6</b>
3.1 Reversals of temporary differences	-	-
3.2 Conversion into tax credits	-	-
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	-	-
3.3 Other decreases	5	6
<b>4. Closing balance</b>	<b>8,146</b>	<b>8,151</b>

Following the 5<sup>th</sup> update of Banca d'Italia Circular 262, starting from 31 December 2018, the table shows the deferred tax asset annual changes of which L.214/2011 both equity balancing and income statement balancing.



## Part B - Balance sheet - Assets

## 10.4 Deferred tax liabilities: annual changes (balancing P&amp;L)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	-	-
<b>2. Increases</b>	<b>158</b>	<b>186</b>
2.1 Deferred tax liabilities arisen during the year	2	20
a) Relating to previous years	-	-
b) Due to change in accounting criteria	-	-
c) Other	2	20
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	156	166
<b>3. Decreases</b>	<b>158</b>	<b>186</b>
3.1 Deferred tax liabilities derecognised during the year	105	25
a) Reversals of temporary differences	-	19
b) Due to change in accounting criteria	-	-
c) Other	105	6
3.2 Reduction in tax rates	-	-
3.3 Other decreases	53	161
<b>4. Closing balance</b>	<b>-</b>	<b>-</b>

The items "2.3 Other increases" and "3.3 Other decreases" include the effect of netting DTA/DTL of previous and current year.

## 10.5 Deferred tax assets: annual changes (balancing Net Equity)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	<b>357</b>	<b>346</b>
<b>2. Increases</b>	<b>507</b>	<b>276</b>
2.1 Deferred tax assets arisen during the year	46	270
a) Relating to previous years	4	-
b) Due to change in accounting criteria	-	-
c) Other	42	270
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	461	6
<b>3. Decreases</b>	<b>230</b>	<b>265</b>
3.1 Deferred tax assets derecognised during the year	226	265
a) Reversals of temporary differences	224	91
b) Write-downs of non-recoverable items	2	169
c) Due to change in accounting criteria	-	-
d) Other	-	5
3.2 Reduction in tax rates	-	-
3.3 Other decreases	4	-
<b>4. Closing balance</b>	<b>634</b>	<b>357</b>

## Part B - Balance sheet - Assets

## 10.6 Deferred tax liabilities: annual changes (balancing Net Equity)

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Opening balance</b>	-	-
<b>2. Increases</b>	<b>420</b>	<b>357</b>
2.1 Deferred tax liabilities arisen during the year	324	124
a) Relating to previous years	-	-
b) Due to change in accounting criteria	251	-
c) Other	73	124
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	96	233
<b>3. Decreases</b>	<b>420</b>	<b>357</b>
3.1 Deferred tax liabilities derecognised during the year	28	261
a) Reversal of temporary differences	28	58
b) Due to change in accounting criteria	-	-
c) Other	-	203
3.2 Reduction in tax rates	-	-
3.3 Other decreases	392	96
<b>4. Closing balance</b>	<b>-</b>	<b>-</b>

The items "2.3 Other increases" and "3.3 Other decreases" include the effect of netting DTA/DTL of previous and current year.

## 10.7 Other information

**Italian Tax Group**

The Tax Group regime was introduced in Italy by Legislative Decree no.344 of 12 December 2003, that implemented the Italian corporate income tax (IRES) reform.

The regime of national Tax Group is optional, with a duration bound for three financial years and certain conditions (controlling relationship, same operating period) to be met.

The participation to the Tax Group regime allows the offsetting between taxable income and tax losses generated by the companies participating to such regime.

For financial year 2019 the following legal entities adhered to the Italian Tax Group with UniCredit S.p.A.:

- UniCredit Factoring - Milan;
- UniCredit Leasing - Milan;
- Cordusio Fiduciaria - Milan;
- UniCredit Services (ex UniCredit Business Integrated Solutions) - Milan;
- Cordusio SIM - Milan;
- UniCredit Bank AG - Milan Branch.

The number of legal entities participating to the Italian Tax Group is unchanged compared to year 2018.

**Deferred tax assets due to tax losses carried forward**

Deferred tax assets on tax loss, equal to €214 million for taxes could have been registered in 2019, in addition to the residual tax losses carried forward for the period 2016-2018 for a total amount of €3,515 million (the amount includes a residual amount of €10 million tax loss carried forward deriving from the merger of the subsidiaries PGAM and Buddy Servizi Molecolari) of which €2,897 as deferred tax assets in Profit & Loss and €618 as deferred tax assets in Net Assets. Following the sustainability test, also considering that the Tax Group shows a tax credit, an amount of deferred tax assets limited to €546 million (of which €7 million in Profit & Loss and €539 million in Net Assets) can be registered.

The amount of deferred tax assets arising from tax losses not booked is equal to €3,129 million of which (i) €2,737 million (€2,668 million deriving from accounting items originated in the Income statement and €69 million from Net equity components) referred to the Italian Tax Group perimeter and related to the 24% IRES ordinary tax rate and (ii) €392 million (€382 million deriving from accounting items originated in the Income statement and €10 million from Net equity components) referred to UniCredit S.p.A. and related to the 3.5% IRES additional tax rate.

In respect of foreign branches, relevant tax losses not utilized are equal to €6.374 million, due to start-up expenses or other operating costs. Said tax losses can only be used against the taxable income at the level of permanent establishment of Wien and of each single branch for taxes due in the relevant Country of establishment.

## Part B - Balance sheet - Assets

### Section 11 - Non current assets and disposal groups classified as held for sale and Liabilities associated with assets classified as held for sale - Item 110 (Assets) and Item 70 (Liabilities)

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

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
(€ million)		
<b>A. Assets held for sale</b>		
A.1 Financial assets	263	54
A.2 Equity investments	862	-
A.3 Property, plant and equipment	17	62
<i>of which: obtained by the enforcement of collateral</i>	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
<b>Total (A)</b>	<b>1,142</b>	<b>116</b>
<i>of which: carried at cost</i>	1,125	54
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	17	62
<i>of which: designated at fair value - level 3</i>	-	-
<b>B. Discontinued operations</b>		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>
<i>of which: carried at cost</i>	-	-
<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>	-	-
<b>C. Liabilities associated with assets classified as held for sale</b>		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
<b>Total (C)</b>	<b>-</b>	<b>-</b>
<i>of which: carried at cost</i>	-	-
<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>	-	-
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
<b>Total (D)</b>	<b>-</b>	<b>-</b>
<i>of which: carried at cost</i>	-	-
<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>	-	-

Sub-item "A.2 Equity investments" is composed by stakes into Koc Finansal Hizmetler Istanbul AS and Sia UniCredit Leasing.

## Part B - Balance sheet - Assets

### Section 12 - Other assets - Item 120

#### 12.1 Other assets: breakdown

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	-	-
Accrued income and prepaid expenses other than capitalised income	234	219
Positive value of management agreements (so-called servicing assets)	-	-
Cash and other valuables held by cashier	187	277
- Current account cheques being settled, drawn on third parties	187	277
- Current account cheques payable by group banks, cleared and in the process of being debited	-	-
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	-	22
- Customers	-	22
- Banks	-	-
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	156	271
Items deemed definitive but not-attributable to other items	1,301	1,180
- Securities and coupons to be settled	34	42
- Other transactions	1,267	1,138
Adjustments for unpaid bills and notes	6	7
Tax items other than those included in item 110	1,411	1,469
Commercial credits pursuant to IFRS15	-	-
Other items	611	431
<b>Total</b>	<b>3,906</b>	<b>3,876</b>

It should be noted that, as at 31 December 2019, among the "Other items" are recognised, at their fair value of €69 million, the precious stones (diamonds) repurchased from customers within the "customer care" initiative promoted by the Bank regarding this topic.

Item "Accrued income and prepaid expenses other than capitalised income" includes the contract assets recognized in accordance with IFRS15.

In this context accrued income represents the portion of the performance obligation already satisfied through the services provided by the Bank and that will be settled in the future periods in accordance with contractual provisions.

The aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, and therefore not represented in the table above, is of a non-material amount and relates to performance obligations expected to be satisfied by the following year end reporting date.

It should be noted that during the period there have not been significant changes in the accrued income and prepaid expenses not included in the carrying amount of the relevant financial assets.

## Part B - Balance sheet - Assets

## Periodic change of accrued income/expenses and prepaid expenses/income

	(€ million)	
	AMOUNTS AS AT	12.31.2019
	ACCURRED INCOME AND PREPAID EXPENSES	ACCURRED INCOME AND DEFERRED EXPENSES
<b>Opening balance</b>	<b>219</b>	<b>138</b>
<b>Increases</b>	<b>19</b>	<b>25</b>
a) Changes due to business combinations	-	-
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par.118.b)	-	-
c) Reversal of impairment of a contract asset (IFRS15 Par.118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par.118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability) (IFRS15 Par.118.e)	-	-
f) Other	19	25
<b>Decreases</b>	<b>4</b>	<b>8</b>
a) Changes due to business combinations	-	-
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par.118.b)	-	-
c) Impairment of a contract asset (IFRS15 Par.118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par.118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability) (IFRS15 Par.118.e)	-	-
f) Other	4	8
<b>Closing balance</b>	<b>234</b>	<b>155</b>

## Part B - Balance sheet - Liabilities

### Liabilities

#### Section 1 - Financial liabilities at amortised cost - Item 10

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Deposits from central banks	33,890	X	X	X	34,628	X	X	X
2. Deposits from banks	23,688	X	X	X	24,367	X	X	X
2.1 Current accounts and demand deposits	2,746	X	X	X	3,867	X	X	X
2.2 Time deposits	4,203	X	X	X	5,057	X	X	X
2.3 Loans	16,723	X	X	X	15,443	X	X	X
2.3.1 Repos	12,882	X	X	X	10,299	X	X	X
2.3.2 Other	3,841	X	X	X	5,144	X	X	X
2.4 Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease deposits	7	X	X	X	-	X	X	X
2.6 Other deposits	9	X	X	X	-	X	X	X
<b>Total</b>	<b>57,578</b>	<b>-</b>	<b>15,387</b>	<b>42,173</b>	<b>58,995</b>	<b>-</b>	<b>25,293</b>	<b>33,126</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>57,560</b>				<b>58,419</b>	

“Deposits from central banks” include TLTRO II facilities launched by the Governing Council of the European Central Bank with Decision (EU) 2016/810 for €33 billion, the same amount as at 2018 year end.

Deposits from banks are not carried based at their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting policies - A.4 Information on fair value of these Notes to the accounts.

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	165,706	X	X	X	158,061	X	X	X
2. Time deposits	1,024	X	X	X	1,196	X	X	X
3. Loans	44,826	X	X	X	47,829	X	X	X
3.1 Repos	43,959	X	X	X	46,890	X	X	X
3.2 Other	867	X	X	X	939	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease deposits	1,343	X	X	X	-	X	X	X
6. Other deposits	4,140	X	X	X	4,786	X	X	X
<b>Total</b>	<b>217,039</b>	<b>-</b>	<b>44,520</b>	<b>172,530</b>	<b>211,872</b>	<b>-</b>	<b>47,500</b>	<b>164,222</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>217,050</b>				<b>211,722</b>	

Deposits from customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the observability of the valuations input. The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as Level 3 in the fair value hierarchy. For further information see Part A - Accounting policies - A.4 Information on fair value of these Notes to the accounts.

## Part B - Balance sheet - Liabilities

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Debt securities								
1. Bonds	51,065	30,222	23,346	-	49,459	27,590	22,461	2
1.1 Structured	422	-	423	-	716	-	691	-
1.2 Other	50,643	30,222	22,923	-	48,743	27,590	21,770	2
2. Other securities	3,444	-	143	3,309	3,510	-	170	3,345
2.1 Structured	101	-	108	-	110	-	114	-
2.2 Other	3,343	-	35	3,309	3,400	-	56	3,345
Total	54,509	30,222	23,489	3,309	52,969	27,590	22,631	3,347
Total Level 1, Level 2 and Level 3		57,020					53,568	

Sub-items "1.1 structured" of bonds and "2.1. structured" of other securities totally amount to €523 million and represent 0.96% of the total. They mainly relate to interest-rate linked instruments with highly correlated derivative component, identified in accordance with the Mifid classification rules.

Issued bonds increase due to joint effect of maturities and new issuances and as a consequence of buy-backs realised in the period.

Fair value measurements solely for financial disclosure purposes only are classified according to a hierarchy of levels reflecting the observability of the inputs used. For further information see Part A - Accounting policies - A.4 Information on fair value of these Notes to the accounts.

### 1.4 Detail of subordinated debts/bonds

The list of all subordinated debt instruments and bonds is presented in Part F - Shareholders' equity.

The subordinated debt recognised in item "Deposits from banks" amounts to nil, the one in item "Deposits from customers" amounts to nil, the one in item "Debt securities in issue" amounts to €11,483 million.

### 1.5 Detail of structured debts

Structured deposits from banks or customers do not exist.

### 1.6 Amounts payable under finance leases

(€ million)

TIME BUCKET	12.31.2019		12.31.2018	
	CASH OUTFLOWS		CASH OUTFLOWS	
	FINANCE LEASES	OPERATING LEASES	FINANCE LEASES	OPERATING LEASES
Up to 1 year	-	225	-	-
1 year to 2 years	-	216	-	-
2 year to 3 years	-	204	-	-
3 year to 4 years	-	184	-	-
4 year to 5 years	-	173	-	-
Over 5 years	(1)	477	-	-
<b>Total Lease Payments to be made</b>	<b>(1)</b>	<b>1,479</b>	<b>-</b>	<b>-</b>
<b>RECONCILIATION WITH DEPOSITS</b>				
Unearned finance expenses (-) (Discounting effect)	-	128	-	-
<b>Lease deposits</b>	<b>(1)</b>	<b>1,351</b>	<b>-</b>	<b>-</b>

It should be noted that table 1.6 Amounts payable under finance leases reports the maturity analysis based on time bucket of the lease liability as requested by IFRS16 and the concurrent 6<sup>th</sup> update to Circular 262 of Banca d'Italia.

## Part B - Balance sheet - Liabilities

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

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	242	-	-	242	-	325	-	-	325
2. Deposits from customers	-	7,174	-	-	7,174	-	4,318	-	-	4,318
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	-	7,416	-	-	7,416	-	4,643	-	-	4,643
B. Derivatives instruments										
1. Financial derivatives	X	6	5,916	65	X	X	18	5,297	426	X
1.1 Trading derivatives	X	6	5,478	9	X	X	18	4,805	285	X
1.2 Linked to fair value option	X	-	300	17	X	X	-	313	98	X
1.3 Other	X	-	138	39	X	X	-	179	43	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	X	6	5,916	65	X	X	18	5,297	426	X
Total (A+B)	X	7,422	5,916	65	X	X	4,661	5,297	426	X
Total Level 1, Level 2 and Level 3		13,403				10,384				

**Note:**

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

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

"Deposit from banks" and "Deposit from customers" are referred to technical overdrafts in respect of which no nominal amount was attributed. They are fed by the recognition of technical overdrafts typical of primary dealer and market-maker transactions in government bonds.

"Financial derivatives: other" comprises derivatives that, for economic purposes are associated with Banking Book instruments.

#### 2.2 Detail of financial liabilities held for trading: subordinated liabilities

Subordinated trading financial liabilities do not exist.

#### 2.3 Detail of financial liabilities held for trading: structured debts

Structured trading financial liabilities do not exist.



## Part B - Balance sheet - Liabilities

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

## 3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>2. Deposits from customers</b>	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>3. Debt securities</b>	<b>3,636</b>	-	<b>3,607</b>	<b>133</b>	<b>3,634</b>	<b>3,814</b>	-	<b>3,535</b>	-	<b>3,592</b>
3.1 Structured	3,636	-	3,607	133	X	3,814	-	3,535	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total</b>	<b>3,636</b>	-	<b>3,607</b>	<b>133</b>	<b>3,634</b>	<b>3,814</b>	-	<b>3,535</b>	-	<b>3,592</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>3,740</b>					<b>3,535</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 of these Notes to the accounts.

Item "Debt securities - Structured" includes "Certificates" (structured debt securities) issued by UniCredit S.p.A. starting from the first quarter of 2016. These securities are classified as measured at fair value their embedded derivative component not being separable.

The "Secured mandatorily exchangeable equity-linked certificate" referred to the residual shares in Bank Pekao S.A. after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. occurred in June 2017, included in December 2018 amount for €396 million, has expired at the end of 2019.

## 3.2 Detail of financial liabilities designated at fair value: subordinated liabilities

Subordinated financial liabilities designated at fair value do not exist.

## Part B - Balance sheet - Liabilities

## Section 4 - Hedging derivatives - Item 40

## 4.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ million)

	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial derivatives</b>	<b>235,827</b>	<b>166</b>	<b>4,716</b>	<b>-</b>	<b>337,752</b>	<b>99</b>	<b>4,414</b>	<b>12</b>
1) Fair value	225,991	166	4,498	-	328,087	99	4,190	12
2) Cash flows	9,836	-	218	-	9,665	-	224	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>235,827</b>	<b>166</b>	<b>4,716</b>	<b>-</b>	<b>337,752</b>	<b>99</b>	<b>4,414</b>	<b>12</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>4,882</b>				<b>4,525</b>	

## 4.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

(€ million)

TRANSACTIONS/HEDGE TYPES	AMOUNTS AS AT 12.31.2019									
	FAIR VALUE							CASH FLOW		FOREIGN INVESTMENTS
	MICRO-HEDGE						MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHER				
1. Financial assets at fair value through other comprehensive income	934	-	12	-	X	X	X	-	X	X
2. Financial assets at amortised cost	142	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	3,260	X	189	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	1,076	-	12	-	-	-	3,260	-	189	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	316	X	29	X
Total liabilities	-	-	-	-	-	-	316	-	29	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

## Section 5 - Value adjustment of hedged financial liabilities - Item 50

## 5.1 Changes to hedged financial liabilities

(€ million)

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Positive changes to financial liabilities	3,012	2,134
2. Negative changes to financial liabilities	(286)	(364)
<b>Total</b>	<b>2,726</b>	<b>1,770</b>

## Section 6 - Tax liabilities - Item 60

See Section 10 of Assets.

## Part B - Balance sheet - Liabilities

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

See Section 11 of Assets.

### Section 8 - Other liabilities - Item 80

#### 8.1 Other liabilities: breakdown

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Liabilities in respect of financial guarantees issued	-	2
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	155	138
Negative value of management agreements (so-called servicing assets)	-	-
Payment agreements based on the value of own capital instruments classified as deposits pursuant to IFRS2	-	-
Other liabilities due to employees	956	1,362
Other liabilities due to other staff	43	38
Other liabilities due to Directors and Statutory Auditors	-	9
Interest and amounts to be credited to	-	-
- Customers	-	-
- Banks	-	-
Items in transit between branches and not yet allocated to destination accounts	36	40
Available amounts to be paid to others	-	-
Items in processing	362	493
Entries relating to securities transactions	122	99
Definitive items but not attributable to other lines	2,476	3,396
- Accounts payable - suppliers	617	622
- Provisions for tax withholding on accrued interest, bond coupon payments or dividends	2	2
- Other entries	1,857	2,772
Liabilities for miscellaneous entries related to tax collection service	-	-
Adjustments for unpaid portfolio entries	971	930
Tax items different from those included in item 60	914	943
Other entries	120	167
<b>Total</b>	<b>6,155</b>	<b>7,617</b>

Item "Accrued expenses and deferred income other than those to be capitalised for the financial liabilities" includes the contract liabilities recognised in accordance with IFRS15.

In this context, deferred income represents the portion of performance obligations not yet satisfied through the services provided by the Bank but already settled during the period or in previous periods.

The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

Refer to Section 12 - Other assets for information about the changes in deferred income and accrued expenses occurred in the period.

## Part B - Balance sheet - Liabilities

### Section 9 - Provision for employee severance pay - Item 90

The "TFR" provision for Italy-based employee benefits is to be constructed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using "projected unit credit" method (see Part A.2 - Main items of the accounts).

#### 9.1 Provisions for employee severance pay: annual changes

(€ million)		
	CHANGES IN	
	2019	2018
<b>A. Opening balance</b>	<b>629</b>	<b>829</b>
<b>B. Increases</b>	<b>77</b>	<b>12</b>
B.1 Provisions for the year	10	11
B.2 Other increases	67	1
<i>of which: business combinations</i>	20	-
<b>C. Reductions</b>	<b>83</b>	<b>212</b>
C.1 Severance payments	72	194
C.2 Other decreases	11	18
<i>of which: business combinations</i>	-	3
<b>D. Closing Balance</b>	<b>623</b>	<b>629</b>

#### 9.2 Other information

(€ million)		
	CHANGES IN	
	2019	2018
<b>Cost Recognised in P&amp;L:</b>	<b>10</b>	<b>11</b>
- Current Service Cost	-	-
- Interest Cost on the DBO	10	11
- Settlement (gains)/losses	-	-
- Past Service Cost	-	-
<b>Remeasurement Effects (Gains) Losses Recognised in OCI</b>	<b>32</b>	<b>(14)</b>
<b>Annual weighted average assumptions</b>		
- Discount rate	0.75%	1.60%
- Price inflation	0.95%	1.20%

The financial duration of the commitments is 10.6 years; the balance of the negative Revaluation reserves net of tax changed from -€95 million at 31 December 2018 to -€118 million at 31 December 2019.

A change of -25 basis points in the discount rate would result in an increase in liabilities of €17million (+2.67%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €16 million (-2.60%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of €10 million (-1.61%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €10 million (+1.63%).

## Part B - Balance sheet - Liabilities

## Section 10 - Provisions for risks and charges - Item 100

## 10.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Provisions for credit risk on commitments and financial guarantees given	415	492
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	95	91
4. Other provisions for risks and charges	1,789	1,900
4.1 Legal and tax disputes	516	707
4.2 Staff expenses	426	383
4.3 Other	847	810
<b>Total</b>	<b>2,299</b>	<b>2,483</b>

To cover liabilities that may result from pending lawsuits (excluding labor disputes and tax cases), UniCredit S.p.A. has set aside a provision for risks and charges of €465 million (€647 million at 31 December 2018). More details are included in Part E - Information on risks and risks management policies.

## 10.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 2019			TOTAL
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	
<b>A. Opening balance</b>	-	91	1,900	1,991
<b>B. Increases</b>	-	22	566	588
B.1 Provisions for the year	-	1	521	522
B.2 Changes due to the passing time	-	1	1	2
B.3 Differences due to discount-rate changes	-	-	3	3
B.4 Other changes	-	20	41	61
<i>of which: business combinations</i>	-	-	3	3
<b>C. Decreases</b>	-	18	677	695
C.1 Use during the year	-	-	626	626
C.2 Differences due to discount-rate changes	-	-	-	-
C.3 Other changes	-	18	51	69
<i>of which: business combinations</i>	-	-	-	-
<b>D. Closing balance</b>	-	95	1,789	1,884

More details on provisions for commitments and guarantees given are presented into tables 10.3 Provisions for credit risk on commitments and financial guarantees given and 10.4 Provisions on other commitments and other issued guarantees.

More details about annual changes for pensions and post-retirement benefit obligation are presented in table 10.5 - Pensions and other postretirement defined benefit obligations.

## 10.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 12.31.2019			
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	STAGE 1	STAGE 2	STAGE 3	
Loan commitments given	23	14	2	39
Financial guarantees given	29	9	338	376
<b>Total</b>	<b>52</b>	<b>23</b>	<b>340</b>	<b>415</b>

## Part B - Balance sheet - Liabilities

### 10.4 Provisions on other commitments and other issued guarantees

No data to be disclosed.

### 10.5 Pensions and other post-retirement defined-benefit obligations

#### 1. Pensions and other post-retirement benefit obligations

In respect of Pensions and other post-retirement benefit obligations, the Annexes provide details of Internal Fund movements and include statements of changes in funds with segregated assets pursuant to Art.2117 of the Italian Civil Code, as well as explanatory notes thereto.

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 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 referencing AA rated corporate bonds basket. In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above the last liquid point - defined as the average maturity of the last 5 available bonds - relying on the slope of a Treasury curve build with AA Govies).

The balance of the negative Revaluation reserves net of tax changed from -€100 million at 31 December 2018 to -€104 million at 31 December 2019.

#### 2. Changes of net defined benefit liability/asset and any reimbursement rights

##### 2.1 Breakdown of defined benefit net obligation

	(€ million)	
	12.31.2019	12.31.2018
Current value of the defined benefit obligation	340	344
Current value of the plan assets	(245)	(254)
<b>Deficit/(Surplus)</b>	<b>95</b>	<b>90</b>
Irrecoverable surplus (effect of asset ceiling)	-	-
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>95</b>	<b>90</b>

##### 2.2 Changes in defined benefit obligations

	(€ million)	
	12.31.2019	12.31.2018
Initial defined benefit obligation	344	378
Current service cost	1	1
Settlement (gain)/loss	-	1
Past service cost	-	-
Interest expense on the defined benefit obligation	5	6
Write-downs for actuarial (gains)/losses on defined benefit plans	17	(2)
Employees' contributions for defined benefit plans	-	-
Disbursements from plan assets	-	(37)
Disbursements directly paid by the fund	(30)	-
Settlements	-	(5)
Other increases (decreases)	2	2
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>339</b>	<b>344</b>

## Part B - Balance sheet - Liabilities

## 2.3 Changes to plan assets

	12.31.2019	12.31.2018
(€ million)		
Initial fair value of plan assets	254	301
Interest income on plan assets	4	5
Administrative expenses paid from plan assets	-	-
Write-downs on the fair value of plan assets for actuarial gains (losses) on the discount rate	13	(14)
Employer contributions	3	2
Disbursements from plan assets	-	(36)
Settlements	-	(5)
Other increases (decreases)	(29)	1
<b>Final fair value of plan assets</b>	<b>245</b>	<b>254</b>

## 3. Main plan asset classes

	12.31.2019	12.31.2018
(€ million)		
1. Shares	17	27
2. Bonds	118	191
3. Units in investment funds	25	9
4. Real estate properties	2	2
5. Derivative instruments	-	-
6. Other assets	83	25
<b>Total</b>	<b>245</b>	<b>254</b>

## 4. Significant actuarial assumptions used to determine the current value of defined benefit obligation

	12.31.2019	12.31.2018
	%	%
Discount rate	0.89	1.62
Expected return on plan assets	0.89	1.62
Expected compensation increase rate	1.53	1.51
Future increases relating to pension treatments	0.97	1.12
Expected inflation rate	1.23	1.46

## 5. Impact of changes in financial/demographic assumptions on DBOs and financial duration

	12.31.2019
(€ million)	
- Impact of changes in financial/demographic assumptions on DBOs	
<b>A. Discount rate</b>	
A1. -25 basis points	8
	2.43%
A2. +25 basis points	(8)
	-2.31%
<b>B. Future increase rate relating to pension treatments</b>	
B1. -25 basis points	(4)
	-1.42%
B2. +25 basis points	5
	1.47%
<b>C. Mortality</b>	
C.1 Life expectancy + 1 year	19
	5.53%
- Financial duration (years)	9.5

## Part B - Balance sheet - Liabilities

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

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>4.3 Other provisions for risks and charges - other</b>		
Real estate risks/charges	-	-
Restructuring costs	-	-
Allowances payable to agents	4	3
Disputes regarding financial instruments and derivatives	7	7
Costs for liabilities arising from equity investment disposals	218	187
Other	618	613
<b>Total</b>	<b>847</b>	<b>810</b>

Other Provisions include:

- the ones posted in order to cope with the probable risks of loss related to the repurchases of diamonds, that could be carried out under action of "customer care" promoted by the Bank. To complete the information more details are included in Part E - Information about risks and hedging policies - Other claims by customers;
- those referring to cover the risks related to certain standard contractual terms contained in the documentary frameworks (i.e. reps & warranties), including securitisation transactions signed with the SPVs, of which UniCredit S.p.A. is Originator, pending the analysis and assessments to be completed within the deadlines established.

## Section 11 - Redeemable shares - Item 120

No data to be disclosed in this section.

## Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180

Further information about shareholders' equity are disclosed in Part F - Shareholders' equity.

### 12.1 "Share capital" and "treasury shares": breakdown

	AMOUNTS AS AT 12.31.2019		AMOUNTS AS AT 12.31.2018	
	ISSUED SHARES	UNDERWRITTEN SHARES	ISSUED SHARES	UNDERWRITTEN SHARES
<b>A. Share capital</b>				
A.1 Ordinary shares	20,995	-	20,940	-
A.2 Savings shares	-	-	-	-
<b>Total A</b>	<b>20,995</b>	<b>-</b>	<b>20,940</b>	<b>-</b>
<b>B. Treasury shares</b>				
B.1 Ordinary shares	(2)	-	(2)	-
B.2 Savings shares	-	-	-	-
<b>Total B</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>-</b>

Share capital, which at 31 December 2018 was represented by No.2,230,176,665 ordinary shares, in 2019 changed due to a free share capital increase by €55 million resolved on 6 February 2019 by UniCredit's Board of Directors by issuing No.3,200,177 ordinary shares to be granted to the employees of UniCredit S.p.A. and of Group banks and companies.

As a result of the above at 31 December 2019 the share capital of UniCredit S.p.A. amounts to €20,995 million represented by No.2,233,376,842 ordinary shares with no nominal value.

The number of treasury shares outstanding was No.4,760 ordinary shares, unchanged with respect to 2018.



## Part B - Balance sheet - Liabilities

## 12.2 Share capital - Number of shares: annual changes

ITEMS/TYPES	CHANGES IN 2019	
	ORDINARY	SAVINGS
<b>A. Issued shares as at the beginning of the year</b>	<b>2,230,176,665</b>	<b>-</b>
- Fully paid	2,230,176,665	-
- Not fully paid	-	-
A.1 Treasury shares (-)	(4,760)	-
A.2 Shares outstanding: opening balance	2,230,171,905	-
<b>B. Increases</b>	<b>3,200,177</b>	<b>-</b>
B.1 New issues	3,200,177	-
- Against payment	-	-
- Business combinations	-	-
- Bonds converted	-	-
- Warrants exercised	-	-
- Other	-	-
- Free	3,200,177	-
- To employees	3,200,177	-
- To directors	-	-
- Other	-	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
of which: business combinations	-	-
<b>D. Shares outstanding: closing balance</b>	<b>2,233,372,082</b>	<b>-</b>
D.1 Treasury shares (+)	4,760	-
D.2 Shares outstanding as at the end of the year	2,233,376,842	-
- Fully paid	2,233,376,842	-
- Not fully paid	-	-

## 12.3 Capital: other information

Following the resolutions of the Shareholders' Meeting of 11 April 2019 a dividend of €0.27 for each share was distributed to Shareholders, holders of ordinary shares, for an overall amount of €601 million from 2018 net profit.

Pursuant to the resolution passed by the Extraordinary Shareholders' Meeting on 15 December 2011 shares have no face value.

Outstanding ordinary shares relating to the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities den

ominated "Cashes" amount to No.9,675,640 (issued in the context of the January 2009 capital increase) provides for Euribor-linked discretionary payments contingent on the payment of dividends on ordinary shares. The voting right cannot be exercised on these shares.

## 12.4 Reserves from profits: other information

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
Legal reserve	1,518	1,518
Statutory reserve	7,504	6,161
Other reserves	(1,914)	(2,138)
<b>Total</b>	<b>7,108</b>	<b>5,541</b>

(€ million)

The legal reserve in overall includes, in addition to the amount of €1,518 million, also the amount of €2,683 million classified among other reserves (not from profits) through a withdrawal from the "Share premium reserve" as resolved by the Shareholders' Meeting of 11 May 2013, 13 May 2014 and 14 April 2016.

The item "Other reserves" include the negative impact from adoption of IFRS9 attributable to the effects of reclassification and measurement of financial instruments.

## Part B - Balance sheet - Liabilities

### 12.5 Equity instruments: composition and annual changes

The item is entirely composed by six Additional Tier 1 issuances placed between 2014 and 2019, the last one issued during the current year for a nominal amount of €1 billion.

### 12.6 Other Information

#### Valuation reserves: breakdown

ITEM/TYPES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Equity instruments designated at fair value through other comprehensive income	(242)	(244)
2. Financial assets (other than equity instruments) at fair value through other comprehensive income	250	(317)
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)	(71)	42
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	511	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	(31)	(66)
10. Exchange differences	-	-
11. Non-current assets classified as held for sale	-	-
12. Actuarial gains (losses) on defined-benefit plans	(222)	(195)
13. Part of valuation reserves of investments valued at net equity	-	-
14. Special revaluation laws	277	277
<b>Total</b>	<b>472</b>	<b>(503)</b>

## Part B - Balance sheet - Liabilities

The following table, in accordance with article 2427, paragraph 7-bis, of the Italian Civil Code, provides details on the origin, possible uses and availability of distribution of shareholders' equity, as well as the summary of its use in the three previous fiscal years.

### Breakdown of Shareholders' Equity (with indication of availability and distribution)

ITEMS	AMOUNT	PERMITTED USES <sup>(*)</sup>	AVAILABLE PORTION	SUMMARY OF USE IN THE THREE PREVIOUS FISCAL YEARS	
				TO COVER LOSSES	OTHER REASONS
<b>Share capital</b>	<b>20,995</b>	-	-		
<b>Share premium</b>	<b>13,225</b>	A, B, C	<b>13,225</b>	<b>11,460</b>	<b>2,683</b> <sup>(1)</sup>
<b>Reserves:</b>	<b>11,783</b>				
Legal reserve	4,201	B <sup>(2)</sup>	4,201	-	-
Reserve for treasury shares or interests	2	-	-	-	-
Statutory reserves	7,504	A, B, C	7,504	-	286 <sup>(3)</sup>
Reserves arising out of transfer of assets	420	A, B, C <sup>(4)</sup>	420	-	57 <sup>(14)</sup>
Reserves related to the medium-term incentive programme for Group staff	85	- <sup>(5)</sup>	-	-	132 <sup>(15)</sup>
Reserve related to equity-settled plans	784	A, B, C <sup>(6)</sup>	511	-	-
Reserve related to business combinations (IFRS3)	2,093	A, B, C <sup>(7)</sup>	2,093	-	25 <sup>(14)</sup>
Reserve related to business combinations within the Group	223	A, B <sup>(8)</sup>	223	-	70 <sup>(14)</sup>
Reserve pursuant to Art.6, paragraph 2 Legislative Decree 38/2005	285	B <sup>(9)</sup>	285	-	-
Reserve pursuant to Art.1, C.984 Legislative Decree 145/2018	144	B <sup>(10)</sup>	144	-	-
Other reserves	51	A, B, C	51	-	29 <sup>(14)</sup>
Negative components of shareholders' equity	(4,009)	- <sup>(11)</sup>	(4,009)	-	-
<b>Revaluation reserves:</b>	<b>471</b>				
Monetary equalisation reserve under L.576/75	4	A, B, C <sup>(12)</sup>	4	-	-
Monetary revaluation reserve under L.72/83	85	A, B, C <sup>(12)</sup>	85	-	-
Asset revaluation reserve under L.408/90	29	A, B, C <sup>(12)</sup>	29	-	-
Property revaluation reserve under L.413/91	159	A, B, C <sup>(12)</sup>	159	-	-
Financial assets and liabilities at fair value through other comprehensive income	(63)	- <sup>(13)</sup>	-	-	-
Reserve for property plant and equipment	510	- <sup>(13)</sup>	-	-	-
Cash-flow hedges reserve	(31)	- <sup>(13)</sup>	-	-	-
Reserve for actuarial gains (losses) on employee defined - benefit plans	(222)	- <sup>(13)</sup>	-	-	-
<b>Total</b>	<b>46,474</b>		<b>24,925</b>	<b>11,460</b>	<b>3,282</b>
<b>Portion not allowed in distribution</b>			<b>4,697</b>		
<b>Remaining portion available for distribution<sup>(**)</sup></b>			<b>20,228</b>		

#### Notes:

(\*) A: for capital increase; B: to cover losses; C: distribution to shareholders.

(\*\*) Share premium reserve is considered distributable as the legal reserve is at the level of one-fifth of the share capital, as per article 2430 of the Italian Civil Code; the distributable overall amount is net of negative items.

(1) Reserve used in the last three years to cover losses of 2016 (€11,460 million); for coverage negative reserves (€2,676 million); €7 million for cash settlement adjustment on conversion of saving shares.

(2) Reserve available to cover losses only after the utilisation of other reserves, except for the reserves pursuant to article 6, paragraph 2, of Legislative Decree 38/2005. The reserve includes €2,683 million from Share premium reserve as approved by the Ordinary Shareholders' Meetings of 11 May 2013, 13 May 2014 and 14 April 2016.

(3) Reserve used for €226 million to cover negative reserves and €60 million for allocation to the specific reserve connected to the personnel incentive plan.

(4) The reserve includes €215 million distributable according to the procedure established article 2445 of the Italian Civil Code; in case of utilization to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount.

(5) The shareholders' meeting can resolve the removal of the constraint making it available and distributable.

(6) These reserves set up in application of the accounting standard IFRS2 are unavailable as long as the related plans are vested.

(7) The Reserve from business combination (IFRS3) is fully available to cover losses, for capital increase and distribution to shareholders due to the write-downs of UniCredit Bank AG and UniCredit Bank Austria AG investments that generated it, covered without using the reserve in question.

(8) The reserve can be considered available for €158 million for the portion of losses deriving from write-downs of the relevant investment.

(9) Reserve from profit non distributable; includes retained earnings connected with the application of the fair value model on investment properties (75 million); if the reserve is used to cover losses, profits cannot be distributed until this reserve has been replenished by allocating profits from future years.

f this Reserve is used to cover losses, profits cannot be distributed until this Reserve has been replenished by allocating profits from future years.

(10) Reserve in suspension of tax established with withdrawal of the statutory reserve; in case of distribution it must be restored.

(11) Negative components affect the availability and distributability of positive reserves of the shareholders' equity. The item includes the negative impact from IFRS9 first time adoption (€2,759 million).

(12) If case of use to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution of the extraordinary Shareholders' Meeting Resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code. If the reserve is not recognised under share capital, it may only be reduced by resolution adopted in application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.

(13) The reserve, when positive, is not available pursuant to article 6 of Legislative Decree 38/2005.

(14) Coverage of negative components items of shareholders' equity as per Shareholders' Meeting resolution of 20 April 2017.

(15) For capital increase with respect to allocation of performance shares connected to the personnel incentive plan.

## Part B - Balance sheet - Liabilities

In detail the composition of negative components of shareholders' equity:

(€ million)	
ITEMS	12.31.2019
Reserve from first time adoption of IFRS9, net of taxes	(2,759)
Reserve for repayment of AT1 coupons and Cashes fees	(649)
Reserve for the unsustainable deferred tax assets relating to tax losses carried forward linked to equity items	(77)
Reserve for capital increase costs	(300)
Financial instruments at fair value through other comprehensive income	(140)
Reserve relating to business combination within the Group	(77)
Other negative reserves	(7)
<b>Total</b>	<b>(4,009)</b>

Item "Reserve relating to business combinations within the Group" includes the negative differences arising from the merger of Buddy Servizi Molecolari S.p.A. (€7 million), Pioneer Global Asset Management (PGAM) S.p.A. (€30 million) and demerger of UniCredit Services S.C.p.A. of the activities related to Italian operations and real estate and logistics businesses (€40 million, so-called "Reus" demerger).

## Part B - Balance sheet - Liabilities

## Other information

## 1. Commitments and financial guarantees given (different from those designated at fair value)

(€ million)

	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				12.31.2018
	STAGE 1	STAGE 2	STAGE 3	TOTAL	TOTAL
<b>1. Loan commitments given</b>	<b>22,151</b>	<b>799</b>	<b>151</b>	<b>23,101</b>	<b>25,347</b>
a) Central Banks	24	-	-	24	-
b) Governments and other Public Sector Entities	3,022	190	-	3,212	3,659
c) Banks	1,007	1	-	1,008	1,887
d) Other financial companies	3,643	1	-	3,644	4,388
e) Non-financial companies	14,244	601	150	14,995	14,748
f) Households	211	6	1	218	665
<b>2. Financial guarantees given</b>	<b>36,849</b>	<b>1,106</b>	<b>926</b>	<b>38,881</b>	<b>40,527</b>
a) Central Banks	64	-	-	64	-
b) Governments and other Public Sector Entities	684	1	1	686	1,124
c) Banks	6,863	45	-	6,908	7,439
d) Other financial companies	3,213	33	2	3,248	4,358
e) Non-financial companies	25,809	1,004	919	27,732	27,329
f) Households	216	23	4	243	277

## 2. Others commitments and others guarantees given

(€ million)

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
	NOTIONAL AMOUNTS	NOTIONAL AMOUNTS
<b>1. Others guarantees given</b>	<b>-</b>	<b>-</b>
<i>of which: non-performing loans</i>	-	-
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>2. Others commitments</b>	<b>105,237</b>	<b>105,901</b>
<i>of which: non-performing loans</i>	1,564	1,797
a) Central Banks	747	1,582
b) Governments and other Public Sector Entities	1,091	1,303
c) Banks	21,642	27,339
d) Other financial companies	20,205	12,477
e) Non-financial companies	56,981	57,934
f) Households	4,571	5,266

Table "1. Commitments and financial guarantees given" shows commitments and guarantees evaluated according to the IFRS9 requirements. Table "2. Others commitments and others guarantees given" shows commitments and guarantees that are not evaluated according to the IFRS9 requirements. Note that starting from 31 December 2018, according to the 5<sup>th</sup> update of Banca d'Italia Circular 262, the tables also include the revocable commitments and the item "financial guarantees" also includes the commercial ones.

## Part B - Balance sheet - Liabilities

## 3. Assets used to guarantee own liabilities and commitments

(€ million)

PORTFOLIOS	AMOUNTS AS AT	
	12.31.2019	12.31.2018
1. Financial assets at fair value through profit or loss	769	1,944
2. Financial assets at fair value through other comprehensive income	14,903	21,577
3. Financial assets at amortised cost	67,750	70,551
4. Property, plant and equipment	-	-
<i>of which: inventories of property, plant and equipment</i>	-	-

Deposits from banks include €33.168 million relating to Banca d'Italia's refinancing operations collateralised by credit value amounting to €14,000 million and securities nominal value amounting to €23,734 million. Of these, since the securities not recognised on balance-sheet represent repurchased or retained UniCredit S.p.A.'s financial liabilities, they amount to nominal €20,995 million.

## 4. Asset management and trading on behalf of others

(€ million)

TYPE OF SERVICES	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>1. Execution of orders on behalf of customers</b>		
a) Purchases	-	-
1. Settled	-	-
2. Unsettled	-	-
b) Sales	-	-
1. Settled	-	-
2. Unsettled	-	-
<b>2. Individual portfolio management</b>	4,385	4,389
<b>3. Custody and administration of securities</b>		
a) Third party securities on deposits: relating to depositary bank activities (excluding portfolio management)	-	-
1. Securities issued by companies included in consolidation	-	-
2. Other securities	-	-
b) Third party securities held in deposits (excluding portfolio management): other	112,608	105,121
1. Securities issued by companies included in consolidation	5,973	6,242
2. Other securities	106,635	98,879
c) Third party securities deposited with third parties	112,006	104,345
d) Property securities deposited with third parties	99,462	92,586
<b>4. Other transactions</b>	<b>7,342</b>	<b>7,593</b>

## 5. Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2019 (F=C-D-E)	NET AMOUNT 12.31.2018
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	10,294	-	10,294	9,300	120	874	785
2. Reverse repos	64,347	-	64,347	45,402	132	18,813	21,296
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>Total 12.31.2019</b>	<b>74,641</b>	<b>-</b>	<b>74,641</b>	<b>54,702</b>	<b>252</b>	<b>19,687</b>	<b>X</b>
<b>Total 12.31.2018</b>	<b>53,333</b>	<b>-</b>	<b>53,333</b>	<b>30,705</b>	<b>547</b>	<b>X</b>	<b>22,081</b>

## Part B - Balance sheet - Liabilities

## 6. Liabilities subject to accounting offsetting or under master netting agreements and similar ones

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2019 (F=C-D-E)	NET AMOUNT 12.31.2018
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	10,534	-	10,534	9,305	1,104	125	101
2. Reverse repos	55,491	-	55,491	45,402	-	10,089	32,273
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>Total 12.31.2019</b>	<b>66,025</b>	<b>-</b>	<b>66,025</b>	<b>54,707</b>	<b>1,104</b>	<b>10,214</b>	<b>X</b>
<b>Total 12.31.2018</b>	<b>65,382</b>	<b>-</b>	<b>65,382</b>	<b>30,705</b>	<b>2,303</b>	<b>X</b>	<b>32,374</b>

## 7. Security borrowing transactions

(€ million)

TYPE OF LENDER	AMOUNTS AS AT 12.31.2019			
	AMOUNTS OF THE SECURITIES BORROWED/TRANSACTION PURPOSES			
	GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS	SOLD	SOLD IN REPO TRANSACTIONS	OTHER PURPOSES
A. Banks	-	-	-	1,070
B. Financial companies	-	-	-	-
C. Insurance companies	-	-	-	-
D. Non-financial companies	-	-	-	-
E. Others	-	-	306	653
<b>Total</b>	<b>-</b>	<b>-</b>	<b>306</b>	<b>1,723</b>

## Part C - Income statement

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

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

(€ million)

ITEMS/TYPES	YEAR 2019				YEAR 2018 TOTAL
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	
<b>1. Financial assets at fair value through profit or loss</b>	<b>88</b>	<b>2</b>	<b>-</b>	<b>90</b>	<b>118</b>
1.1 Financial assets held for trading	33	-	-	33	68
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	55	2	-	57	50
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>602</b>	<b>-</b>	<b>X</b>	<b>602</b>	<b>511</b>
<b>3. Financial assets at amortised cost</b>	<b>351</b>	<b>4,367</b>	<b>X</b>	<b>4,718</b>	<b>4,677</b>
3.1 Loans and advances to banks	22	260	X	282	254
3.2 Loans and advances to customers	329	4,107	X	4,436	4,423
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>(615)</b>	<b>(615)</b>	<b>(387)</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>12</b>	<b>12</b>	<b>15</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>313</b>	<b>342</b>
<b>Total</b>	<b>1,041</b>	<b>4,369</b>	<b>(603)</b>	<b>5,120</b>	<b>5,276</b>
<i>of which: interest income on impaired financial assets</i>	<i>4</i>	<i>343</i>	<i>-</i>	<i>347</i>	<i>476</i>
<i>of which: interest income on financial lease</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

The interests on financial liabilities, contributing to net interest margin, include positive benefit for €136 million arising from TLTRO II facilities.

#### 1.2 Interest income and similar revenues: other information

##### 1.2.1 Interest income from financial assets denominated in currency

(€ million)

ITEMS	YEAR 2019	YEAR 2018
a) Assets denominated in currency	889	537



## Part C - Income statement

## 1.3 Interest expenses and similar charges: breakdown

ITEMS/TYPES	YEAR 2019				(€ million)
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	YEAR 2018 TOTAL
<b>1. Financial liabilities at amortised cost</b>	<b>(404)</b>	<b>(1,614)</b>	<b>X</b>	<b>(2,018)</b>	<b>(1,765)</b>
1.1 Deposits from central banks	(4)	X	X	(4)	(3)
1.2 Deposits from banks	(223)	X	X	(223)	(204)
1.3 Deposits from customers	(177)	X	X	(177)	(153)
1.4 Debt securities in issue	X	(1,614)	X	(1,614)	(1,405)
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>(46)</b>	<b>(25)</b>
<b>3. Financial liabilities designated at fair value</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>	<b>(8)</b>
<b>4. Other liabilities and funds</b>	<b>X</b>	<b>X</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>984</b>	<b>984</b>	<b>880</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(216)</b>	<b>(190)</b>
<b>Total</b>	<b>(404)</b>	<b>(1,618)</b>	<b>937</b>	<b>(1,301)</b>	<b>(1,109)</b>
<i>of which: interest expenses on lease deposits</i>	<i>(17)</i>	<i>X</i>	<i>X</i>	<i>(17)</i>	<i>-</i>

## 1.4 Interest expenses and similar charges: other information

## 1.4.1 Interest expenses on liabilities denominated in currency

ITEMS	YEAR 2019	YEAR 2018
a) Liabilities denominated in currency	(983)	(295)

## 1.5 Differentials relating to hedging operations

ITEMS	YEAR 2019	YEAR 2018
A. Positive differentials relating to hedging operations	2,290	2,197
B. Negative differentials relating to hedging operations	(1,921)	(1,704)
<b>C. Net differential (A-B)</b>	<b>369</b>	<b>493</b>

## Part C - Income statement

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

#### 2.1 Fees and commissions income: breakdown

			(€ million)
TYPE OF SERVICES/VALUES	YEAR 2019	YEAR 2018	
a) Guarantees given	263	268	
b) Credit derivatives	-	-	
c) Management, brokerage and consultancy services	2,057	2,014	
1. Securities trading	-	-	
2. Currencies trading	111	90	
3. Individual portfolio management	57	79	
4. Custody and administration of securities	8	9	
5. Custodian bank	-	-	
6. Placement of securities	1,022	934	
7. Reception and transmission of orders	74	66	
8. Advisory services	12	19	
8.1 Relating to investments	5	6	
8.2 Relating to financial structure	7	13	
9. Distribution of third parties services	773	817	
9.1 Portfolios management	1	2	
9.1.1 Individual	1	2	
9.1.2 Collective	-	-	
9.2 Insurance products	769	813	
9.3 Other products	3	2	
d) Collection and payment services	787	740	
e) Securitisation servicing	51	45	
f) Factoring	-	-	
g) Tax collection services	-	-	
h) Management of multilateral trading facilities	-	-	
i) Management of current accounts	869	902	
j) Other services	308	369	
k) Security lending	22	13	
<b>Total</b>	<b>4,357</b>	<b>4,351</b>	

#### 2.2 Fees and commissions income: distribution channels of products and services

			(€ million)
CHANNELS/VALUES	YEAR 2019	YEAR 2018	
<b>A) Through bank branches</b>	<b>1,852</b>	<b>1,830</b>	
1. Portfolio management	57	79	
2. Placement of securities	1,022	934	
3. Others' products and services	773	817	
<b>B) Off-site offer</b>	<b>-</b>	<b>-</b>	
1. Portfolio management	-	-	
2. Placement of securities	-	-	
3. Others' products and services	-	-	
<b>C) Other distribution channels</b>	<b>-</b>	<b>-</b>	
1. Portfolio management	-	-	
2. Placement of securities	-	-	
3. Others' products and services	-	-	



## Part C - Income statement

Provided below is the breakdown of dividends on equity investments collected during 2019 and 2018.

### Breakdown of dividends by investments

	YEAR 2019		YEAR 2018
			(€ million)
UniCredit Bank AG	520		1,300
UniCredit Bank Austria	201		379
UniCredit Bulbank A.D.	218		151
UniCredit Bank Czech	237		147
Zagrebacka Banca D.D.	211		96
AO UniCredit Bank	111		92
UniCredit Bank Hungary ZRT	84		79
UniCredit Bank SA	75		-
FinecoBank S.p.A.	65		61
UniCredit Factoring S.p.A.	21		43
UniCredit Bank Slovenia D.D.	4		36
Mediobanca S.p.A.	-		35
Aviva S.p.A.	-		34
CreditRas Vita S.p.A.	-		31
UniCredit Bank Ireland P.L.C.	42		24
Camfin S.p.A.	16		16
SIA UniCredit Leasing	9		15
UniCredit Bank Serbia JSC	16		11
CNP UniCredit Vita S.p.A.	-		10
UniCredit AD Banja Luka	3		6
Incontra Assicurazioni S.p.A.	1		3
Fenice S.r.l.	-		2
<b>Total</b>	<b>1,834</b>		<b>2,571</b>

## Section 4 - Gains (Losses) on financial assets and liabilities held for trading - Item 80

### 4.1 Net gains (losses) on trading: breakdown

	YEAR 2019				
	CAPITAL GAINS	REALISED PROFITS	CAPITAL LOSSES	REALISED LOSSES	NET PROFIT
TRANSACTIONS/INCOME ITEMS	(A)	(B)	(C)	(D)	[(A+B)-(C+D)]
<b>1. Financial assets held for trading</b>	<b>38</b>	<b>242</b>	<b>(20)</b>	<b>(203)</b>	<b>57</b>
1.1 Debt securities	38	242	(20)	(203)	57
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(79)</b>
<b>4. Derivatives</b>	<b>1,055</b>	<b>2,845</b>	<b>(715)</b>	<b>(2,809)</b>	<b>465</b>
4.1 Financial derivatives	1,055	2,845	(715)	(2,809)	465
- On debt securities and interest rates	861	1,836	(649)	(1,867)	181
- On equity securities and share indices	133	33	(7)	(5)	154
- On currencies and gold	X	X	X	X	89
- Other	61	976	(59)	(937)	41
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	X	X	X	X	-
<b>Total</b>	<b>1,093</b>	<b>3,087</b>	<b>(735)</b>	<b>(3,012)</b>	<b>443</b>

Financial derivatives include the ones connected to debt securities financial liabilities at fair value.

## Part C - Income statement

### Section 5 - Fair value adjustments in hedge accounting - Item 90

#### 5.1 Net gains (losses) on hedge accounting: breakdown

			(€ million)
INCOME ITEMS/VALUES	YEAR 2019	YEAR 2018	
<b>A. Gains on</b>			
A.1 Fair value hedging instruments	1,162	346	
A.2 Hedged financial assets (in fair value hedge relationship)	755	495	
A.3 Hedged financial liabilities (in fair value hedge relationship)	69	35	
A.4 Cash-flow hedging derivatives	2	1	
A.5 Assets and liabilities denominated in currency	-	-	
<b>Total gains on hedging activities (A)</b>	<b>1,988</b>	<b>877</b>	
<b>B. Losses on</b>			
B.1 Fair value hedging instruments	(783)	(519)	
B.2 Hedged financial assets (in fair value hedge relationship)	(161)	(239)	
B.3 Hedged financial liabilities (in fair value hedge relationship)	(1,043)	(116)	
B.4 Cash-flow hedging derivatives	(4)	(2)	
B.5 Assets and liabilities denominated in currency	-	-	
<b>Total losses on hedging activities (B)</b>	<b>(1,991)</b>	<b>(876)</b>	
<b>C. Net hedging result (A-B)</b>	<b>(3)</b>	<b>1</b>	
<i>of which: net gains (losses) of hedge accounting on net positions</i>	-	-	

The net hedging result also reflected -€2 million resulting from "model" adjustments needed to reflect into derivatives valuations the presence of guarantees and credit risk of counterparties.

### Section 6 - Gains (Losses) on disposals/repurchases - Item 100

#### 6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)						
ITEMS/INCOME ITEMS	YEAR 2019			YEAR 2018		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	233	(157)	76	140	(174)	(34)
1.1 Loans and advances to banks	-	(11)	(11)	1	(8)	(7)
1.2 Loans and advances to customers	233	(146)	87	139	(166)	(27)
2. Financial assets at fair value through other comprehensive income	389	(332)	57	345	(258)	87
2.1 Debt securities	389	(332)	57	345	(258)	87
2.2 Loans	-	-	-	-	-	-
Total assets (A)	622	(489)	133	485	(432)	53
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	4	(15)	(11)	14	(15)	(1)
Total liabilities (B)	4	(15)	(11)	14	(15)	(1)
Total financial assets/liabilities			122	52		

Net results on financial assets at amortised cost mainly arise from sale of non performing loans to customers and from the sale of bonds.

Net gains on financial assets at fair value through other comprehensive income are essentially related to effects of the sale of government bonds, mainly Italian ones.

Net gains from repurchase of debts securities in issue arise from buyback of some issuances before their original maturity.

## Part C - Income statement

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

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

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
<b>1. Financial assets</b>	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>120</b>	<b>159</b>	<b>(255)</b>	<b>(251)</b>	<b>(227)</b>
2.1 Debt securities	120	159	(255)	(251)	(227)
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
<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>Total</b>	<b>120</b>	<b>159</b>	<b>(255)</b>	<b>(251)</b>	<b>(227)</b>

Debt securities into financial liabilities include the bond "Secured mandatorily exchangeable equity-linked certificate" issued in the contest of the sale of Bank Pekao S.A. and expired at the end of 2019 which has contributed for €15 million to the result for the period.

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

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

(€ million)

TRANSACTIONS/INCOME ITEMS	YEAR 2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
<b>1. Financial assets</b>	<b>150</b>	<b>5</b>	<b>(87)</b>	<b>(82)</b>	<b>(14)</b>
1.1 Debt securities	77	5	(35)	(9)	38
1.2 Equity securities	32	-	(24)	(73)	(65)
1.3 Units in investment funds	33	-	(25)	-	8
1.4 Loans	8	-	(3)	-	5
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>150</b>	<b>5</b>	<b>(87)</b>	<b>(82)</b>	<b>(14)</b>

Equity securities into financial assets include: (i) effects of the sale at the end 2019 of residual interests in Bank Pekao S.A. (-€56 million) which has been reclassified into fair value option assets in June 2017 after loose of control following the closing of the sale process and into assets mandatory at fair value following IFRS9 adoption in 2018; (ii) effects of the sale (-€14 million) of the residual shares of FinecoBank S.p.A. classified into assets mandatory at fair value after the partial sale of stake occurred in May and until their complete sale in July; (iii) effects of the evaluation of the interests held in the "Schema Volontario" for which refer to specific comment below table "2.5 Financial assets mandatory at fair value" in Part B - Assets - Section 2.

Units in investment funds include economic effects from Atlante fund and Italian Recovery Fund, for which refer to specific comment below table "2.5 Financial assets mandatory at fair value" in Part B - Assets - Section 2.



## Part C - Income statement

## Section 10 - Administrative expenses - Item 160

## 10.1 Staff expenses: breakdown

(€ million)		
TYPE OF EXPENSES/VALUES	YEAR 2019	YEAR 2018
<b>1) Employees</b>	<b>(2,720)</b>	<b>(2,833)</b>
a) Wages and salaries	(1,874)	(1,949)
b) Social charges	(495)	(530)
c) Severance pay	(27)	(28)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(10)	(15)
f) Provision for retirements and similar provisions	(2)	(3)
- Defined contribution	-	-
- Defined benefit	(2)	(3)
g) Payments to external pension funds	(156)	(165)
- Defined contribution	(156)	(165)
- Defined benefit	-	-
h) Costs arising from share-based payments	(31)	(31)
i) Other employee benefits	(125)	(112)
<b>2) Other non-retired staff</b>	<b>(1)</b>	<b>(2)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(5)</b>	<b>(5)</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>5) Recoveries of payments for seconded employees to other companies</b>	<b>69</b>	<b>68</b>
<b>6) Refund of expenses for seconded employees to the company</b>	<b>(103)</b>	<b>(94)</b>
<b>Total</b>	<b>(2,760)</b>	<b>(2,866)</b>

## 10.2 Average number of employees by category

(€ million)		
	YEAR 2019	YEAR 2018
<b>Employees</b>	<b>31,546</b>	<b>34,156</b>
a) Senior managers	638	726
b) Managers	16,717	18,101
c) Remaining employees staff	14,191	15,329
<b>Other non-retired staff</b>	<b>826</b>	<b>1,125</b>
<b>Total</b>	<b>32,372</b>	<b>35,281</b>

## 10.3 Defined benefit company retirement funds: costs and revenues

(€ million)		
	YEAR 2019	YEAR 2018
Current service cost	(1)	(1)
Settlement gains (losses)	-	(1)
Past service cost	-	-
Interest cost on the DBO	(5)	(6)
Interest income on plan assets	4	5
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
<b>Total recognised in profit or loss</b>	<b>(2)</b>	<b>(3)</b>

## 10.4 Other employee benefits

(€ million)		
	YEAR 2019	YEAR 2018
- Seniority premiums	-	-
- Leaving incentives	(3)	1
- Other	(122)	(113)
<b>Total</b>	<b>(125)</b>	<b>(112)</b>



## Part C - Income statement

### 10.5 Other administrative expenses: breakdown

TYPE OF EXPENSES/SECTORS	(€ million)	
	YEAR 2019	YEAR 2018
<b>1) Indirect taxes and duties</b>	<b>(428)</b>	<b>(438)</b>
1a. Settled	(428)	(438)
1b. Unsettled	-	-
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(277)</b>	<b>(273)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(109)</b>	<b>(111)</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(1,789)</b>	<b>(2,138)</b>
a) Advertising marketing and communication	(47)	(67)
b) Expenses relating to credit risk	(214)	(271)
c) Indirect expenses relating to personnel	(47)	(67)
d) Information & Communication Technology expenses	(892)	(811)
Lease of ICT equipment and software	(11)	(12)
Software expenses: lease and maintenance	(8)	(6)
ICT communication systems	(6)	(6)
Services ICT in outsourcing	(841)	(760)
Financial information providers	(26)	(27)
e) Consulting and professionals services	(86)	(110)
Consulting	(71)	(93)
Legal expenses	(15)	(17)
f) Real estate expenses	(198)	(400)
Premises rentals	(37)	(232)
Utilities	(60)	(55)
Other real estate expenses	(101)	(113)
g) Operating costs	(305)	(412)
Surveillance and security services	(57)	(59)
Money counting services and transport	-	-
Printing and stationery	(6)	(6)
Postage and transport of documents	(23)	(25)
Administrative and logistic services	(154)	(260)
Insurance	(30)	(30)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(23)	(22)
Other administrative expenses - other	(12)	(10)
<b>Total (1+2+3+4)</b>	<b>(2,603)</b>	<b>(2,960)</b>

Expenses related to personnel include the expenses that do not represent remuneration of the working activity of an employee in compliance with IAS19.

Starting from 2019 some expenses for payment services and cards previously addressed to item "160. b) Other administrative expenses" (€120 million as at 31 December 2018) are included in item "50. Fees and commissions expenses".

The decrease in sub-item "f) Real estate expenses - Premises rentals" is mainly due to the (i) first application of the IFRS16 principle (for further information about the effects of the introduction of this accounting standard, refer to Part A - Accounting policies - Section 4 - Other matter) and (ii) reorganization of the activities carried out by UniCredit Services S.C.p.A. through the transfer to UniCredit S.p.A. of the Italian activities relating to "real estate" business. Further this reorganisation has affected the decrease in sub-item "g) Operating costs - Administrative and logistic services. For further information on the reorganisation of the activities of UniCredit Services S.C.p.A., refer to the Consolidated report on operations of UniCredit group, paragraph "Other information - Group activities development operations and other corporate transactions".

### Contributions to Resolution and Guarantee funds

Refer to Part C - Income statement - Section 12 - Administrative expenses - Item 190 - Contributions to resolution and guarantee funds of Notes to the consolidated accounts that here are intended as completely reported.

## Part C - Income statement

### DTA guarantee fees

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 DL 3 May 2016 No.59 (so-called "Banks Decree" - converted into Law 30 June 2016 No.119), introduced the possibility, starting from 2016 since 2030, to elect for the payment of an annual fee equal to 1.5% levied on an aggregate amount deriving from the difference between:

- the increase in convertible DTAs recognised at the end of the fiscal year and the convertible DTA 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 starting from 1 January 2013 by Legal Entities included in Tax Group with convertible DTAs;
  - substitute taxes that generated convertible DTAs.

The whole fee has been paid on 28 June 2019 by UniCredit (as required by law) for a total amount €114.2 million, of which €109.5 million related to UniCredit itself, €4.4 million to UniCredit Leasing and €0.30 million to UniCredit Factoring.

## Section 11 - Net provisions for risks and charges - Item 170

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

(€ million)

	YEAR 2019		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(26)	90	64
Financial guarantees given	(186)	199	13

### 11.2 Net provisions for other commitments and guarantees given: breakdown

No data to be disclosed.

### 11.3 Net provisions for risks and charges: breakdown

(€ million)

ASSETS/INCOME ITEMS	YEAR 2019			YEAR 2018 TOTAL
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	
<b>1. Other provisions</b>				
1.1 Legal disputes	(219)	187	(32)	(197)
1.2 Staff costs	-	-	-	-
1.3 Other	(413)	80	(333)	(231)
<b>Total</b>	<b>(632)</b>	<b>267</b>	<b>(365)</b>	<b>(428)</b>

Provisions for legal disputes are posted to cover potential liabilities that may result from pending lawsuits. More details are included into Part E - Information on risks and hedging policies.

## Part C - Income statement

### Section 12 - Net value adjustments/write-backs on property, plant and equipment - Item 180

#### 12.1 Impairment on property, plant and equipment: breakdown

(€ million)

ASSETS/INCOME ITEMS	YEAR 2019			NET PROFIT (A+B-C)
	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	
<b>A. Property, plant and equipment</b>				
<b>A.1 Used in the business</b>	(311)	(22)	17	(316)
- Owned	(129)	(2)	4	(127)
- Right of use of Leased Assets	(182)	(20)	13	(189)
<b>A.2 Held for investment</b>	-	-	-	-
- Owned	-	-	-	-
- Right of use of Leased Assets	-	-	-	-
<b>A.3 Inventories</b>	-	-	-	-
<b>Total A</b>	(311)	(22)	17	(316)
<b>B. Non-current assets and groups of assets held for sale</b>	X	-	-	-
- Used in the business	X	-	-	-
- Held for investments	X	-	-	-
- Inventories	X	-	-	-
<b>Total (A+B)</b>	(311)	(22)	17	(316)

### Section 13 - Net value adjustments/write-backs on intangible assets - Item 190

#### 13.1 Net value adjustments/write-backs on intangible assets: breakdown

(€ million)

ASSETS/INCOME ITEMS	YEAR 2019			NET PROFIT (A+B-C)
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	
<b>A. Intangible assets</b>				
<b>A.1 Owned</b>	(2)	-	-	(2)
- Generated internally by the company	-	-	-	-
- Other	(2)	-	-	(2)
<b>A.2 Right of use of Leased Assets</b>	-	-	-	-
<b>B. Non-current assets and disposal group classified as held for sale</b>	X	-	-	-
<b>Total</b>	(2)	-	-	(2)

### Section 14 - Other operating expenses/income - Item 200

#### 14.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUES	YEAR 2019		YEAR 2018
Costs for operating leases	-	-	-
Non-deductible tax and other fiscal charges	-	-	-
Write-downs on leasehold improvements	(25)	(21)	(21)
Costs relating to the specific service of financial leasing	-	-	-
Other	(363)	(199)	(199)
<b>Total other operating expenses</b>	<b>(388)</b>	<b>(220)</b>	

The sub-item "Other" includes additional costs deriving from the "Collateral" contract accounts of €49 million, related to the sale of FinecoBank S.p.A.

## Part C - Income statement

### 14.2 Other operating income: breakdown

TYPE OF REVENUE/VALUES	(€ million)	
	YEAR 2019	YEAR 2018
<b>A) Recovery of costs</b>	<b>480</b>	<b>508</b>
<b>B) Other revenues</b>	<b>200</b>	<b>124</b>
Revenues from administrative services	41	45
Revenues from operating leases	26	28
Recovery of miscellaneous costs paid in previous years	5	2
Revenues on financial leases activities	-	-
Other	128	49
<b>Total other operating income (A+B)</b>	<b>680</b>	<b>632</b>

The sub-item "Others" includes income deriving from the contracts related to the sale of FineckBank S.p.A. on trademark concession for €23 million and on the "Collateral" for €22 million.

## Section 15 - Gains (Losses) of equity investments - Item 220

### 15.1 Profit (Loss) of equity investments: breakdown

INCOME ITEMS/VALUES	(€ million)	
	YEAR 2019	YEAR 2018
<b>A. Income</b>	<b>2,871</b>	<b>211</b>
1. Revaluations	-	-
2. Gains on disposal	1,807	146
3. Writebacks	1,064	65
4. Other gains	-	-
<b>B. Expenses</b>	<b>(4,268)</b>	<b>(1,801)</b>
1. Writedowns	-	-
2. Impairment losses	(4,268)	(1,797)
3. Losses on disposal	-	(4)
4. Other expenses	-	-
<b>Net profit</b>	<b>(1,397)</b>	<b>(1,590)</b>

Gains on disposal include the results from the sale of FinecoBank S.p.A. for €1,722 million and Mediobanca S.p.A. for €31 million.

Impairment losses in subsidiaries include UniCredit Bank Austria Creditanstalt Ag (-€1,862 million), UniCredit Bank Ag (-€1,739 million), Koc Finansal Hizmetler Istanbul AS (-€500 million), UniCredit Bank Ireland Plc (-€132 million), Sia UniCredit Leasing (-€20 million), UniCredit Turn Around Management Cee GmbH (-€15 million).

Writebacks in subsidiaries include UniCredit Leasing S.p.A. (€713 million), AO UniCredit Bank (€244 million), Nuova Compagnia di Partecipazioni S.p.A. (€34 million), UniCredit Banka Slovenja (€17 million), UniCredit Consumer Financing Ifn S.A. (€16 million), CNP (€16 million), UniCredit International Luxembourg S.A. (€9 million), Aviva (€6 million), Cordusio Sim S.p.A. (€3 million).



## Part C - Income statement

### Section 19 - Tax expenses (income) for the period from continuing operations - Item 270

Taxes on income are accounted in accordance with IAS12. The tax charge consists of current and deferred taxes, mainly determined in accordance with the applicable provisions on IRES and IRAP, and CFC separate taxation (Controlled Foreign Companies, i.e., foreign subsidiaries taxed on a transparency basis where specific conditions are met).

IRES is calculated by making specific upward or downward adjustments to the current year profit or loss as resulting from the income statement for determining the taxable income. These tax adjustments are made as required by the provisions of the Italian Income Tax Code (TUIR), in relation to the non-deductibility of certain expenses or the non-taxability of certain revenues.

The IRES tax rate applied to the taxable income is 24%. An additional surcharge of 3.5% applies to banks and financial companies.

The above-mentioned tax adjustments may be "permanent" or "temporary".

The "permanent" adjustments refer to expenses/revenues that are totally or partially non-deductible/non-taxable.

The "temporary" adjustments, on the other hand, relate to expenses or revenues whose deductibility or tax-ability is deferred to future tax periods on the occurrence of particular events, or distributed in equal quotas over a predefined number of years.

The presence of "temporary" adjustments leads to the recognition of deferred tax assets (for costs to be deducted) or deferred tax liabilities (for revenues to be taxed).

The purpose of the recognition of deferred tax assets and liabilities is to reconcile in the Financial statements the different tax period of relevance established by the TUIR compared to the accounting accrual principle.

For IRES purposes, subject to a specific election to be submitted to the "Agenzia Entrate", this tax can be paid on a Tax Group level rather than on an individual basis.

All Italian companies that meet the control pre-requisite can adhere to the Tax Group regime, in order to compute the tax payment on a unique taxable base consisting of the algebraic sum of the taxable amounts of all the companies adhering to the Tax Group regime.

The tax rate applicable to the Tax Group is 24%.

For IRES purposes, is stated a separate taxation "for transparency" on incomes, calculated according to the provisions of the Italian Income Tax Code (TUIR), of the foreign direct and indirect subsidiaries (so-called CFCs: Controlled Foreign Companies) established in countries with a nominal or effective tax rate which is significantly below the Italian corresponding one. The applicable tax rate is 27.5%.

IRAP is levied on productive activities and relevant taxable base corresponds to the algebraic sum of certain items of the income statement as specifically identified by Legislative Decree No.446 of 1997, which also states further upward and downward adjustments to be made (other than IRES ones). Law No.190 of 23 December 2014 (2015 Stability Law) establishes, starting from 2015, that personnel costs for employees with permanent employment contracts are fully deductible from IRAP in addition to the deductions already established by the so called "cuneo fiscale". Furthermore, in 2016 the full deductibility of the loan loss provisions in the year of accrual in the financial statements was introduced following the entry into force of Art.16 of Law Decree 27 June 2015 No.83.

The tax is calculated by apportioning the overall value of production among the various administrative regions where the productive activities are carried out (for banks the apportionment is made on the basis of the regional distribution of customer's deposits) and applying the respective regional rate to each of the individual portions identified. A national rate of 4.65% is established, to which each region can autonomously add a surcharge up to 0.92%, with an overall theoretical rate of 5.57% (plus a further rate of 0.15% for regions with a deficit in spending on the local welfare sector).

During the year 2019 the following changes in the tax legislation were introduced:

- as per Ministerial Decree 5 August 2019, the tax treatment of the effects on the financial statements deriving from the application of the accounting principle IFRS16 for the accounting of the operative lease and finance lease transactions was disciplined;
- as per Art.1, par.940-948, of the Law 30 December 2018, No.145 (Budget Law 2019) the terms for a realignment of Bank assets were reopened, by repurposing, as already done in the previous years, the provision introduced by the Law No.342/200. The realignment involves tax recognition of the higher book value registered by payment of a substitute tax to the extent of 16% for depreciable assets and to the extent of 12% for non-depreciable assets. In case of realignment the rule provides to bind a reserve in suspension of tax (for tax purposes) equal to the differential redeemed net of the substitute tax paid. In case of distribution such reserve has to be taxed. The higher values redeemed are assumed as valid for IRES and IRAP purposes as of 1 January 2021.

The realignment was made on 28 June 2019 by payment of a substitute tax of €27 million for a misalignment of €172 million, with a benefit in the of €29 million in income statement due to the write off of deferred tax liabilities for €57 million. A reserve in suspension of tax for €144 million was created.

- as per Art.1 of the Law of 27 December 2019, No.160, (Budget Law 2020) it was stated that:
  - Art.1 par.713: the deduction of the 2019 reversal of deferred tax assets on loans loss provisions since the first adoption of IFRS9, to be deducted over a period of 10 years for both IRES and IRAP purposes, is deferred to the year 2028;
  - Art.1 par.712: the deduction of the 2019 reversal of convertible deferred tax assets on loans loss provisions is deferred to the period 2022-2025 for both IRES and IRAP purposes;

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- Art.1 par.714: the deduction of the 2019 reversal of convertible deferred tax assets on goodwill is deferred to the period 2025-2029 both for IRES and IRAP purposes;
  - Art.1 par.287: the ACE tax benefit is restored as from the 2019 financial year with the same conditions previously in place.
- The postponement of the 2019 annual reversal of convertible deferred tax assets entails for UniCredit S.p.A.:
- a burden of €81 million for IRES and €16 million for IRAP in relation to the postponement of the loans loss provisions for IFRS9 as per the Art.1 par.713;
  - a burden of €15 million for IRES in relation to the postponement of the loans loss provisions and goodwill as per the Art.1 par.712 and 714;

Taxes on income for 2019 reports a negative amount of €299 million, showing a decrease in comparison with the positive amounts of €1,156 million in 2018.

Current IRES, with an accounting loss recorded, shows a tax loss of €777 million, mainly due to non-taxable positive items (dividends) and non-tax-relevant items deriving from valuation or realisation events on participations.

Deferred tax assets on tax loss, equal to €214 million for taxes could have been registered in 2019, in addition to the residual tax losses carried forward for the period 2016-2018 for a total amount of €3,515.1 million (the amount includes a residual amount of €10 million tax loss carried forward deriving from the merger of the subsidiaries Pioneer Global Asset Management (PGAM) and Buddy Servizi Molecolari in 2017) of which €2,897 million as deferred tax assets in income statement and €618 million as deferred tax assets in shareholders' equity. Following the sustainability test, also considering that the Tax Group shows a tax credit, an amount of deferred tax assets limited to €546 million (of which €7 million in income statement and €539 million in shareholders' equity) can be registered.

The amount of deferred tax assets arising from tax losses not booked is equal to €3,129 million of which (i) €2,737 million (€2,668 million deriving from accounting items originated in the income statement and €69 million from shareholders' equity components) referred to the Italian Tax Group perimeter and related to the 24% IRES ordinary tax rate and (ii) €392 million (€382 million deriving from accounting items originated in the income statement and €10 million from shareholders' equity components) referred to UniCredit S.p.A. and related to the 3.5% IRES additional tax rate.

Current IRAP tax accrual shows a negative amount equal to €108 million, with a negative effect in income statement for €125 million and a positive effect in shareholders' equity of €17 million due to the presence of tax items which, in application of the international accounting standards, have no effect on the income statement.

The "ACE" ("Aiuto alla crescita economica") benefit for 2019 is currently estimated in €25 million, also considering the lowering of the notional yield at 1.3% from 1.5% in 2018. The amount of the benefit for 2018 amounts to a total of €60 million due to the positive tax ruling obtained by "Agenzia delle Entrate" on the increase of intra-Group loans as provided by the anti-avoidance rules. From that total amount, the amount of €38 million resulting from the positive tax ruling will be put into effect in 2020 by the submission of supplementary 2018 tax returns both for IRES and IRAP. An analogous tax ruling for an amount still to be defined will be presented to "Agenzia delle Entrate" also for the year 2019.

During the year 2019, in light of the negative taxable basis for IRES and the availability of tax losses carried forward determining an indefinite postponement of the monetization of the ACE benefit on IRES, the amount of ACE benefit for 2018 not yet used was converted into a tax credit for IRAP purposes, as provided for by Law Decree 24 June 2014, No.91 (converted with modification by Law 11 August 2014, No.116) as already done for the unused ACE benefit pertaining to the 2016 and 2017 financial years, for a total amount of €99 million. Therefore, the ACE benefit for 2018, for an amount of €21 million, has been transformed, determining an equal extraordinary revenue in the income statement, considering that the same amount was impaired being not sustainable. The residual credit still to be used for IRAP purposes amounts to €82 million.

The IRAP credit will be used over 5 years in equal installments as provided for by the relevant law, with the possibility to carry forward any unused amount upon the fifth year.

The 2018 financial year closed with a profit of €2,458 million; therefore, the conditions for carrying out a new transformation of Deferred Tax Assets (DTAs) into tax credits pursuant to Art.2, par.55 of the Law Decree of 29 December 2010 No.225, converted into Law 10/2011 were not met.

The 2019 financial year on the contrary closed with a loss in income statement of €555 million; therefore, the conditions to proceed with a new transformation of Deferred tax assets into tax credits pursuant to the aforementioned regulation are verified. In 2020, following the approval of the financial statements for the year 2019 by the Shareholders' Meeting of UniCredit S.p.A., deferred tax assets, for IRES and IRAP, amounting to €87 million will be converted into tax credits.

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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 DL 3 May 2016 No.59 (so-called "Banks Decree", converted into Law 30 June 2016 No.119), introduced the possibility, starting from 2016 and till 2030, to elect for the payment of an annual fee equal to 1.5% levied on an aggregate amount deriving from the difference between:

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

The whole fee has been paid on 28 June 2019 by UniCredit group (as required by law) for a total amount €114.2 million, of which €109.5 million related to UniCredit S.p.A. itself, €4.4 million to UniCredit Leasing S.p.A. and €0.3 million to UniCredit Factoring S.p.A.

### 19.1 Tax expense (income) relating to profit or loss from continuing operations: breakdown

(€ million)		
INCOME ITEMS/SECTORS	YEAR 2019	YEAR 2018
1. Current taxes (-)	(150)	(73)
2. Change of current taxes of previous years (+/-)	10	130
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	-
4. Change of deferred tax assets (+/-)	(262)	1,122
5. Change of deferred tax liabilities (+/-)	103	5
6. Tax expenses for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(299)	1,184

Item "4. Change of deferred tax assets (+/-)" in 2018 reflects the recognition of DTAs related to the first time adoption of IFRS9 against income statement for an amount of €871 million.

### 19.2 Reconciliation of theoretical tax charge to actual tax charge

(€ million)		
	YEAR 2019	YEAR 2018
<b>Profit (Loss) before tax from continuing operations (income statement item)</b>	<b>(256)</b>	<b>1,258</b>
Theoretical tax rate	27.5%	27.5%
<b>Theoretical computed taxes on income</b>	<b>70</b>	<b>(346)</b>
1. Different tax rates	-	-
2. Non-taxable income - permanent differences	1,288	856
3. Non-deductible expenses - permanent differences	(1,363)	(572)
4. Different fiscal laws/IRAP	(144)	33
a) IRAP (italian companies)	(125)	63
b) Other taxes (foreign companies)	(19)	(30)
5. Previous years and changes in tax rates	55	163
a) Effects on current taxes	32	129
- Tax loss carryforward/unused Tax credit	-	-
- Other effects of previous periods	32	129
b) Effects on deferred taxes	23	34
- Changes in tax rates	-	-
- New taxes incurred (+) previous taxes revocation (-)	-	-
- True-ups/adjustments of the calculated deferred taxes	23	34
6. Valuation adjustments and non-recognition of deferred taxes	(182)	1,050
a) Deferred tax assets write-down	(260)	(87)
b) Deferred tax assets recognition	368	610
c) Deferred tax assets non-recognition	-	-
d) Deferred tax assets non-recognition according to IAS12.39 and 12.44	-	-
e) Other	(290)	527
7. Amortisation of goodwill	-	-
8. Non-taxable foreign income	-	-
9. Other differences	(23)	-
<b>Recognised taxes on income</b>	<b>(299)</b>	<b>1,184</b>



## Part C - Income statement

### Section 20 - Profit (Loss) after tax from discontinued operations - Item 290

No data to be disclosed in this section.

### Section 21 - Other information

#### Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the law 124/2017

Pursuant to article 1, paragraph 125 of law 124/2017, during 2019 UniCredit S.p.A. collected the following public contributions granted by Italian entities:

#### Reduction of the extraordinary contribution pursuant to art.1, paragraph 235 of Law 232 of 11 December 2016 charged to the management of welfare interventions and pension support

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	44.93
<b>Total</b>		<b>44.93</b>

#### Contributions for the recruitment/stabilisation of personnel deriving from the application of the CCNL of the Credit in force from time to time

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT S.P.A.	1.56
<b>Total</b>		<b>1.56</b>

#### Contributions for new recruits/stabilisations, introduced by the stability law 2018 (Law No.205/2017)

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	0.40
<b>Total</b>		<b>0.40</b>

#### Article 8 of Legislative Decree 9/30/2005, No.203 converted, with modifications, from the Law 2 December 2005, No.248.

#### Compensatory measures for companies that assign the TFR to supplementary pension schemes and/or to the Fund for the payment of the TFR

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	8.78
<b>Total</b>		<b>8.78</b>

#### Work-life balance - Legislative Decree 09/12/2017 and Inps Circular No.91 of 8/03/2018

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	5.75
<b>Total</b>		<b>5.75</b>

#### Result awards decontribution for year 2018 - Legislative Decree No.50 of 4/24/2017 - Art.55; converted into Law No.96 of 6/21/2017

(€ million)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	3.36
<b>Total</b>		<b>3.36</b>

## Part C - Income statement

Result awards decontribution for year 2019 - Legislative Decree No.50 of 4/24/2017 - Art.55; converted into Law No.96 of 6/21/2017

(€ million)		
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	3.14
<b>Total</b>		<b>3.14</b>

For further information, refer to the National State Aid Register "Transparency".

## Section 22 - Earnings per share

### 22.1 and 22.2 Average number of diluted shares and other information

	YEAR 2019	YEAR 2018
Net profit (loss) <sup>(1)</sup> (€ million)	(679)	2,349
Average number of outstanding shares	2,222,881,054	2,219,405,841
Average number of potential dilutive shares	13,958,453	9,835,058
Average number of diluted shares	2,236,839,506	2,229,240,899
<b>Earnings per share (€)</b>	<b>(0.306)</b>	<b>1.058</b>
<b>Diluted earnings per share (€)</b>	<b>(0.304)</b>	<b>1.054</b>

**Note:**

(1) €124 million has been added to 2019 net loss of €555 million due to disbursements charged to equity made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€93 million was deducted from 2018 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 D - Other comprehensive income

## Analytical statement of other comprehensive income

ITEMS	YEAR	
	2019	2018
<b>10. Profit (Loss) of the year</b>	<b>(555,260,165)</b>	<b>2,442,316,824</b>
<b>Other comprehensive income not reclassified to profit or loss</b>		
20. Equity instruments designated at fair value through other comprehensive income:	8,855,148	12,063,917
a) fair value changes	(18,082,171)	(36,798,997)
b) transfers to other shareholders' equity items	26,937,319	48,862,914
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	(163,382,045)	114,603,128
a) fair value changes	(270,899,924)	104,439,978
b) transfers to other shareholders' equity items	107,517,879	10,163,150
40. Hedge accounting of equity instruments measured at fair value through other comprehensive income:	-	-
a) fair value change (hedged instrument)	-	-
b) fair value change (hedging instrument)	-	-
50. Property, plant and equipment	761,769,689	-
60. Intangible assets	-	-
70. Defined benefit plans	(37,803,625)	2,381,530
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Part of valuation reserves from investments valued at equity method	-	-
100. Tax expenses (income) relating to items not reclassified to profit or loss	(196,535,784)	(9,289,976)
<b>Other comprehensive income reclassified to profit or loss</b>		
110. Foreign investments hedging:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Foreign exchange differences:	-	-
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
130. Cash flow hedging:	52,152,902	(50,378,203)
a) fair value changes	52,152,902	(50,375,379)
b) reclassification to profit or loss	-	-
c) other changes	-	(2,824)
<i>of which: net position</i>	-	-
140. Hedging instruments (not designated items):	-	-
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
150. Financial assets (different from equity instruments) at fair value through other comprehensive income:	781,867,923	(1,136,539,108)
a) fair value changes	720,993,035	(1,014,650,659)
b) reclassification to profit or loss:	61,314,628	(123,455,067)
- impairment losses	-	10,157,409
- gains/losses on disposals	61,314,628	(133,612,476)
c) other changes	(439,740)	1,566,618
160. Non-current assets and disposal groups classified as held for sale:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
170. Part of valuation reserves from investments valued at equity method:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss:	-	-
- impairment losses	-	-
- gains/losses on disposals	-	-
c) other changes	-	-
180. Tax expenses (income) relating to items reclassified to profit or loss	(232,205,978)	329,133,191
<b>190. Total other comprehensive income</b>	<b>974,718,230</b>	<b>(738,025,521)</b>
<b>200. Other comprehensive income (Item 10+190)</b>	<b>419,458,065</b>	<b>1,704,291,303</b>

## Part E - Information on risks and hedging policies

### Introduction

Reference is made to the paragraph of Part E of the Notes to the consolidated accounts of UniCredit group - Introduction which is herewith quoted entirely.

### Section 1 - Credit risk

#### Qualitative information

##### 1. General aspects

In UniCredit the current oversight model on credit risk envisages the centralisation of the steering and coordination responsibilities within the Parent company functions, as described in the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - qualitative information - 1. General aspects which is herewith quoted entirely.

With specific reference to the Italian perimeter of UniCredit S.p.A., the coordination and management of credit risk are under the responsibility of the "CLO Italy" function, reporting to the "Group Lending Office, and who is accountable for the:

- coordination and management of credit underwriting activities for UniCredit S.p.A. customers, as well as the overseeing of the post-decision phases of the credit process;
- coordination and management of restructuring and workout files of Italian perimeter of UniCredit S.p.A. including the Debt to Equity and Debt to Asset transactions and the related equity participations/assets;
- coordination of the credit activities of UniCredit S.p.A. Italian legal entities.

Within the scope of the Italian business, the lending, monitoring and loan recovery activities are managed through specific processes and IT procedures, which are constantly improved in order to maximise their efficiency and effectiveness. In addition, the overall monitoring process, its performance metrics and the whole impaired loans management has further improved also leveraging on progressive enhancement of the specialised credit structures, already in place, that are responsible for the overall management of the unlikely to pay exposures or bad loans.

In order to continue providing an adequate support to the real economy, the range of financing products has been continuously updated, enhancing the use of instruments such as the BEI and SACE guarantees, the Central Guarantee Fund and Tranching Cover operations. Furthermore, specific attention was focused on households that intend to purchase a home, thanks to a simple though diversified product offer which aims at fulfilling customers' current and future needs.

UniCredit S.p.A. moreover continued to support customers in areas affected by calamitous events, such as floods and earthquakes, by means of both governmental and self-developed initiatives.

##### 2. Credit risk management policies

###### 2.1 Organisational aspects

In credit risk management, the organisational structure as at 31 December 2019, envisages specific structures and responsibilities at Group and local level. Regarding the organisational model of the Parent company functions, reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 2 Credit risk policies management - 2.1 Organisational aspects which is herewith quoted entirely.

With specific reference, instead, to the UniCredit S.p.A. perimeter, the organisational units under "CLO Italy" and responsible for the "operational" activities (e.g. credit underwriting, performance monitoring, etc.) are:

- the "Credit Underwriting" structure whose responsibilities include the following activities:
  - coordinating the activities of 8 Regional Industry Team;
  - RIT decision-making activities;
  - managing the lending to UniCredit S.p.A. customers;
  - coordinating and managing the lending to UniCredit S.p.A. customers in relation to Consumer and Mortgage non banking products and post-sales phases;
  - preliminary and administrative activities for transactions to be submitted to the Italian Transactional Credit Committee (ITCC).

The structure consists of the following units:

- "Credit Committee Secretariat";
- "Central Credit Risk Underwriting Italy";
- "Individuals Credit Underwriting Italy";
- "Territorial Credit Risk Underwriting Italy" composed by 7 territorial Credit Hubs;
- the "Credit Monitoring" structure whose responsibilities include the following activities:
  - ensure the quality of the loan portfolio through performance monitoring of the positions, risk analysis and identification of corrective measures;
  - support the Business functions in monitoring the credit portfolio of the territorial areas, analysing the performance and implementing the corrective measures required.

## Part E - Information on risks and hedging policies

The structure consists of the following units:

- "Credit Monitoring Operations & Support";
- "Central Credit Risk Monitoring Italy";
- "7 Territorial Monitoring Hubs";
- "Retail Central Credit Monitoring";
- the "Special Credit" structure whose responsibilities include the following activities:
  - overseeing activities aimed at reducing the cost of credit risk of irregular and problematic loans;
  - managing the collection of delinquent and overdue unpaid credits and the related activities, as the classifications doubtful or non performing credits, according to the delegated powers, ensuring the enforcement and implementations of collection strategies and activities;
  - conducting borrower assessment, credit analysis and preparing the related documentation for applications to be submitted to the competent decision-making Bodies;
  - overseeing the administrative and accounting activities under its responsibility.

The structure consists of the following units:

- RTO NPL Servicing;
- Special Credit Support And Administration Italy;
- Workout Italy;
- Customer Recovery;
- the "Restructuring Italy" structure, which, inter alia, is in charge of managing, assessing and making decisions of positions undergoing restructuring, also monitoring compliance with the agreements set forth in the restructuring plan and any covenants established and managing potential Debt to Equity and Debt to Asset transactions as well as the resulting shareholdings within its perimeter of competence.

The structure consists of the following units:

- Corporate Files Restructuring;
- Real Estate Restructuring;
- Restructuring Risk Analysis & Operations;
- Strategic Files Restructuring;
- Inc Italy;
- the "Loan Administration" structure which, inter alia, is responsible for the following activities:
  - monitoring administrative activities after the loan has been granted/disbursed;
  - managing subsidised loans;
  - lending and administrative activities relating to mutual guarantee institutions;
  - coordination and management of activities after disbursement of Mortgages by ensuring the quality and integrity of information assets and risk minimisation;

The structure consists of the following units:

- 5 territorial Hub of the "Loan Administration";
- Subsidised Loan;
- Mortgages Evaluation;
- Loan Administration Operation & Support.

In addition, with respect to credit risk, specific committees have been set up:

- the "Italian Transactional Credit Committee", which has decision-making functions within its delegated powers and/or consulting functions for files to be approved by upper Bodies, is responsible, with regard to UniCredit S.p.A. counterparts, (excluding FIBS counterparts) for credit proposals (including "restructuring", "INC" and "workout" positions), the classification status of positions, strategies and corrective actions to be taken for "watchlist" positions, Debt to Equity transactions and/or actions/rights-execution related to equity participations resulting from Debt to Equity transaction, Debt to Assets transactions and/or actions/rights-execution related to asset resulting from Debt to Asset transactions, issuing Non-Binding Credit Opinions concerning the proposals of the Italian Legal Entities of UniCredit group and proposals of distressed loan disposal;
- the "Italian Non Core Portfolio Credit Committee", which has the responsibility, within its sub-delegated powers, to evaluate and approve the underwriting and the review of the credit lines; to evaluate and approve the loans provisions, asset value adjustments and releases of capital and/or capitalised interests related to the non performing non core portfolio of competence.

## Part E - Information on risks and hedging policies

### 2.2 Credit risk management, measurement and control

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 2. Credit risk policies management - 2.2 Credit risk management, measurement and control which is herewith quoted entirely.

### 2.3 Measurement methods for expected losses

#### *Risk management practices*

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 2. Credit risk policies management - 2.3 Measurement method for expected losses which is herewith quoted entirely.

### 2.4 Credit risk mitigation technique

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)", UniCredit group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes as necessary for the calculation of credit risk capital requirement.

At the moment specific guidelines are in force, issued by the Parent company, defining group-wide rules and principles with the aim to guide, govern and standardise the credit risk mitigation management, best practice, as well as in accordance with the relevant regulatory requirements. Integrating these guidelines, the Bank has adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail, according to each Country's local legal system, collateral eligibility, acquisition, valuation and monitoring rules and ensure, among others, the soundness, legal enforceability and timely liquidation of valuable collateral.

Collateral management assessments and credit risk mitigation compliance verification have been performed by the Bank, 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.

In particular, according to the current 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 borrowers' credit worthiness and of his repayment capacity, collaterals are subject to specific evaluation and analysis with the aim to verify their viability to support the repayment of the exposure.

Collaterals accepted in support of credit lines granted by the Bank, primarily include:

- real estate, both residential and commercial;
- financial collaterals (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS)).

Other types of collaterals (pledged goods or pledged loans and life insurance policies) are less common.

The Bank also makes use, between funded credit protection, of bilateral netting agreements in particular regarding OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending transactions where the counterparties are, generally, Financial Institutions.

Moreover, can be considered as eligible netting agreements of reciprocal credit exposures between the Bank and its counterparty if they are legally effective and enforceable in all 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).

The Bank 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.

In relation to guarantees, they can be accepted as complementary and accessory to the granting of loans, for which the risk mitigation serves as additional security for repayment. 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.

In case the guarantee is represented by credit derivatives, the protection providers are mainly banks and institutional counterparties.

The list of eligible protection providers depends on the specific approach adopted by the Bank. 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, furthermore, the Bank can evaluate the protection provider risk profile, through an internal rating system, at the time the guarantee is provided and over its entire duration.

## Part E - Information on risks and hedging policies

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, to 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. Furthermore 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.

In the collateral acquisition phase, the Bank 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 set 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 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, it is necessary to evaluate case by case the definition of a country limit.

### 3. Non-performing credit exposures

#### 3.1 Management strategies and policies

Regarding the management strategies and policies in force for the UniCredit group reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 3. Non-performing credit exposures -

3.1 Management strategies and policies which is herewith quoted entirely.

In order to ensure a homogeneous approach in the classification of credit exposures for regulatory and reporting purposes, UniCredit has defined group-wide guidelines for the classification of non-performing exposures that refer to the principles reported in the Implementing Technical Standards issued by the Authority European Banking in 2014. With regard to this definition (which includes the concept of "default" ruled by Art.178 EU Regulation No.575/2013 and the "impaired" definition reported in accounting standard IFRS9) at operative level UniCredit group has pursued a substantial alignment between the three definitions. Furthermore, in accordance with the provisions of Banca d'Italia Circular 272/2008, credit exposures of each group entity must be classified in one of the following risk classes:

- past-due and/or overdue exposures: problematic exposures that are more than 90 days past due on any material obligation (the latter assessed in line with Article 178 (2d) of EU Regulation No.575/2013 and the Technical Standards of the EBA);
- unlikely to pay: the classification in this category is the result of the judgment of the bank about the unlikelihood, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad loans: exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.

In the non-performing credit exposures management, UniCredit S.p.A. adopts certain strategies that operationally define the activities necessary to achieve the targets defined yearly.

The aforementioned strategies concerning impaired loans include:

- an effective internal restructuring activity, supported by qualified resources with specific skills dedicated to the management of loans classified as unlikely to pay; within these activities, ad-hoc approaches are then envisaged for positions considered strategic or referring to the Corporate and Real Estate segment;
- proactive portfolio management through judicial and extra-judicial procedures managed by internal Workout professionals or assigned to external agencies specialised in credit recovery;
- the recourse of alternative recovery strategies (which UniCredit was one of the first banks to use) based on formalised partnerships aimed at managing positions in the industrial or Real Estate sector;
- proactive management of the Leasing portfolio aimed at speeding up the negotiation times of agreements with counterparties in order to obtain a more effective remarketing process;
- disposal of impaired loans as a further strategy for internal recovery both for individual positions and for portfolios of impaired loans, already classified as bad loans and unlikely to pay.



## Part E - Information on risks and hedging policies

These strategies reflect the main levers for reducing the amount of impaired loans and have led to an important result during the first 9 months of 2019, highlighting:

- write-off for €2,184 million (153% of the total planned in Transform 2019 for 2019 year);
- recoveries for €1,144 million (72% of the total planned in Transform 2019 for 2019 year);
- disposals for €8,246 million (344% of the total planned in Transform 2019 for 2019 year).

The decrease amount of the stock of impaired loans to Bank customers was therefore in line with the reduction targets set in the Transform 2019 plan for the year 2019, achieving an improvement in asset quality. This result was possible thanks also to an acceleration of the reduction times of the "Non Core" portfolio. Therefore, the UniCredit group can confirm the complete closure of its Non Core legacy by 2021, as foreseen in the new plan "Team 23" thanks also to the activation of a coordinated set of levers aimed at reducing the stock.

### 3.2 Write-off

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

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

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

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

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

Specifically, for UniCredit S.p.A. perimeter, write-offs on financial assets still subject to an enforcement procedure amount to €2,016 million as at 31 December 2019, of which partial write-offs amount to €1,899 million and total write-offs amount to €117 million. The amount of write-offs (both partial and total) related to the 2019 financial year is €1,150 million. 2019 write-offs cannot be compared with write-offs amount reported in gross changes in non-performing exposures, because the latter includes "debt forgiveness".

### 3.3 Acquired or originated impaired financial assets

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 3. Non-performing credit exposures - 3.3 Acquired or originated impaired financial assets - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

### 4. Financial assets subject to commercial renegotiations and forbore 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 (Forbearance).

Such changes are accounted on the basis of whether the modification is considered significant or not. In this regard, reference is made to the Part A - A.2 - Main items of the accounts.

The concessions granted due to debtor's financial difficulties, so called Forbearance initiatives, are usually considered not significant from an accounting perspective.



## Part E - Information on risks and hedging policies

### 4.1 Loan categorisation in the risk categories and forborne exposures

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 4.1 Loan categorisation in the risk categories and forborne exposures which is herewith quoted entirely.

### Quantitative information

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

#### A. Credit quality

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

#### A.1 Non-performing and performing credit exposure: amounts, writedowns, changes, distribution by business activity

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

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	956	3,421	311	6,518	289,957	301,163
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,857	29,857
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	65	-	6	524	595
5. Financial instruments classified as held for sale	24	239	-	-	-	263
<b>Total 12.31.2019</b>	<b>980</b>	<b>3,725</b>	<b>311</b>	<b>6,524</b>	<b>320,338</b>	<b>331,878</b>
<b>Total 12.31.2018</b>	<b>2,811</b>	<b>6,355</b>	<b>302</b>	<b>5,290</b>	<b>302,644</b>	<b>317,402</b>

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

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	15,287	10,599	4,688	1,899	297,723	1,248	296,475	301,163
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,886	29	29,857	29,857
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	172	107	65	-	X	X	530	595
5. Financial instruments classified as held for sale	592	329	263	46	-	-	-	263
<b>Total 12.31.2019</b>	<b>16,051</b>	<b>11,035</b>	<b>5,016</b>	<b>1,945</b>	<b>327,609</b>	<b>1,277</b>	<b>326,862</b>	<b>331,878</b>
<b>Total 12.31.2018</b>	<b>25,655</b>	<b>16,187</b>	<b>9,468</b>	<b>2,395</b>	<b>307,796</b>	<b>1,325</b>	<b>307,934</b>	<b>317,402</b>

Note:

(\*) Value shown for information purposes.

## Part E - Information on risks and hedging policies

### Prisma transaction

"PRISMA transaction" (hereinafter also "PRISMA") is part of the plan of disposal of the assets belonging to the "Non Core" perimeter belonging to the UniCredit group through a market operation. It relates to a set of credit exposures owned by UniCredit S.p.A., classified as Non performing and related to a Portfolio of Residential Mortgages to Individuals which, as at 30 September 2019 (cut-off date), amounted to €4.1 billion in terms of gross book value (€6.1 billion in terms of credit claims), also defined below as the "Portfolio".

PRISMA consists of an overall transaction, approved by the Board of Directors on 20 September 2019, realised by 2 phases of process:

- **PHASE 1: securitisation of receivables (Bad loans)** originated by UniCredit S.p.A. (the "Securitisation"). On 11 October 2019 the legal transfer of the loan Portfolio from UniCredit S.p.A. (Originator) to PRISMA SPV S.r.l. (Assignee) occurred at a price equal to €1,320 million, then settled on 18 October 2019 through the full subscription by UniCredit S.p.A. of all Asset Backed Securities (named also ABS or Note) (Senior Notes for €1,210 million, Mezzanine for €80 million and Junior for €30 million) issued on the same date by PRISMA SPV S.r.l. UniCredit S.p.A. neither maintain roles connected with the recovery or management of collections of securitised receivables as Servicer or Master Servicer or other analogous within the Securitisation transaction, nor has any control over the recovery process. Within the transaction, a liquidity line granted to PRISMA SPV S.r.l. by UniCredit Bank AG is envisaged for an amount of €66 million (qualified as "super-senior" in the Securitisation waterfall of payments), to fund upfront and on-going running costs and cover potential shortfalls of maturity mismatch between the payment dates.
- **PHASE 2: partial sale by UniCredit S.p.A. of the Mezzanine and Junior Notes** to third parties investors not belonging to the UniCredit group. Following a placement process supported by J.P.Morgan Securities Plc and UniCredit Bank AG as Placement Agents, on 5 November 2019 UniCredit S.p.A. accepted a Binding Offer from SPF Investment Management - Buckthorn Financing DAC (third party not pertaining to UniCredit group) for the purchase of 95% of Notes Mezzanine and Junior (€104.5 million out of the total of €110 million) at a total price of approximately €48 million. Consequently, on 12 November 2019, the sale of 95% of the Mezzanine and Junior Notes to the investor was finalised.

The sale of 95% of the Mezzanine and Junior Securities created the fundamental and substantial conditions for the accounting derecognition (pursuant to the international accounting standards in force) from the UniCredit S.p.A. Balance Sheet of the receivables included in the Portfolio of bad loans securitized with PRISMA transaction. Indeed, UniCredit S.p.A. has transferred to third parties (outside UniCredit group) the risks and benefits underlying the loan Portfolio subject to sale, since it has substantially replaced a Portfolio of impaired credit exposures (bad loans) booked for a gross book value of €4.1 billion with an exposure in Senior Notes (nominal €1,210 million) with "investment grade" rating, maintaining a residual exposure (5%) in the Mezzanine Tranche (nominal €4 million) and Junior (nominal €1.5 million). It is therefore possible to state that after the sale of 95% of the Mezzanine and Junior Notes (i) the Bank is no longer significantly exposed to the variability of the future cash flows of the loan Portfolio, and (ii) the underlying risks/benefits on securitized loans are no longer substantially related to UniCredit S.p.A. but to third party (outside the UniCredit group) subscribers of the Mezzanine and Junior tranches. The liquidity line granted to PRISMA SPV S.r.l. by UniCredit Bank AG does not change the result of the analysis since the repayment of the credit deriving from the use of this line by the Vehicle is "super-senior" than the Senior Tranche.

Consequently, according to IFRS9 (paragraph 3.2.6), UniCredit, both in the 2019 Individual and Consolidated Financial Statements, proceeded to:

- to the derecognition of the receivables belonging to the loan Portfolio relating to PRISMA Transaction,
- to recognise the ABS (100% of Senior Note; 5% of Mezzanine and Junior Notes), which have been classified in the categories envisaged according to IFRS9 based on their characteristics. As at 31 December 2019, the Senior Note is classified as Financial asset at fair value through other comprehensive income for an amount of €1.215 million, while Mezzanine and Junior Note are classified as Financial assets at fair value through profit or loss for an amount of €3 million and zero million respectively.

On 27 December 2019 the Italian Minister of Economy and Finance recognised the Garanzia Cartolarizzazione Sofferenze (GACS) as a guarantee for the repayment of the Senior Note.

With reference to the events occurring after the end of the year, refer to the Subsequent events and outlook in Consolidated report on operations.

## Part E - Information on risks and hedging policies

### Strengthening the rundown strategy for Non Core perimeter

Refer to Part E - Information on risks and hedging policies - Section 1 - Risks of the accounting consolidated perimeter - Quantitative information - "Strengthening the rundown strategy for Non Core perimeter" of the Notes to consolidated accounts that, for what relates specifically to UniCredit S.p.A., here are intended as completely reported.

		ASSETS OF EVIDENT LOW CREDIT QUALITY		OTHER ASSETS
PORTFOLIOS/QUALITY		CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading		10	17	12,661
2. Hedging derivatives		-	-	5,223
<b>Total</b>	<b>12.31.2019</b>	<b>10</b>	<b>17</b>	<b>17,884</b>
<b>Total</b>	<b>12.31.2018</b>	<b>31</b>	<b>26</b>	<b>15,975</b>

(€ million)

### A.1.3 Breakdown of financial assets by past-due buckets (carrying value)

		STAGE 1			STAGE 2			STAGE 3		
		FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost		4,920	139	82	583	404	390	2,090	154	2,444
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale		-	-	-	-	-	-	130	12	121
<b>Total</b>	<b>12.31.2019</b>	<b>4,920</b>	<b>139</b>	<b>82</b>	<b>583</b>	<b>404</b>	<b>390</b>	<b>2,220</b>	<b>166</b>	<b>2,565</b>
<b>Total</b>	<b>12.31.2018</b>	<b>3,385</b>	<b>275</b>	<b>97</b>	<b>577</b>	<b>445</b>	<b>511</b>	<b>3,732</b>	<b>172</b>	<b>5,451</b>

(€ million)

### A.1.4 Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)										
SOURCES/RISK STAGES	OVERALL WRITE-DOWNS									
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1					FINANCIAL ASSETS CLASSIFIED IN STAGE 2				
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	549	19	-	-	568	757	-	-	-	757
Increases in acquired or originated financial assets	109	-	-	-	109	51	-	-	-	51
Reversals different from write-offs	(101)	-	-	-	(101)	(56)	-	-	-	(56)
Net losses/recoveries on credit impairment	(317)	16	-	-	(301)	207	-	-	-	207
Contractual changes without cancellation	1	-	-	-	1	2	-	-	-	2
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	(1)	-	-	-	(1)
Other changes	286	(6)	-	-	281	(240)	-	-	-	(239)
Closing balance (gross amount)	527	29	-	-	557	720	-	-	-	721
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	(16)	-	-	-	(16)

(€ million)

## Part E - Information on risks and hedging policies

continued: A.1.4 Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS						TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	ASSETS BELONGING TO THIRD STAGE					OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS				
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT		STAGE 1	STAGE 2	STAGE 3	
Opening balance (gross amount)	16,055	-	23	9,928	6,150	13	66	24	402	17,895
Increases in acquired or originated financial assets	406	-	-	350	55	-	20	5	24	615
Reversals different from write-offs	(146)	-	(46)	(6)	(186)	-	-	-	-	(349)
Net losses/recoveries on credit impairment	2,270	-	(17)	1,432	821	(1)	(43)	(4)	(79)	2,033
Contractual changes without cancellation	19	-	-	18	1	-	-	-	-	22
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	(3,303)	-	(4,255)	(2,218)	(5,340)	(6)	-	-	-	(7,559)
Other changes	(4,702)	-	4,625	(1,496)	1,419	4	9	(2)	(7)	(37)
Closing balance (gross amount)	10,599	-	330	8,008	2,920	10	52	23	340	12,620
Recoveries from financial assets subject to write-off	76	-	-	25	51	-	-	-	-	76
Write-off are not recognised directly in profit or loss	(354)	-	(49)	(225)	(178)	-	-	-	-	(419)

## A.1.5 Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

PORTFOLIOS/RISK STAGES	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	6,019	4,010	963	164	915	244
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	49	-	6	-
4. Loan commitments and financial guarantees given	1,285	519	13	11	41	20
<b>Total 12.31.2019</b>	<b>7,304</b>	<b>4,529</b>	<b>1,025</b>	<b>175</b>	<b>962</b>	<b>264</b>
<b>Total 12.31.2018</b>	<b>5,883</b>	<b>5,398</b>	<b>1,228</b>	<b>95</b>	<b>1,194</b>	<b>331</b>

## Part E - Information on risks and hedging policies

## A.1.6 On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT		12.31.2019		
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS <sup>(*)</sup>
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	-	X	-	-	-
<i>of which: forborne exposures</i>	-	X	-	-	-
b) Unlikely to pay	4	X	4	-	-
<i>of which: forborne exposures</i>	-	X	-	-	-
c) Non-performing past due	-	X	-	-	-
<i>of which: forborne exposures</i>	-	X	-	-	-
d) Performing past due	X	-	-	-	-
<i>of which: forborne exposures</i>	X	-	-	-	-
e) Other performing exposures	X	44,705	27	44,678	-
<i>of which: forborne exposures</i>	X	-	-	-	-
<b>Total (A)</b>	<b>4</b>	<b>44,705</b>	<b>31</b>	<b>44,678</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	-	X	-	-	-
b) Performing	X	38,675	4	38,671	-
<b>Total (B)</b>	<b>-</b>	<b>38,675</b>	<b>4</b>	<b>38,671</b>	<b>-</b>
<b>Total (A+B)</b>	<b>4</b>	<b>83,380</b>	<b>35</b>	<b>83,349</b>	<b>-</b>

Note:

(\*) Value shown for information purposes.

## A.1.7 On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT		12.31.2019		
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS <sup>(*)</sup>
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	6,452	X	5,472	980	1,923
<i>of which: forborne exposures</i>	1,179	X	984	195	198
b) Unlikely to pay	9,129	X	5,404	3,725	22
<i>of which: forborne exposures</i>	5,559	X	3,398	2,161	4
c) Non-performing past due	466	X	155	311	-
<i>of which: forborne exposures</i>	17	X	5	12	-
d) Performing past due	X	6,820	296	6,524	-
<i>of which: forborne exposures</i>	X	859	109	750	-
e) Other performing exposures	X	283,351	954	282,397	-
<i>of which: forborne exposures</i>	X	1,800	111	1,689	-
<b>Total (A)</b>	<b>16,047</b>	<b>290,171</b>	<b>12,281</b>	<b>293,937</b>	<b>1,945</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	2,642	X	340	2,302	-
b) Performing	X	138,486	71	138,415	-
<b>Total (B)</b>	<b>2,642</b>	<b>138,486</b>	<b>411</b>	<b>140,717</b>	<b>-</b>
<b>Total (A+B)</b>	<b>18,689</b>	<b>428,657</b>	<b>12,692</b>	<b>434,654</b>	<b>1,945</b>

Note:

(\*) Value shown for information purposes.

## Part E - Information on risks and hedging policies

## A.1.8 On-balance sheet exposures with banks: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019		NON-PERFORMING PAST DUE
	BAD EXPOSURES	UNLIKELY TO PAY	
<b>A. Opening balance (gross amount)</b>	-	4	-
<i>of which sold non-cancelled exposures</i>	-	-	-
<b>B. Increases</b>	-	-	-
B.1 Transfers from performing loans	-	-	-
B.2 Transfers from acquired or originated impaired financial assets	-	-	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	-	-
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	-	-	-
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Reductions</b>	-	-	-
C.1 Transfers to performing loans	-	-	-
C.2 Write-offs	-	-	-
C.3 Collections	-	-	-
C.4 Sale proceeds	-	-	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other non-performing exposures	-	-	-
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	-	-	-
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	-	4	-
<i>of which sold non-cancelled exposures</i>	-	-	-

## A.1.8bis Regulatory consolidation - On-balance sheet exposures with banks: changes by credit quality in gross forborne exposures

No data to be disclosed.

## A.1.9 On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019		NON-PERFORMING PAST DUE
	BAD EXPOSURES	UNLIKELY TO PAY	
<b>A. Opening balance (gross amount)</b>	13,022	12,169	462
<i>of which sold non-cancelled exposures</i>	472	1,043	10
<b>B. Increases</b>	2,918	3,790	421
B.1 Transfer from performing loans	367	1,361	366
B.2 Transfer from acquired or originated impaired financial assets	-	85	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfer from other non-performing exposures	1,862	99	4
B.4 Contractual changes with no cancellations	-	1	-
B.5 Other increases	689	2,244	51
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Decreases</b>	9,488	6,830	417
C.1 Transfers to performing loans	3	501	55
C.2 Write-offs	1,953	398	-
C.3 Collections	860	1,493	128
C.4 Sale proceeds	1,566	687	-
C.5 Losses on disposals	55	79	-
C.6 Transfers to other non-performing exposures	9	1,722	234
C.7 Contractual changes with no cancellations	-	20	-
C.8 Other decreases	5,042	1,930	-
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	6,452	9,129	466
<i>of which sold non-cancelled exposures</i>	386	848	7

## Part E - Information on risks and hedging policies

## A.1.9bis On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2019	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	<b>9,294</b>	<b>2,959</b>
<i>of which sold non-cancelled exposures</i>	735	232
<b>B. Increases</b>	<b>2,461</b>	<b>1,821</b>
B.1 Transfers from performing non-forborne exposures	63	1,326
B.2 Transfers from performing forborne exposures	422	X
B.3 Transfers from non-performing forborne exposures	X	310
<i>of which: business combinations</i>	X	-
B.4 Other increases	1,976	185
<i>of which: business combinations - mergers</i>	-	-
<b>C. Reductions</b>	<b>5,000</b>	<b>2,121</b>
C.1 Transfers to performing non-forborne exposures	X	767
C.2 Transfers to performing forborne exposures	310	X
C.3 Transfers to non-performing forborne exposures	X	422
C.4 Write-offs	551	-
C.5 Collections	1,022	884
C.6 Sale proceeds	627	-
C.7 Losses from disposal	33	-
C.8 Other reductions	2,457	48
<i>of which: business combinations</i>	-	-
<b>D. Closing balance (gross amount)</b>	<b>6,755</b>	<b>2,659</b>
<i>of which sold non-cancelled exposures</i>	800	68

## A.1.10 On-balance sheet non-performing credit exposures with banks: changes in overall write-downs

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	-	-	4	-	-	-
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-
<b>B. Increases</b>	-	-	-	-	-	-
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2 Other write-downs	-	-	-	-	-	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	-	-	-	-	-	-
C.1 Write-backs from valuation	-	-	-	-	-	-
C.2 Write-backs from collections	-	-	-	-	-	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	-	-	4	-	-	-
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.1.11 On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>10,210</b>	<b>1,335</b>	<b>5,813</b>	<b>3,469</b>	<b>160</b>	<b>7</b>
<i>of which sold non-cancelled exposures</i>	301	40	424	363	2	-
<b>B. Increases</b>	<b>3,268</b>	<b>939</b>	<b>2,895</b>	<b>2,003</b>	<b>121</b>	<b>7</b>
B.1 Write-downs of acquired or originated impaired financial assets	73	X	327	X	5	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2 Other write-downs	2,005	424	2,139	1,680	78	3
B.3 Losses on disposal	55	8	79	25	-	-
B.4 Transfers from other categories of non-performing exposures	999	498	31	8	2	1
B.5 Contractual changes with no cancellations	-	X	20	X	-	X
B.6 Other increases	136	9	299	290	36	3
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	<b>8,006</b>	<b>1,290</b>	<b>3,304</b>	<b>2,074</b>	<b>126</b>	<b>9</b>
C.1 Write-backs from valuation	808	172	776	480	1	-
C.2 Write-backs from collections	138	13	48	16	32	1
C.3 Gains from disposals	67	11	98	33	-	-
C.4 Write-offs	1,953	270	398	281	-	-
C.5 Transfers to other categories of non-performing exposures	4	2	954	497	74	8
C.6 Contractual changes with no cancellations	-	X	1	X	-	X
C.7 Other decreases	5,036	822	1,029	767	19	-
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>5,472</b>	<b>984</b>	<b>5,404</b>	<b>3,398</b>	<b>155</b>	<b>5</b>
<i>of which sold non-cancelled exposures</i>	285	134	398	340	2	-





## Part E - Information on risks and hedging policies

## A.2.2 Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

EXPOSURES	AMOUNT AS AT 12.31.2019									NO RATING	TOTAL
	INTERNAL RATING CLASSES										
	1	2	3	4	5	6	7	8	9		
A. Financial assets at amortised cost											
- Stage 1	8	586	65,104	127,834	21,020	16,033	7,112	2,173	698	46,816	287,384
- Stage 2	1	-	542	820	1,201	1,277	1,631	1,587	2,442	837	10,338
- Stage 3	-	-	-	-	-	-	-	-	-	15,287	15,287
B. Financial assets at fair value through other comprehensive income											
- Stage 1	2,977	420	23,382	880	-	-	-	-	-	2,227	29,886
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stage 1	-	-	-	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	592	592
Total (A+B+C)	2,986	1,006	89,028	129,534	22,221	17,310	8,743	3,760	3,140	65,759	343,487
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-	-	80	80
D. Loan commitments and financial guarantees given											
- Stage 1	652	196	17,753	22,286	3,364	3,595	1,213	391	102	9,448	59,000
- Stage 2	56	-	14	217	509	177	189	428	104	211	1,905
- Stage 3	-	-	-	-	-	-	-	-	-	1,077	1,077
Total (D)	708	196	17,767	22,503	3,873	3,772	1,402	819	206	10,736	61,982
Total (A+B+C+D)	3,694	1,202	106,795	152,037	26,094	21,082	10,145	4,579	3,346	76,495	405,469

The table contains on-balance and off-balance sheet exposures grouped according to the counterparties' internal rating. Ratings are assigned to individual counterparties using internally-developed models included in their credit risk management processes.

The internal models validated by the regulators are both 'Local' and 'Group-wide' (e.g. for banks, multinationals and sovereigns).

The various rating scales of these models are mapped into a single Group master-scale of 9 classes (illustrated above) based on Probability of Default (PD).

## Part E - Information on risks and hedging policies

## A.3 Distribution of secured credit exposures by type of security

## A.3.1 Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	GROSS EXPOSURE	NET EXPOSURE	AMOUNT AS AT 12.31.2019			
			COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	10,007	10,007	-	-	9,987	-
of which non-performing	-	-	-	-	-	-
1.2 Partially secured	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	946	946	-	-	798	148
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	124	124	-	-	15	60
of which non-performing	-	-	-	-	-	-

continued: A.3.1 Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 12.31.2019								
	GUARANTEES (2)								
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)			
	OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES
									TOTAL (1)+(2)
<b>1. Secured on-balance sheet credit exposures</b>									
1.1 Totally secured	-	-	-	-	-	-	-	-	9,987
of which non-performing	-	-	-	-	-	-	-	-	-
1.2 Partially secured	-	-	-	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-	-	-	-
<b>2. Secured off-balance sheet credit exposures</b>									
2.1 Totally secured	-	-	-	-	-	-	-	-	946
of which non-performing	-	-	-	-	-	-	-	-	-
2.2 Partially secured	-	-	-	-	-	-	7	-	86
of which non-performing	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.3.2 Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT		12.31.2019			
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	147,545	140,601	61,543	-	55,535	2,655
of which non-performing	9,700	3,440	2,340	-	60	43
1.2 Partially secured	9,550	8,763	174	-	610	406
of which non-performing	958	214	46	-	8	7
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	31,737	31,624	1,745	-	11,424	316
of which non-performing	643	550	166	-	19	48
2.2 Partially secured	4,254	4,216	1	-	144	160
of which non-performing	195	160	1	-	8	25

continued: A.3.2 Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

(€ million)

AMOUNT AS AT 12.31.2019										
GUARANTEES (2)										
CREDIT DERIVATIVES						SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
OTHER CREDIT DERIVATIVES						GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES				
CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES						
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	2,906	44	1,516	15,517	139,716
of which non-performing	-	-	-	-	-	62	-	72	590	3,167
1.2 Partially secured	-	-	-	1,010	-	1,702	7	128	1,390	5,427
of which non-performing	-	-	-	-	-	20	-	21	35	137
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	1,963	414	1,277	14,329	31,468
of which non-performing	-	-	-	-	-	2	33	10	265	543
2.2 Partially secured	-	-	-	-	-	306	165	130	1,412	2,318
of which non-performing	-	-	-	-	-	2	2	7	53	98

## Part E - Information on risks and hedging policies

## A.4 Financial and non-financial assets obtained by taking possession of collaterals

(€ million)

	CANCELLED CREDIT EXPOSURE	GROSS AMOUNT	OVERALL WRITE- DOWNS	CARRYING VALUE	
					OF WHICH OBTAINED DURING THE YEAR
<b>A. Property, plant and equipment</b>	-	-	-	-	-
A.1 Used in business	-	-	-	-	-
A.2 Held for investment	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
<b>B. Equity instruments and debt securities</b>	-	-	-	-	-
<b>C. Other assets</b>	-	-	-	-	-
<b>D. Non-current assets and disposal groups classified as held for sale</b>	-	-	-	-	-
D.1 Property, plant and equipment	-	-	-	-	-
D.2 Other assets	-	-	-	-	-
<b>Total 12.31.2019</b>	-	-	-	-	-
<b>Total 12.31.2018</b>	-	63	-	63	-

## B. Distribution and concentration of credit exposures

## B.1 Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ million)

EXPOSURES/COUNTERPARTIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS	NET EXPOSURE	OVERALL WRITE- DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	1	32	16	246	-	-	745	4,278	218	916
of which: forbome exposures	-	-	4	39	-	-	141	828	50	117
A.2 Unlikely to pay	3	3	328	307	-	-	2,685	4,403	709	691
of which: forbome exposures	-	-	222	230	-	-	1,497	2,727	442	441
A.3 Non-performing past-due	1	1	-	-	-	-	26	18	284	136
of which: forbome exposures	-	-	-	-	-	-	2	1	10	4
A.4 Performing exposures	61,820	61	87,937	120	301	-	76,260	509	62,904	560
of which: forbome exposures	1	-	36	1	-	-	1,113	41	1,289	178
<b>Total (A)</b>	<b>61,825</b>	<b>97</b>	<b>88,281</b>	<b>673</b>	<b>301</b>	<b>-</b>	<b>79,716</b>	<b>9,208</b>	<b>64,115</b>	<b>2,303</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	1	-	106	2	-	-	2,155	337	41	1
B.2 Performing exposures	6,912	5	27,093	13	1,007	-	98,429	52	4,988	2
<b>Total (B)</b>	<b>6,913</b>	<b>5</b>	<b>27,199</b>	<b>15</b>	<b>1,007</b>	<b>-</b>	<b>100,584</b>	<b>389</b>	<b>5,029</b>	<b>3</b>
<b>Total (A+B)</b>										
<b>12.31.2019</b>	<b>68,738</b>	<b>102</b>	<b>115,480</b>	<b>688</b>	<b>1,308</b>	<b>-</b>	<b>180,300</b>	<b>9,597</b>	<b>69,144</b>	<b>2,306</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>75,293</b>	<b>162</b>	<b>92,795</b>	<b>830</b>	<b>1,241</b>	<b>-</b>	<b>184,960</b>	<b>11,492</b>	<b>72,703</b>	<b>5,490</b>

## Part E - Information on risks and hedging policies

## B.2 Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	978	5,414	2	57	-	1	-	-	-	-
A.2 Unlikely to pay	3,383	5,097	306	287	35	19	1	1	-	-
A.3 Non-performing past-due	308	150	2	4	-	-	1	1	-	-
A.4 Performing exposures	259,586	1,098	20,051	136	3,947	7	4,512	9	825	-
<b>Total (A)</b>	<b>264,255</b>	<b>11,759</b>	<b>20,361</b>	<b>484</b>	<b>3,982</b>	<b>27</b>	<b>4,514</b>	<b>11</b>	<b>825</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	2,273	339	8	1	18	-	2	-	-	-
B.2 Performing exposures	122,170	53	9,208	15	4,517	3	1,251	1	276	-
<b>Total (B)</b>	<b>124,443</b>	<b>392</b>	<b>9,216</b>	<b>16</b>	<b>4,535</b>	<b>3</b>	<b>1,253</b>	<b>1</b>	<b>276</b>	<b>-</b>
<b>Total (A+B)</b>										
<b>12.31.2019</b>	<b>388,698</b>	<b>12,151</b>	<b>29,577</b>	<b>500</b>	<b>8,517</b>	<b>30</b>	<b>5,767</b>	<b>12</b>	<b>1,101</b>	<b>-</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>379,206</b>	<b>17,368</b>	<b>32,285</b>	<b>529</b>	<b>7,227</b>	<b>56</b>	<b>5,879</b>	<b>16</b>	<b>1,159</b>	<b>2</b>

## B.2 Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area - Italy

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>								
A.1 Bad exposures	208	1,209	241	1,142	268	1,580	261	1,483
A.2 Unlikely to pay	894	1,422	628	1,110	1,281	1,560	580	1,005
A.3 Non-performing past-due	67	32	58	26	73	36	110	56
A.4 Performing exposures	67,083	344	38,330	210	131,719	305	22,454	239
<b>Total (A)</b>	<b>68,252</b>	<b>3,007</b>	<b>39,257</b>	<b>2,488</b>	<b>133,341</b>	<b>3,481</b>	<b>23,405</b>	<b>2,783</b>
<b>B. Off-balance sheet credit exposures</b>								
B.1 Non-performing exposures	588	97	612	127	984	101	89	14
B.2 Performing exposures	43,762	19	31,119	11	42,000	16	7,286	7
<b>Total (B)</b>	<b>44,350</b>	<b>116</b>	<b>31,731</b>	<b>138</b>	<b>42,984</b>	<b>117</b>	<b>7,375</b>	<b>21</b>
<b>Total (A+B)</b>								
<b>12.31.2019</b>	<b>112,602</b>	<b>3,123</b>	<b>70,988</b>	<b>2,626</b>	<b>176,325</b>	<b>3,598</b>	<b>30,780</b>	<b>2,804</b>
<b>Total (A+B)</b>								
<b>12.31.2018</b>	<b>122,494</b>	<b>4,957</b>	<b>69,679</b>	<b>3,369</b>	<b>154,495</b>	<b>4,763</b>	<b>32,538</b>	<b>4,279</b>

## Part E - Information on risks and hedging policies

## B.3 Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	4	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	19,307	1	23,300	14	488	1	1,184	10	399	1
<b>Total (A)</b>	<b>19,307</b>	<b>1</b>	<b>23,300</b>	<b>14</b>	<b>488</b>	<b>5</b>	<b>1,184</b>	<b>10</b>	<b>399</b>	<b>1</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	2,830	-	20,616	2	954	-	5,084	1	1,289	-
<b>Total (B)</b>	<b>2,830</b>	<b>-</b>	<b>20,616</b>	<b>2</b>	<b>954</b>	<b>-</b>	<b>5,084</b>	<b>1</b>	<b>1,289</b>	<b>-</b>
<b>Total (A+B)</b>										
<b>12.31.2019</b>	<b>22,137</b>	<b>1</b>	<b>43,916</b>	<b>16</b>	<b>1,442</b>	<b>5</b>	<b>6,268</b>	<b>11</b>	<b>1,688</b>	<b>1</b>
<b>Totale (A+B)</b>										
<b>12.31.2018</b>	<b>11,266</b>	<b>2</b>	<b>51,635</b>	<b>21</b>	<b>1,393</b>	<b>4</b>	<b>5,821</b>	<b>5</b>	<b>1,587</b>	<b>-</b>

## B.3 Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area - Italy

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>								
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-
A.4 Performing exposures	5,973	1	1,082	-	12,252	-	-	-
<b>Total (A)</b>	<b>5,973</b>	<b>1</b>	<b>1,082</b>	<b>-</b>	<b>12,252</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	2,067	-	294	-	132	-	-	-
<b>Total (B)</b>	<b>2,067</b>	<b>-</b>	<b>294</b>	<b>-</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>								
<b>12.31.2019</b>	<b>8,040</b>	<b>1</b>	<b>1,376</b>	<b>-</b>	<b>12,384</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totale (A+B)</b>								
<b>12.31.2018</b>	<b>7,999</b>	<b>2</b>	<b>568</b>	<b>-</b>	<b>2,597</b>	<b>-</b>	<b>101</b>	<b>-</b>

## B.4 Large exposures

	12.31.2019
a) Amount book value (€ million)	210,798
b) Amount weighted value (€ million)	8,834
c) Number	6

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 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.

## Part E - Information on risks and hedging policies

### C. Securitisation transactions

#### Qualitative information

In 2019 UniCredit S.p.A. carried out six new securitisation transactions, two traditional and four synthetic ones:

- Prisma - traditional;
- Impresa Two - traditional (self-securitisation);
- Bond Italia 6 Investimenti - synthetic;
- Bond Italia 6 Misto - synthetic;
- Bond Italia 7 - synthetic;
- EaSI Microcredito - synthetic.

Details of the transactions, traditional and synthetic, are set out in the tables enclosed in the "Annexes" to the Consolidated financial statements, including also those carried out in previous financial years.

It should be noted that, again during 2019:

- the traditional transaction Cordusio RMBS Securitisation - Serie 2006 and the synthetic transactions Arts Midcap 2 and UniCredit Midcap 2014 were closed;
- additional notes for size increase have been issued with reference to Sandokan 1 securitisation, as a consequence of other claims transferred by the bank to the Special Purpose Vehicle during 2018;
- a new securitisation transaction called Sandokan 2 was launched, concerning the sale of non-performing mortgage exposures portfolios, in warehousing as at 31 December 2019, pending the issuance of ABS securities by the Special Purpose Vehicle.

It should also be noted that "self-securitisations" and transactions in warehousing phase are not included in the quantitative tables of Part C, as required by regulations.

Part of the portfolio are:

- own securitisation transactions, both traditional and synthetic, including also those traditional carried out by the Banks absorbed by UniCredit S.p.A. in previous years, for a book value of €7,011 million as at 31 December 2019;
- securities arising out of securitisation transactions carried out by other Companies belonging to the UniCredit group, for a book value of €1,010 million as at 31 December 2019;
- other third-party securitisation exposures, for a book value of €60 million as at 31 December 2019.

#### Quantitative information

##### C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

(€ million)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE- DOWNS/WRITE- BACKS	CARRYING VALUE	WRITE- DOWNS/WRITE- BACKS	CARRYING VALUE	WRITE- DOWNS/WRITE- BACKS
<b>A. Totally derecognised</b>	<b>1,423</b>	<b>-</b>	<b>169</b>	<b>-</b>	<b>52</b>	<b>-</b>
A.1 CBO OTHERS	1,423	-	169	-	52	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>1</b>	<b>1</b>
B.1 CLO OTHERS	-	-	33	-	1	1
<b>C. Not-derecognised</b>	<b>4,149</b>	<b>-</b>	<b>385</b>	<b>-</b>	<b>798</b>	<b>(131)</b>
C.1 RMBS Prime	578	-	242	-	304	(61)
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	3,571	-	143	-	494	(70)
C.4 CONSUMER LOANS	-	-	-	-	-	-



## Part E - Information on risks and hedging policies

continued: C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	-	-
A.1 CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
B.1 CLO OTHERS	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>258</b>	-	-	-	-	-
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	258	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-

continued: C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	-	-
A.1 CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
B.1 CLO OTHERS	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>9</b>	-	-	-	-	-
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	9	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2019 only.

## C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

(€ million)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	7	-	-	-	51	-
- CONSUMER LOANS	2	-	-	-	-	-
- LEASING	1,010	-	-	-	-	-

continued: C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

continued: C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2019 only.

## C.3 SPVs for securitisations

(€ million)								
NAME OF SECURITISATION/SPES	COUNTRY OF INCORPORATION	CONSOLIDATION	ASSETS			LIABILITIES		
			LOANS AND RECEIVABLES	DEBT SECURITIES	OTHERS	SENIOR	MEZZANINE	JUNIOR
Capital Mortgage S.r.l. - BIPCA Cordusio rmbs	Piazzetta Monte 1 - 37121 Verona	Yes	257	-	23	151	100	-
Capital Mortgage S.r.l. - CAPITAL MORTGAGE 2007 - 1	Piazzetta Monte 1 - 37121 Verona	Yes	541	-	29	395	74	67
Cordusio RMBS - UCFin S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	381	-	24	187	148	13
Cordusio RMBS Securitisation S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	671	-	22	397	236	2
F-E Mortgages S.r.l. - 2003	Piazzetta Monte 1 - 37121 Verona	Yes	91	-	26	22	57	8
F-E Mortgages S.r.l. - 2005	Piazzetta Monte 1 - 37121 Verona	Yes	153	-	13	65	37	32
Heliconus S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	45	-	13	10	27	9
LARGE CORPORATE ONE SRL	Piazzetta Monte 1 - 37121 Verona	Yes	157	-	130	258	-	38
ARCOBALENO FINANCE SRL	FORO BUONAPARTE, 70 20121 MILANO	No	55	-	4	11	-	55
CREDIARC SPV SRL	FORO BUONAPARTE, 70 20121 MILANO	No	23	-	2	18	-	26
FINO 1 SECURITISATION SRL	VIALE LUIGI MAJNO 45, 20122 MILANO	No	506	-	104	380	70	50
FINO 2 SECURITISATION SRL	VIALE LUIGI MAJNO 45, 20122 MILANO	No	313	-	221	267	201	40
ONIF FINANCE SRL	VIA ALESSANDRO PESTALOZZA 12/14, 20131 MILANO	No	256	-	24	37	112	99
Pillarstone Italy SPV S.r.l. - Burgo	Via Pietro Mascagni 14, 20122 MILANO	No	176	-	10	6	132	27
Pillarstone Italy SPV S.r.l. - Premuda	Via Pietro Mascagni 14, 20122 MILANO	No	142	-	90	5	201	90
Pillarstone Italy SPV S.r.l. - Rainbow	Via Pietro Mascagni 14, 20122 MILANO	No	41	-	58	1	47	106
PRISMA SPV S.R.L.	VIA VITTORIO ALFIERI 1, 31015 Conegliano	No	1,249	-	169	1,210	80	30
Sestante Finance S.r.l.	Via Borromei, 5 - 20123 Milano	No	208	-	-	145	90	9
YANEZ SPV S.R.L.	VIA VITTORIO ALFIERI 1, 31015 Conegliano	No	575	-	41	4	288	750

## C.4 Special Purpose Vehicles for securitisation not subject to consolidation

Refer to the corresponding item of Consolidated financial statements.

## Part E - Information on risks and hedging policies

### C.5 Servicer activities - Collections of securitised loans and redemptions of securities issued by the special purpose vehicle for securitisation

(€ million)

SERVICER	SPECIAL PURPOSE VEHICLE	SECURITISED ASSETS (YEAR END FIGURES)		LOANS COLLECTED DURING THE YEAR		PERCENTAGE OF SECURITIES REDEEMED (YEAR END FIGURES)					
		IMPAIRED	PERFORMING	IMPAIRED	PERFORMING	SENIOR		MEZZANINE		JUNIOR	
						IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS
UniCredit S.p.A.	Capital Mortgage S.r.l. - BIPCA Cordusio	8	250	3	38	-	82.25%	-	-	-	-
	Capital Mortgage S.r.l. - 2007	22	519	9	93	-	83.40%	-	-	-	-
	Cordusio RMBS Securitisation S.r.l. - SERIE 2007	21	650	11	164	-	89.18%	-	-	-	-
	Cordusio RMBS UCFin S.r.l.	15	366	6	89	-	91.97%	-	-	-	-
	F-E Mortgage S.r.l. - SERIE 2003	3	88	2	16	-	100.00%	-	3.26%	-	-
	F-E Mortgage S.r.l. - SERIE 2005	6	148	3	22	-	93.18%	-	10.31%	-	10.31%
	Heliconus S.r.l.	2	43	1	9	-	100.00%	-	12.61%	-	-
	Large Corporate One S.r.l.	-	157	-	158	-	-	-	-	-	-

### D. Information on structured entities not consolidated for accounting purposes (other than vehicles for securitisation transactions)

#### Qualitative information

Refer to the corresponding item of Consolidated financial statements.

#### Quantitative information

Refer to the corresponding item of Consolidated financial statements.

## Part E - Information on risks and hedging policies

## E. Sales transaction

## A. Financial assets sold and not fully derecognised

## Quantitative information

## E.1 Financial assets sold and fully recognised and associated financial liabilities: book value

(€ million)

	FINANCIAL ASSETS SOLD AND FULLY RECOGNISED				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION	OF WHICH NON- PERFORMING	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION
<b>A. Financial assets held for trading</b>	<b>769</b>	<b>-</b>	<b>769</b>	<b>X</b>	<b>767</b>	<b>-</b>	<b>767</b>
1. Debt securities	769	-	769	X	767	-	767
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	<b>27</b>	<b>27</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	27	27	-	8	-	-	-
<b>C. Financial assets designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	<b>11,559</b>	<b>-</b>	<b>11,559</b>	<b>-</b>	<b>11,616</b>	<b>-</b>	<b>11,616</b>
1. Debt securities	11,559	-	11,559	-	11,616	-	11,616
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>E. Financial assets at amortised cost</b>	<b>28,564</b>	<b>18,790</b>	<b>9,774</b>	<b>911</b>	<b>10,912</b>	<b>1,185</b>	<b>9,727</b>
1. Debt securities	9,774	-	9,774	-	9,727	-	9,727
2. Loans	18,790	18,790	-	911	1,185	1,185	-
<b>Total 12.31.2019</b>	<b>40,919</b>	<b>18,817</b>	<b>22,102</b>	<b>919</b>	<b>23,295</b>	<b>1,185</b>	<b>22,110</b>
<b>Total 12.31.2018</b>	<b>37,744</b>	<b>9,516</b>	<b>28,228</b>	<b>817</b>	<b>29,680</b>	<b>1,639</b>	<b>28,041</b>

## E.2 Financial assets sold and partially recognised and associated financial liabilities: book value

(€ million)

(€ million)

	ORIGINAL GROSS VALUE OF ASSETS BEFORE SALE	BOOK VALUE OF ASSETS STILL PARTIALLY RECOGNISED	OF WHICH NON- PERFORMING	BOOK VALUE OF ASSOCIATED FINANCIAL LIABILITIES
<b>A. Financial assets held for trading</b>	-	-	X	-
1. Debt securities	-	-	X	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	X	-
4. Derivative instruments	-	-	X	-
<b>B. Other financial assets mandatory at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>E. Financial assets at amortised cost</b>	<b>60</b>	<b>33</b>	<b>33</b>	<b>8</b>
1. Debt securities	-	-	-	-
2. Loans	60	33	33	8
<b>Total 12.31.2019</b>	<b>60</b>	<b>33</b>	<b>33</b>	<b>8</b>
<b>Total 12.31.2018</b>	<b>60</b>	<b>30</b>	<b>30</b>	<b>6</b>

## Part E - Information on risks and hedging policies

**E.3 Sale transactions relating to financial liabilities with repayment exclusively based on assets sold and not fully derecognised: fair value**

(€ million)

	FULLY RECOGNISED	PARTIALLY RECOGNISED	TOTAL	
			12.31.2019	12.31.2018
<b>A. Financial assets held for trading</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
4. Derivative instruments	-	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	27	-	27	23
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	-	-
3. Loans	27	-	27	23
<b>C. Financial assets designated at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
<b>E. Financial assets at amortised cost (fair value)</b>	18,942	32	18,974	3,616
1. Debt securities	-	-	-	-
2. Loans	18,942	32	18,974	3,616
<b>Total associated financial assets</b>	<b>18,969</b>	<b>32</b>	<b>19,001</b>	<b>3,639</b>
<b>Total associated financial liabilities</b>	<b>1,052</b>	<b>8</b>	<b>X</b>	<b>X</b>
<b>Total net amount 12.31.2019</b>	<b>17,917</b>	<b>24</b>	<b>17,941</b>	<b>X</b>
<b>Total net amount 12.31.2018</b>	<b>1,972</b>	<b>22</b>	<b>X</b>	<b>1,994</b>

*B. Financial assets sold and fully derecognised with recognition of continuing involvement**Qualitative and quantitative information*

At the end of the year there were no disposals of financial assets that had been fully derecognised, which required the recognition of continuing involvement.

## Part E - Information on risks and hedging policies

### C. Financial assets sold and fully derecognised

#### Quantitative information

Following The Bank of Italy's communication dated 23 December 2019 to the title "Financial statements of banks and financial entities closed or in progress as of 31 December 2019", this is the quantitative information requested regarding the sales of financial assets to Investment Funds, receiving as consideration units issued by the same Funds.

For more information on these transactions, refer to the Annexes - Annex 4 - Sales of financial assets to Investment Funds, receiving as consideration units issued by the same Funds - qualitative tables of Consolidated financial statements of UniCredit group with specific reference to UniCredit S.p.A. as Originator which is herewith quoted entirely.

### C. Financial assets sold and fully derecognised

	(€ million)		
	ORIGINAL BOOK VALUE OF ASSETS BEFORE SALE	OF WHICH NON- PERFORMING	BOOK VALUE OF THE UNITS OF THE FUND UNDERWRITTEN
<b>A. Financial assets held for trading</b>	-	X	-
1. Debt securities	-	X	-
2. Equity instruments	-	X	-
3. Loans	-	X	-
4. Derivative instruments	-	X	-
<b>B. Other financial assets mandatorily at fair value</b>	-	-	-
1. Debt securities	-	-	-
2. Equity instruments	-	X	-
3. Loans	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-
1. Debt securities	-	-	-
2. Loans	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	6	-	-
1. Debt securities	-	-	-
2. Equity instruments	6	X	-
3. Loans	-	-	-
<b>E. Financial assets at amortised cost</b>	253	253	260
1. Debt securities	-	-	-
2. Loans	253	253	260
<b>Total 12.31.2019</b>	<b>259</b>	<b>253</b>	<b>260</b>

The units of Investment Funds underwritten are classified in the portfolio Financial assets mandatorily at fair value.

### E.4 Covered bond transaction

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 1.1 Credit Risk - Quantitative information - D. Sales Transactions - D. 4 Regulatory consolidation - Covered Bond Transactions - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### Information on Sovereign exposures

It should be noted that, as a result of IFRS9 adoption since 1 January 2019, Sovereign debt securities have been classified in the new categories specified by the standard in consideration of the business model followed and the related cash flow features (Solely Payment of Principal and Interests - SPPI Test).

It should also be noted that during the year:

- no changes have been made to the business models adopted on the 1 January and, consequently, the sovereign debt securities have not been subject to reclassification
- the changed market circumstances also suggested the adoption of a "held to collect" business model for new purchases of Italian sovereign debt securities which, consequently, have to be measured at amortised cost subject to verification of the features of the related cash flows.

With reference to the UniCredit S.p.A. Sovereign exposures, the book value of Sovereign debt securities as at 31 December 2019 amounted to €50,954 million, of which nearly 75% in connection with Italy.

This exposures is shown in the table below:

## Part E - Information on risks and hedging policies

### Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ million)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 12.31.2019		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>- Italy</b>	<b>36,766</b>	<b>38,107</b>	<b>38,676</b>
Financial assets at amortised cost	21,136	21,683	22,252
Financial assets mandatorily at fair value	50	62	62
Financial assets designated at fair value	-	-	-
Financial assets/liabilities held for trading (net exposure)	(194)	(598)	(598)
Financial assets at fair value through other comprehensive income	15,774	16,960	16,960

The remaining 25% of the total of Sovereign debt securities, amounting to €12,847 million with reference to the book value as at 31 December 2019, is divided into 15 countries, of which €6,216 million to Spain, €2,488 million to Japan, €2,105 million to United States.

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

### Breakdown of Sovereign Debt Securities by Portfolio

(€ million)

	AMOUNTS AS AT 12.31.2019				
	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	TOTAL
Book value		65	24,905	26,663	51,633
% Portfolio	100.00%	3.22%	79.30%	90.42%	

In addition to the exposures to Sovereign debt securities, loans given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount of the loans as at 31 December 2019:

### Breakdown of Sovereign Loans by Country

(€ million)

COUNTRY	AMOUNTS AS AT 12.31.2019 BOOK VALUE
- Italy	2,831
- Qatar	389
- Kenia	117
- Dominican Republic	50
- Brazil	28
- Turkey	12
- Other	30
<b>Total on-balance sheet exposures</b>	<b>3,457</b>

### Other transaction

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 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 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, was completed in 2012 and finally matured during the year.

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, 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 has been therefore used more easily for refinancing operations until the reverse repo maturity during the current year.

## Part E - Information on risks and hedging policies

The term repo and the term reverse repo was subject to netting (whose value was collateralised by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause was 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 was amortised on a pro-rata basis according to the current accounting rules.

### **Information on trading book derivative instruments with customers**

The business model governing OTC derivatives trading with customers provides for centralization 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.

The 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 personalization; 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 company 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 usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flow according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20 a) Financial assets held for trading" and of balance-sheet liability item "20. Financial liabilities held for trading".

To make the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular 262 (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.

The balance of item "20 a) Financial assets held for trading" with regard to derivative contracts totaled €5,941 million (with a notional value of €203,942 million) including €2,871 million with customers. The notional value of derivatives with customers amounted to €74,813 million, including €2,715 related to structured derivatives (fair value €161 million). The notional value of derivatives with banking counterparties totaled €129,129 million (fair value of €3,070 million) including €2,022 million relating to structured derivatives (fair value of €32 million).



## Part E - Information on risks and hedging policies

The balance of item "20. Financial liabilities held for trading" with regard to derivative contracts totaled €5,987 million (with a notional value of €184,121 million) including €1,619 million with customers. The notional value of derivatives with customers amounted to €47,987 million, including €1,866 million in structured derivatives (fair value of €31 million). The notional value of derivatives with banking counterparties totaled €136,134 million (fair value of €4,368 million), including €2,559 million relating to structured derivatives (fair value €168 million).

### F. Credit risk measurement models

As at 31 December 2019 the expected loss on the credit risk perimeter was 0.61% of total Bank credit exposure. This trend is mitigated by the exposures which have migrated to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario.

The ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 4.05% with reference date end of December 2019.

As far as quantitative information of UniCredit group, reference is made to the paragraph Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - Quantitative information - E. Prudential perimeter - Credit risk measurement models.

## Section 2 - Market risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - General aspects - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

Below end of year VaR, SVaR and IRC results:

### Daily VaR on Trading book

					(€ million)
					2018
					2019
	12.31.2019	AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	3.45	5.5	9.8	3.0	5.1

### SVaR on Trading book

					(€ million)
					2018
					2019
	12.27.2019	AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	5.53	14.78	22.04	5.19	19.67

### IRC on Trading book

					(€ million)
					2018
					2019
	12.27.2019	AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	0.7	181.3	291.9	0.7	180.3

## 2.1 Interest rate risk and price risk - Regulatory trading book

### Qualitative information

#### Interest rate risk

#### A. General aspects

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.1. Interest rate risk - Qualitative information - A. General aspects - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### B. Operational processes and methods for measuring interest rate risk and price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Interest rate risk - Qualitative information - B. Risk management processes and measurement methods - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

### Price risk

#### A. General aspects

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.1. Price risk - Qualitative information - A. General aspects - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### B. Operational processes and methods for measuring interest rate risk and price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.1. Price risk - Qualitative information - B. Risk management processes and measurement methods - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

### Quantitative information

#### 1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

The table is not reported since a table showing interest rate sensitivity is described below, in accordance with internal model.

#### 2. Regulatory trading portfolio: distribution of equity exposures and equity indices for the main listing countries

The table is not reported since a table showing price risk sensitivity is described below, in accordance with internal model.

#### 3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

### Interest rate risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.1. Interest rate risk - Quantitative information - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

The tables below show trading book sensitivities.

(€ million)

INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
<b>Total</b>	-0.0	-0.0	-0.0	-0.1	-0.3	0.1	-0.0	-0.3	3.5	-3.5	35.0	-29.0	5.1	-5.0
of which:														
EUR	0.0	-0.1	-0.0	-0.1	-0.3	0.0	-0.0	-0.6	5.5	-5.5	55.9	-48.4	5.4	-5.3
USD	-0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.2	-1.8	1.8	-18.5	17.0	-0.9	0.9
GBP	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	0.1	-0.1	0.8	-0.8	-0.2	0.2
CHF	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.2	0.2	0.1	-0.1
JPY	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1	-0.6	0.6	0.2	-0.2

### Price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.1. Price risk - Quantitative information - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

## 2.2 Interest rate and price risk - Banking book

### Qualitative information

#### Interest rate risk and price risk

#### A. General aspects, operational processes and methods for measuring interest rate risk and price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.2 Interest Rate Risk and Price Risk - banking book - A. General aspects, operational processes and methods for measuring interest rate risk - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

## Quantitative information

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities

(€ million)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2019							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>33,483</b>	<b>163,307</b>	<b>21,690</b>	<b>17,530</b>	<b>60,297</b>	<b>26,171</b>	<b>9,391</b>	<b>-</b>
1.1 Debt securities	462	5,695	3,684	6,520	31,132	15,365	389	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	462	5,695	3,684	6,520	31,132	15,365	389	-
1.2 Loans to banks	3,381	29,320	1,347	2,001	2,588	2	18	-
1.3 Loans to customers	29,640	128,292	16,659	9,009	26,577	10,804	8,984	-
- Current accounts	11,991	45	4	161	388	21	5	-
- Other loans	17,649	128,247	16,655	8,848	26,189	10,783	8,979	-
- With prepayment option	10,737	54,240	7,581	3,551	16,013	7,645	7,906	-
- Other	6,912	74,007	9,074	5,297	10,176	3,138	1,073	-
<b>2. On-balance sheet liabilities</b>	<b>172,194</b>	<b>79,370</b>	<b>24,502</b>	<b>5,982</b>	<b>34,732</b>	<b>11,478</b>	<b>4,004</b>	<b>-</b>
2.1 Deposits from customers	168,446	43,264	1,281	167	327	1,023	1,922	-
- Current accounts	163,481	232	16	8	-	-	-	-
- Other	4,965	43,032	1,265	159	327	1,023	1,922	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	4,965	43,032	1,265	159	327	1,023	1,922	-
2.2 Deposits from banks	3,120	18,459	20,342	156	15,473	18	11	-
- Current accounts	786	-	-	-	-	-	-	-
- Other	2,334	18,459	20,342	156	15,473	18	11	-
2.3 Debt securities in issue	625	17,647	2,879	5,659	18,932	10,437	2,071	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	625	17,647	2,879	5,659	18,932	10,437	2,071	-
2.4 Other liabilities	3	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	3	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Option								
+ Long positions	-	6,751	2,875	6,251	46,881	43,787	44,562	-
+ Short positions	-	3,375	2,875	6,251	47,605	44,338	46,637	-
- Other derivatives								
+ Long positions	3,935	165,867	43,145	74,862	205,312	42,208	1,565	-
+ Short positions	3,244	175,949	46,754	71,781	204,655	26,671	5,345	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	224	19,868	2,017	1,538	1,912	1,136	1,639	-
+ Short positions	15,827	9,146	1,716	1,616	30	-	-	-

## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: euro

(€ million)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2019							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>32,571</b>	<b>157,070</b>	<b>20,025</b>	<b>15,829</b>	<b>54,791</b>	<b>24,068</b>	<b>8,995</b>	<b>-</b>
1.1 Debt securities	442	5,000	3,664	6,299	28,151	13,660	389	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	442	5,000	3,664	6,299	28,151	13,660	389	-
1.2 Loans to banks	2,764	26,318	1,206	1,098	1,593	2	18	-
1.3 Loans to customers	29,365	125,752	15,155	8,432	25,047	10,406	8,588	-
- Current accounts	11,936	42	4	161	388	21	5	-
- Other loans	17,429	125,710	15,151	8,271	24,659	10,385	8,583	-
- With prepayment option	10,731	53,886	7,575	3,546	15,937	7,580	7,870	-
- Other	6,698	71,824	7,576	4,725	8,722	2,805	713	-
<b>2. On-balance sheet liabilities</b>	<b>168,442</b>	<b>72,958</b>	<b>24,382</b>	<b>5,890</b>	<b>28,406</b>	<b>10,821</b>	<b>2,013</b>	<b>-</b>
2.1 Deposits from customers	165,897	43,042	1,265	154	327	1,023	1,922	-
- Current accounts	161,130	165	-	-	-	-	-	-
- Other	4,767	42,877	1,265	154	327	1,023	1,922	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	4,767	42,877	1,265	154	327	1,023	1,922	-
2.2 Deposits from banks	2,046	13,308	20,277	114	15,463	18	11	-
- Current accounts	667	-	-	-	-	-	-	-
- Other	1,379	13,308	20,277	114	15,463	18	11	-
2.3 Debt securities in issue	496	16,608	2,840	5,622	12,616	9,780	80	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	496	16,608	2,840	5,622	12,616	9,780	80	-
2.4 Other liabilities	3	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	3	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Option								
+ Long positions	-	6,751	2,875	6,251	46,507	43,787	44,562	-
+ Short positions	-	3,375	2,875	6,251	47,605	44,338	46,637	-
- Other derivatives								
+ Long positions	3,890	149,109	43,057	74,559	189,823	36,385	1,565	-
+ Short positions	2,087	162,735	46,049	71,175	193,446	22,881	5,345	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	51	19,759	2,012	1,538	1,911	1,136	1,166	-
+ Short positions	15,353	8,862	1,715	1,614	30	-	-	-

## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: other currencies

(€ million)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2019							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>912</b>	<b>6,237</b>	<b>1,665</b>	<b>1,701</b>	<b>5,506</b>	<b>2,103</b>	<b>396</b>	<b>-</b>
1.1 Debt securities	20	695	20	221	2,981	1,705	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	20	695	20	221	2,981	1,705	-	-
1.2 Loans to banks	617	3,002	141	903	995	-	-	-
1.3 Loans to customers	275	2,540	1,504	577	1,530	398	396	-
- Current accounts	55	3	-	-	-	-	-	-
- Other loans	220	2,537	1,504	577	1,530	398	396	-
- With prepayment option	6	354	6	5	76	65	36	-
- Other	214	2,183	1,498	572	1,454	333	360	-
<b>2. On-balance sheet liabilities</b>	<b>3,752</b>	<b>6,412</b>	<b>120</b>	<b>92</b>	<b>6,326</b>	<b>657</b>	<b>1,991</b>	<b>-</b>
2.1 Deposits from customers	2,549	222	16	13	-	-	-	-
- Current accounts	2,351	67	16	8	-	-	-	-
- Other	198	155	-	5	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	198	155	-	5	-	-	-	-
2.2 Deposits from banks	1,074	5,151	65	42	10	-	-	-
- Current accounts	119	-	-	-	-	-	-	-
- Other	955	5,151	65	42	10	-	-	-
2.3 Debt securities in issue	129	1,039	39	37	6,316	657	1,991	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	129	1,039	39	37	6,316	657	1,991	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Option								
+ Long positions	-	-	-	-	374	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	45	16,758	88	303	15,489	5,823	-	-
+ Short positions	1,157	13,214	705	606	11,209	3,790	-	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	173	109	5	-	1	-	473	-
+ Short positions	474	284	1	2	-	-	-	-

## Part E - Information on risks and hedging policies

### 2. Banking book: internal models and other methods for sensitivity analysis

#### Interest Rate Risk

As at 31 December 2019, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€450 million.

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€335 million as at 31 December 2019<sup>48</sup>.

### 2.3 Exchange rate risk

#### Qualitative information

##### A. General aspects, risk management processes and measurement methods

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.3. Exchange rate risk - Qualitative information - A. General aspects, risk management processes and measurement methods - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

##### B. Hedging exchange rate risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.3. Exchange rate risk - Qualitative information - B. Hedging exchange rate risk - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### Quantitative information

##### 1. Distribution by currency of assets and liabilities and derivatives

(€ million)

ITEMS	AMOUNTS AS AT 12.31.2019					
	CURRENCIES					
	U.S. DOLLAR	JAPAN YEN	SWITZERLAND FRANC	POLAND ZLOTY	BRITISH POUND	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>12,833</b>	<b>2,545</b>	<b>1,054</b>	<b>394</b>	<b>185</b>	<b>1,396</b>
A.1 Debt securities	3,152	2,488	-	-	-	-
A.2 Equity securities	548	-	3	-	-	-
A.3 Loans to banks	4,918	46	93	216	10	376
A.4 Loans to customers	4,215	11	958	178	175	1,020
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>615</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>352</b>	<b>65</b>
<b>C. Financial liabilities</b>	<b>17,801</b>	<b>76</b>	<b>100</b>	<b>10</b>	<b>581</b>	<b>785</b>
C.1 Deposits from banks	5,376	6	39	1	471	450
C.2 Deposits from customers	2,278	29	61	9	110	315
C.3 Debt securities in issue	10,147	41	-	-	-	20
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>4</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	681	7	1	2	6	147
+ Short positions	307	7	1	2	6	147
- Other derivatives						
+ Long positions	37,120	620	642	45	2,438	4,116
+ Short positions	33,360	3,066	1,608	436	2,402	4,820
<b>Total assets</b>	<b>51,249</b>	<b>3,175</b>	<b>1,700</b>	<b>443</b>	<b>2,981</b>	<b>5,724</b>
<b>Total liabilities</b>	<b>51,485</b>	<b>3,149</b>	<b>1,709</b>	<b>449</b>	<b>2,991</b>	<b>5,756</b>
<b>Difference (+/-)</b>	<b>(236)</b>	<b>26</b>	<b>(9)</b>	<b>(6)</b>	<b>(10)</b>	<b>(32)</b>

##### 2. Internal models and other methodologies for sensitivity analysis

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - 2.2.3 Exchange rate risk - Quantitative information - 2. Internal models and other methodologies for sensitivity analysis - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

<sup>48</sup> The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

## Part E - Information on risks and hedging policies

### Credit spread risk and Stress test

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - Credit spread risk - Stress Test - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

Below end of year Stress test results:

#### Stress Test on Trading book

27 December 2019

#### Scenario

	2019		
	WIDESPREAD CONTAGION	PROTECTIONISM	IR SHOCK
UniCredit S.p.A.	-21	-12	13

(€ million)

## Section 3 - Derivative instruments and hedging policies

### 3.1 Trading financial derivatives

#### A. Financial derivatives

#### A.1 Trading financial derivatives: end-of-period notional amounts

					(€ million)			
UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
1. Debt securities and interest rate indexes	36,060	221,886	24,183	1,554	29,878	197,244	24,101	937
a) Options	-	9,859	3,620	-	-	8,946	3,590	-
b) Swap	36,060	212,027	18,529	-	29,878	188,298	19,675	-
c) Forward	-	-	1,301	3	-	-	17	-
d) Futures	-	-	733	1,551	-	-	819	937
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	-	30,618	44	-	-	21,341	69	-
a) Options	-	30,618	44	-	-	21,341	69	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	-	64,353	5,044	-	-	62,919	5,798	-
a) Options	-	9,550	1,574	-	-	9,044	1,715	-
b) Swap	-	15,436	233	-	-	14,384	661	-
c) Forward	-	39,367	3,237	-	-	39,491	3,422	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	3,839	482	-	-	4,073	638	-
5. Other	-	-	-	-	-	-	-	-
Total	36.060	320.696	29.753	1.554	29.878	285.577	30.606	937

(€ million)

## Part E - Information on risks and hedging policies

## A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

(€ million)

TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
1. Positive fair value								
a) Options	-	483	31	-	-	457	50	-
b) Interest rate swap	251	3,167	554	-	149	2,843	441	-
c) Cross currency swap	-	762	2	-	-	794	18	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	301	55	-	-	281	31	-
f) Futures	-	-	-	2	-	-	-	4
g) Other	-	254	49	-	-	177	35	-
Total	251	4,967	691	2	149	4,552	575	4
2. Negative fair value								
a) Options	-	176	78	-	-	335	73	-
b) Interest rate swap	226	4,073	5	-	118	3,675	20	-
c) Cross currency swap	-	737	37	-	-	799	38	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	321	20	-	-	416	31	-
f) Futures	-	-	1	4	-	-	1	17
g) Other	-	287	16	-	-	183	29	-
Total	226	5,594	157	4	118	5,408	192	17



## Part E - Information on risks and hedging policies

## A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2019			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	1,812	2,572	19,799
- Positive fair value	X	-	55	518
- Negative fair value	X	4	-	5
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	-	-	44
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	40
<b>3) Gold and currencies</b>				
- Notional amount	X	507	173	4,364
- Positive fair value	X	14	5	47
- Negative fair value	X	2	10	81
<b>4) Commodities</b>				
- Notional amount	X	-	-	482
- Positive fair value	X	-	-	49
- Negative fair value	X	-	-	17
<b>5) Other</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	36,060	173,725	34,239	13,923
- Positive fair value	251	1,630	834	726
- Negative fair value	226	3,120	801	191
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	30,618	-	-
- Positive fair value	-	346	-	-
- Negative fair value	-	51	-	-
<b>3) Gold and currencies</b>				
- Notional amount	-	54,536	2,413	7,405
- Positive fair value	-	901	16	262
- Negative fair value	-	967	21	158
<b>4) Commodities</b>				
- Notional amount	-	2,514	196	1,128
- Positive fair value	-	171	3	77
- Negative fair value	-	215	8	62
<b>5) Other</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

## A.4 OTC financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY		OVER 1 YEAR UP TO 5 YEARS			TOTAL
		UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	
A.1 Financial derivative contracts on debt securities and interest rates		72,916	155,138	54,075	282,129
A.2 Financial derivative contracts on equity securities and stock indexes		3,726	20,949	5,987	30,662
A.3 Financial derivative contracts on exchange rates and hold		50,163	15,494	3,740	69,397
A.4 Financial derivative contracts on other values		3,917	404	-	4,321
A.5 Other financial derivatives		-	-	-	-
<b>Total 12.31.2019</b>		<b>130,722</b>	<b>191,985</b>	<b>63,802</b>	<b>386,509</b>
<b>Total 12.31.2018</b>		<b>115,095</b>	<b>147,447</b>	<b>83,520</b>	<b>346,062</b>

## Part E - Information on risks and hedging policies

### **B. Credit derivatives**

No data to be disclosed.

### **3.2 Hedging policies**

#### **Qualitative information**

Hedging transactions are used to manage the exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations and are executed in accordance with internal policies.

Derivatives are mainly used to manage of the banking book interest rate risk with the following goals:

- reducing banking book interest rate risk profile according to *Risk Appetite Framework* approved by the Board of Directors and limits defined by relevant Committees or risk functions. Within *Risk Appetite Framework*, the banking book exposure to interest rate risk is defined either in terms of *Net Interest Income Sensitivity* and *Economic Value Sensitivity*;
- optimising the natural hedge between the risk profile of assets and liabilities using derivatives to manage the mismatch, even temporary, between the volume and the rates of assets and liabilities with different repricing schedules;
- minimising the net exposure of derivatives used for hedging either assets and liabilities.

#### **A. Fair value hedging activities**

The objective of fair value hedge on assets/liabilities is to hedge the exposure to changes in fair value coming from the embedded risk factor subject to an hedging transaction.

The fair value hedge is applied both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, fixed rate loans and non-maturity deposits).

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

The hedging strategy on identified financial instruments classified as *Held-to-Collect* (HTC) and *Held-to-Collect & Sell* (HTCS) considers the contractual features of each instruments and business intent.

The hedging strategy on portfolios of financial instruments refers to the amounts of money contained in the portfolio of interest rate exposures that are not already subject to "micro/specific" hedging and mirrors to the nominal amount and financial conditions of hedging derivatives.

The objective of fair value hedge on assets/liabilities denominated in foreign currency is to hedge the exposure to changes in fair value by converting to Euro denominated assets/liabilities.

The hedging instruments used mainly consist of interest rate swaps, basis swaps, caps, floors and cross currencies swaps.

#### **B. Cash flow hedging activities**

The objective of cash flow hedge on floating rate assets/liabilities is to hedge the exposure to changes in cash flows from borrowings/lendings that bear a floating interest rate.

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

The hedging instruments used mainly consist of interest rate swaps, caps, floors, cross-currency swaps with a maturity up to 20-30 year for some commercial assets.

#### **C. Foreign net investments hedge activities**

No hedging strategy is in place on an investment in entities whose functional currency differs from the Group's functional currency.

## Part E - Information on risks and hedging policies

The Group put in place some economic hedges on forecasted foreign currency revenues stemming from those entities. The objective of the economic hedge on is to reduce the volatility on the income statement coming from the foreign exchange risks. FX risk on forecasted foreign currency revenues is continuously monitored and hedging strategies are periodically assessed. The hedging strategy and the percentage to be hedged is defined on a case by case basis considering, inter alia, the diversification effect and taking into account the volatility and correlation in the FX rates.

The derivatives used consist mainly of currency options. These derivatives may not qualify for hedge accounting even though achieves substantially the same economic results. The impact of economic hedge is accounted in the Trading Income line.

### D. Hedging instruments and E. Hedging elements

Prospective hedge effectiveness is established by the fact that all derivatives must, at inception, have the effect of reducing interest rate risk in term of *Economic Value Sensitivity* (Fair Value Hedge) or *Net Interest Income Sensitivity* (Cash Flow Hedge) in the specific/portfolio of hedged underlyings.

Retrospectively the hedge effectiveness is quarterly measured by referring to the most stable portion of assets/liabilities using a portfolio hedge approach or by referring to the portion of risk being hedged using a micro/specific approach.

Sources of ineffectiveness comes from (i) the Euribor/Eonia basis for hedging derivatives transactions subject to a collateral agreement, (ii) Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair values, (iii) shortfall arising in the underlying's specifically associated with that hedge in term of nominal or reverse sensitivity due to prepayment or default on commercial assets or withdrawals on liabilities included such as commercial non maturity deposits and are presented in Item 90 - Net gains (losses) on hedge accounting.

### Quantitative information

#### A. Cash flow hedging derivatives

##### A.1 Hedging financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2019				AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT		CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Debt securities and interest rate indexes</b>	<b>2,378</b>	<b>261,464</b>	<b>203,815</b>	-	<b>1,675</b>	<b>325,068</b>	<b>257,706</b>	-
a) Options	-	4,557	-	-	-	4,207	-	-
b) Swap	2,378	256,907	247	-	1,675	320,861	347	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	203,568	-	-	-	257,359	-
e) Other	-	-	-	-	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>3. Gold and currencies</b>	-	<b>17,359</b>	-	-	-	<b>14,196</b>	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	17,359	-	-	-	12,886	-	-
c) Forward	-	-	-	-	-	1,310	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>4. Commodities</b>	-	-	-	-	-	-	-	-
<b>5. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,378</b>	<b>278,823</b>	<b>203,815</b>	-	<b>1,675</b>	<b>339,264</b>	<b>257,706</b>	-

## Part E - Information on risks and hedging policies

## A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

AMOUNT AS AT 12.31.2019					AMOUNT AS AT 12.31.2018					AMOUNT AS AT 12.31.2019	AMOUNT AS AT 12.31.2018	(€ million)
POSITIVE AND NEGATIVE FAIR VALUE					POSITIVE AND NEGATIVE FAIR VALUE							
OVER THE COUNTER				ORGANISED MARKETS	OVER THE COUNTER				ORGANISED MARKETS			
CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	WITHOUT CENTRAL COUNTERPARTIES		CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	WITHOUT CENTRAL COUNTERPARTIES				
TYPE OF DERIVATIVES									CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS			
1. Positive fair value												
a) Options	-	-	-	-	-	-	-	-	-	-	-	
b) Interest rate swap	6	4,872	-	-	-	3,907	-	-	-	-	-	
c) Cross currency swap	-	198	-	-	-	158	-	-	-	-	-	
d) Equity swap	-	-	-	-	-	-	-	-	-	-	-	
e) Forward	-	-	-	-	-	4	-	-	-	-	-	
f) Futures	-	-	146	-	-	-	99	-	-	-	-	
g) Other	-	-	-	-	-	-	-	-	-	-	-	
Total	6	5,070	146	-	-	4,069	99	-	-	-	-	
2. Negative fair value												
a) Options	-	87	-	-	-	37	-	-	-	-	-	
b) Interest rate swap	49	4,449	-	-	50	4,120	-	-	-	-	-	
c) Cross currency swap	-	130	-	-	-	219	-	-	-	-	-	
d) Equity swap	-	-	-	-	-	-	-	-	-	-	-	
e) Forward	-	-	-	-	-	-	-	-	-	-	-	
f) Futures	-	-	166	-	-	-	99	-	-	-	-	
g) Other	-	-	-	-	-	-	-	-	-	-	-	
Total	49	4,666	166	-	50	4,376	99	-	-	-	-	

## Part E - Information on risks and hedging policies

## A.3 OTC hedging financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2019			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	203,815	-	-
- Positive fair value	X	146	-	-
- Negative fair value	X	166	-	-
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>4) Commodities</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>5) Other</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	2,378	260,627	837	-
- Positive fair value	6	4,857	15	-
- Negative fair value	49	4,499	38	-
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	-	17,359	-	-
- Positive fair value	-	198	-	-
- Negative fair value	-	130	-	-
<b>4) Commodities</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>5) Other</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

## A.4 OTC hedging financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY		UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates		183,034	218,193	66,432	467,659
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold		275	13,921	3,163	17,359
A.4 Financial derivative contracts on other values		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
<b>Total 12.31.2019</b>		<b>183,309</b>	<b>232,114</b>	<b>69,595</b>	<b>485,018</b>
<b>Total 12.31.2018</b>		<b>218,253</b>	<b>314,427</b>	<b>65,965</b>	<b>598,645</b>

## Part E - Information on risks and hedging policies

### B. Hedging credit derivatives

No data to be disclosed.

### C. Non hedging instruments

Note that, as provided by the Circular 262 of Banca d'Italia, the present table is not disclosed as 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.

### D. Hedging instruments

Note that 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.

In this context the following table provides the required information about hedged instruments.

#### Micro hedging and macro hedging: breakdown by hedged item and risk type

	AMOUNT AS AT 12.31.2019	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
(€ million)		
<b>A) Fair value hedge</b>		
<b>1. Assets</b>		
<b>1.1 Financial assets measured at fair value through other comprehensive income</b>	26,343	-
1.1.1 Interest rate	26,343	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
<b>1.2 Financial assets measured at amortised cost</b>	24,818	2,089
1.2.1 Interest rate	24,818	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
<b>2. Liabilities</b>		
<b>2.1 Financial liabilities measured at amortised costs</b>	-	2,726
2.1.1 Interest rate	-	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
<b>B) Cash flow hedge</b>		
<b>1. Assets</b>	-	X
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
<b>2. Liabilities</b>	-	X
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
<b>C) Hedge of net investments in foreign operations</b>	-	X
<b>D) Portfolio - Assets</b>	X	-
<b>E) Portfolio - Liabilities</b>	X	-

## Part E - Information on risks and hedging policies

### E. Effects of hedging policy at equity

This table has to be filled in only by entities that apply IFRS9 hedge accounting rules.

### 3.3 Other information on derivatives instruments (trading and hedging)

#### A. Financial and credit derivatives

##### A.1 OTC financial and credit derivatives: net fair value by counterparty

No data to be disclosed.

## Section 4 - Liquidity risk

### Qualitative information

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.4 Liquidity Risk - A. General aspects, operational processes and methods for measuring liquidity risk - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

The only difference is related with the amount of material outflows due to deterioration of own credit quality, included in the components of the Liquidity Coverage Ratio, which for UniCredit S.p.A. amount to €7,723 million as at 31 December 2019. The increasing trend compared to the end of June 2019 is mostly driven by new ABS issuances.

### Quantitative information

#### 1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2019									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>22,652</b>	<b>24,281</b>	<b>12,353</b>	<b>15,775</b>	<b>33,538</b>	<b>17,392</b>	<b>26,674</b>	<b>107,906</b>	<b>69,972</b>	<b>11,472</b>
A.1 Government securities	25	-	37	49	210	1,301	7,373	30,349	16,892	-
A.2 Other debt securities	7	1	65	29	48	189	387	5,970	5,182	45
A.3 Units in investment funds	1,242	-	-	-	-	-	-	-	-	-
A.4 Loans	21,378	24,280	12,251	15,697	33,280	15,902	18,914	71,587	47,898	11,427
- Banks	3,027	1,095	1,598	3,201	9,213	1,481	2,447	4,713	622	11,406
- Customers	18,351	23,185	10,653	12,496	24,067	14,421	16,467	66,874	47,276	21
<b>B. On-balance sheet liabilities</b>	<b>179,587</b>	<b>36,470</b>	<b>7,901</b>	<b>11,761</b>	<b>8,123</b>	<b>22,526</b>	<b>5,939</b>	<b>45,522</b>	<b>23,701</b>	<b>212</b>
B.1 Deposits and current accounts	168,934	1,136	1,350	1,322	1,212	104	64	36	98	-
- Banks	2,596	996	1,314	1,302	993	83	48	-	-	-
- Customers	166,338	140	36	20	219	21	16	36	98	-
B.2 Debt securities	46	36	602	1,787	1,415	2,747	4,668	27,728	20,038	212
B.3 Other liabilities	10,607	35,298	5,949	8,652	5,496	19,675	1,207	17,758	3,565	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	96	10,405	4,869	5,465	11,770	13,346	10,610	24,456	7,166	-
- Short positions	96	10,969	4,333	5,444	11,377	11,564	8,416	24,287	7,128	-
C.2 Financial derivatives without capital swap										
- Long positions	4,264	260	459	902	1,352	2,741	4,647	-	-	-
- Short positions	4,309	391	306	579	1,813	2,441	3,911	-	-	-
C.3 Deposits and loans to be received										
- Long positions	223	9,633	-	-	1,060	1,382	30	-	-	-
- Short positions	-	5,257	1,229	1,915	564	1,716	1,616	30	-	-
C.4 Commitments to disburse funds										
- Long positions	163	4,669	40	1,208	2,791	423	1,569	2,134	3,026	-
- Short positions	15,844	181	-	-	2	-	-	-	-	-
C.5 Financial guarantees given	-	-	1	45	2	1	14	28	4	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: euro

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2019									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>21,583</b>	<b>23,688</b>	<b>11,577</b>	<b>14,719</b>	<b>31,391</b>	<b>16,647</b>	<b>24,848</b>	<b>100,867</b>	<b>66,344</b>	<b>11,463</b>
A.1 Government securities	22	-	37	49	210	1,258	7,119	27,408	15,310	-
A.2 Other debt securities	7	1	59	29	47	182	372	5,952	4,477	36
A.3 Units in investment funds	1,034	-	-	-	-	-	-	-	-	-
A.4 Loans	20,520	23,687	11,481	14,641	31,134	15,207	17,357	67,507	46,557	11,427
- Banks	2,415	900	1,098	2,618	7,875	1,331	1,514	3,678	194	11,406
- Customers	18,105	22,787	10,383	12,023	23,259	13,876	15,843	63,829	46,363	21
<b>B. On-balance sheet liabilities</b>	<b>175,963</b>	<b>35,149</b>	<b>6,267</b>	<b>10,167</b>	<b>7,076</b>	<b>22,222</b>	<b>5,578</b>	<b>38,183</b>	<b>21,034</b>	<b>212</b>
B.1 Deposits and current accounts	165,733	138	104	103	318	23	9	36	98	-
- Banks	1,746	37	100	100	140	19	7	-	-	-
- Customers	163,987	101	4	3	178	4	2	36	98	-
B.2 Debt securities	45	36	457	1,704	1,370	2,530	4,373	20,439	17,371	212
B.3 Other liabilities	10,185	34,975	5,706	8,360	5,388	19,669	1,196	17,708	3,565	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	30	5,579	2,620	2,601	4,961	6,671	4,390	8,280	3,044	-
- Short positions	66	6,030	1,434	2,385	5,507	4,951	2,794	10,037	3,853	-
C.2 Financial derivatives without capital swap										
- Long positions	3,258	259	240	884	1,274	2,039	3,630	-	-	-
- Short positions	3,299	328	153	572	1,496	1,955	2,987	-	-	-
C.3 Deposits and loans to be received										
- Long positions	50	9,599	-	-	1,060	1,382	30	-	-	-
- Short positions	-	5,250	1,037	1,915	560	1,715	1,614	30	-	-
C.4 Commitments to disburse funds										
- Long positions	163	4,666	1	1,191	2,782	412	1,569	2,133	2,552	-
- Short positions	15,369	101	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	1	45	-	1	12	25	4	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-



## Part E - Information on risks and hedging policies

### 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: other currencies

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2019									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>1,069</b>	<b>593</b>	<b>776</b>	<b>1,056</b>	<b>2,147</b>	<b>745</b>	<b>1,826</b>	<b>7,039</b>	<b>3,628</b>	<b>9</b>
A.1 Government securities	3	-	-	-	-	43	254	2,941	1,582	-
A.2 Other debt securities	-	-	6	-	1	7	15	18	705	9
A.3 Units in investment funds	208	-	-	-	-	-	-	-	-	-
A.4 Loans	858	593	770	1,056	2,146	695	1,557	4,080	1,341	-
- Banks	612	195	500	583	1,338	150	933	1,035	428	-
- Customers	246	398	270	473	808	545	624	3,045	913	-
<b>B. On-balance sheet liabilities</b>	<b>3,624</b>	<b>1,321</b>	<b>1,634</b>	<b>1,594</b>	<b>1,047</b>	<b>304</b>	<b>361</b>	<b>7,339</b>	<b>2,667</b>	<b>-</b>
B.1. Deposits and current accounts	3,201	998	1,246	1,219	894	81	55	-	-	-
- Banks	850	959	1,214	1,202	853	64	41	-	-	-
- Customers	2,351	39	32	17	41	17	14	-	-	-
B.2 Debt securities	1	-	145	83	45	217	295	7,289	2,667	-
B.3 Other liabilities	422	323	243	292	108	6	11	50	-	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	66	4,826	2,249	2,864	6,809	6,675	6,220	16,176	4,122	-
- Short positions	30	4,939	2,899	3,059	5,870	6,613	5,622	14,250	3,275	-
C.2 Financial derivatives without capital swap										
- Long positions	1,006	1	219	18	78	702	1,017	-	-	-
- Short positions	1,010	63	153	7	317	486	924	-	-	-
C.3 Deposits and loans to be received										
- Long positions	173	34	-	-	-	-	-	-	-	-
- Short positions	-	7	192	-	4	1	2	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	3	39	17	9	11	-	1	474	-
- Short positions	475	80	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	2	-	2	3	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Section 5 - Operational risk

### Qualitative information

#### A. General aspects, operational processes and methods for measuring operational risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks - Qualitative information - A. General aspects - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### B. Risks arising from legal disputes

Reference is made to the content of paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks - Qualitative information - B. Legal Risks - Part E of the Notes to the consolidated accounts, particularly relating to the parent company UniCredit S.p.A., which is herewith quoted entirely.

#### C. Risks arising from employment law cases

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks - Qualitative information - C. Risks arising from employment law cases - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### D. Risks arising from tax disputes

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks - Qualitative information - D. Risks arising from tax disputes - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

### **E. Other claims by customers**

Supporting the business structures, the Compliance function oversees the regulatory environment evolution relating to banking services and products in areas like transparency, financial and investment services and anti-usury. Compliance, as control function, develops rules, checks processes and procedures and monitors complaints trends. The Compliance function, along with the Legal one, also supports analysis and evaluation stages of adequacy of potential "customer care" actions or other initiatives designed to compose particular situations in which UniCredit S.p.A. might be involved in order to define them.

Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at banking system level.

Concerning the financing of consumer credit, the EU Directive 2008/48 establishes that "the consumer shall be entitled at any time to discharge fully or partially his obligations under a credit agreement. In such cases, he shall be entitled to a reduction in the total cost of credit, such reduction consisting of the interest and the costs for the remaining duration of the contract".

Following the decision of the European Court of Justice in September 2019 (judgment C-383/18 referring to the "Lexitor" case) and the communication of the Banca d'Italia issued in December 2020, UniCredit S.p.A. proceeded to adapt to the most recent interpretation of this legislation. Therefore, in the event of a request for early repayment of the loan, the consumer is entitled to pay off his debt net of costs not yet accrued on the repayment date.

In consideration of the above, as well as the interpretations prior to the aforementioned communication of the Bank of Italy, the Bank noted the guidelines issued by the Authority adapting to the framework outlined, and has carried out the appropriate assessments, also to preserve the quality of the customers relationship.

### *Diamond offer*

Over the years, within the diversification of investments to which the available assets are addressed and also considering in this context those investments with the characteristics of the so-called "safe haven" with a long-term horizon, several UniCredit S.p.A.'s customers have historically invested in diamonds through a specialised intermediary company, with which the Bank has stipulated, since 1998, a collaboration agreement as "Introducer", in order to regulate the "reporting" methods of the offer of diamonds by the same company to UniCredit customers.

Since the end of 2016, the liquidity available on the market to meet the requests of customers who intended to divest their diamond assets has contracted to a certain extent until it became nil, with the suspension of the service by the brokerage company.

In 2017 UniCredit S.p.A. started a "customer care" initiative which envisaged the availability of the Bank to intervene for the acknowledgement towards the customer of the original cost incurred for the purchase of precious items and the consequent withdrawal of the stones, upon certain conditions.

The initiative has been adopted assessing the absence of responsibility for its role as "Introducer"; nevertheless, the AGCM ascertained UniCredit's responsibility for unfair commercial practice (confirmed in appeal by the Administrative Regional Court in the second half of 2018), imposing, in 2017, a fine of €4 million paid in the same year. UniCredit has filed an appeal to the Council of State. The proceedings are pending.

On 8 March 2018, a specific communication was issued from Banca d'Italia concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies.

As at 31 December 2019, UniCredit:

- received reimbursement requests for a total amount of about €387 million (cost originally incurred by the Clients) from No. 11,313 Customers; according to a preliminary analysis, such requests fulfill the requirements envisaged by the "customer care" initiative; the finalisation of the reimbursement requests is currently carried out, aimed at assessing their effective compliance with the "customer care" initiative, and then proceed with the settlement where conditions recur;
- with reference to the scope outlined in the previous point (about €387 million), reimbursed No. 6,942 customers for about €257 million (equivalent value of original purchases), equal to about 66% of the reimbursement requests said above.

In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Risk and Charges Fund was set up; its quantification was also based on the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value.

Finally, the gems purchased are recognised for about €69 million in item "130. Other assets" of the balance sheet.

## Part E - Information on risks and hedging policies

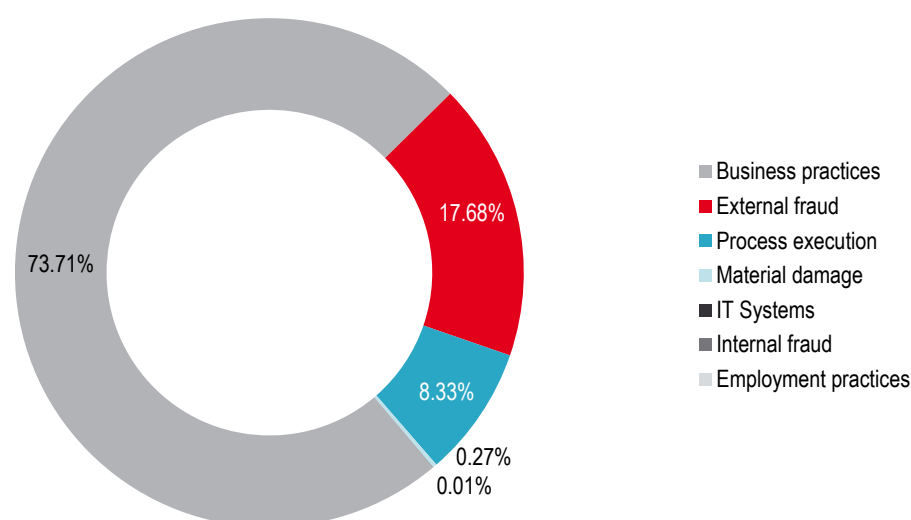
On 19 February 2019, the judge in charge of the preliminary investigation at the Court of Milan issued an interim seizure directed to UniCredit and other financial institutions aimed at: (i) direct confiscation of the amount of €33 million against UniCredit for the offence of aggravated fraud and (ii) indirect as well as direct confiscation of the amount of €72 thousand for the offence of self-laundering against UniCredit. From the seizure order it emerges that investigations for the administrative offence under Art.25-octies of Legislative Decree No.231/2001 are pending against UniCredit for the crime of self-laundering.

On 2 October 2019, the Bank and certain individuals received the notice of conclusion of the investigations pursuant to Article 415-bis of the Italian Code of criminal procedure. The notice confirmed the involvement of certain current and former employees for the offence of aggravated fraud and self-laundering. With regard to the latter, self-laundering serves as a predicate crime for the administrative liability of the Bank under Legislative Decree No.231/2001. The next phase of the proceeding will be a request for indictments.

### Quantitative information

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks- Quantitative information - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

**Operational losses 2019 divided by risk category**



The categories "Internal fraud" and "Employment practices" are not shown in the chart since they have a positive impact in the reference period due to the effects of recoveries and releases of funds.

In 2019, the main source of operational risk (for this purpose, the positive effect due to the release of provisions set aside in previous years, as a consequence of the settlement with US Authorities, has not been considered) was "Clients, products and business practices", a category which includes losses arising from the non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided, as well as any sanctions for violating regulations. The second largest contribution to losses refers to external fraud, followed by errors in process management, execution and delivery due to operational or process management shortage.

There were also, in decreasing order, losses stemming from damage to physical assets from external events, IT Systems and internal fraud.

## Part E - Information on risks and hedging policies

### Section 6 - Other risks

#### **Other risks included in economic capital**

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.6 Other risks - Other risks included in Economic Capital with specific reference to business risk, real estate risk and financial investments risk which is herewith quoted entirely.

#### **Reputational risk**

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.6 Others risks - Reputational risk - Part E of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### **Top and emerging risk**

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.6 Other risks - Top and emerging risk which is herewith quoted entirely.

## Part F - Shareholders' equity

### Section 1 - Shareholders' equity

#### A. Qualitative information

Reference is made to the corresponding paragraph of Part F - Notes to the consolidated accounts of UniCredit group which is herewith quoted entirely.

#### B. Quantitative information

##### B.1 Company shareholders' equity: breakdown

ITEMS/VALUES	AMOUNT AS AT	
	12.31.2019	12.31.2018
<b>1. Share capital</b>	<b>20,995</b>	<b>20,940</b>
<b>2. Share premium reserve</b>	<b>13,225</b>	<b>13,393</b>
<b>3. Reserves</b>	<b>11,783</b>	<b>10,031</b>
- from profits	7,108	5,541
a) legal	1,518	1,518
b) statutory	7,504	6,161
c) treasury shares	-	-
d) other	(1,914)	(2,138)
- other <sup>(*)</sup>	4,675	4,490
<b>4. Equity instruments</b>	<b>5,602</b>	<b>4,610</b>
<b>5. Treasury shares</b>	<b>(2)</b>	<b>(2)</b>
<b>6. Revaluation reserves</b>	<b>471</b>	<b>(503)</b>
- Equity instruments designated at fair value through other comprehensive income	(242)	(244)
- Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
- Financial assets (different from equity instruments) at fair value through other comprehensive income	250	(316)
- Property, plant and equipment	510	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	(31)	(66)
- Foreign investments hedging	-	-
- Exchange differences	-	-
- Non-current assets and disposal groups classified as held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(71)	42
- Actuarial gains (losses) on defined benefit plans	(222)	(196)
- Changes in valuation reserve pertaining to equity method investments	-	-
- Special revaluation laws	277	277
<b>7. Net profit (loss)</b>	<b>(555)</b>	<b>2,442</b>
<b>Total</b>	<b>51,519</b>	<b>50,911</b>

**Note:**

(\*) The sub-item "Reserves - other" includes the "Reserve of treasury shares" (€2 million), originally formed with the withdrawal from the "Share premium reserve", as well as a part of the "Legal reserve" (€2,683 million) also constituted, as resolved by the approval of the Ordinary Shareholders' Meeting of 11 May 2013 and of 13 May 2014 and of 14 April 2016 with the withdrawal from the "Share premium Reserve".

Shareholders' equity at 31 December 2019, additionally to the changes in capital explained in details in Part B - Section 12 - Shareholders' equity, reflects, among the others, the changes resulting from the ordinary Shareholders' Meeting resolutions of 11 April 2019 regarding the allocation of profit for the year 2018 of €2,458 million:

- distribution to holders of ordinary shares of a dividend for a total amount of €600 million;
- allocation of €4 million to social, charity and cultural initiatives;
- allocation of €55 million to the Reserve connected to the medium-term incentive plan for Group staff;
- allocation of €1,799 million to the Statutory reserve.

## Part F - Shareholders' equity

Shareholders' equity at 31 December 2018 shown in comparison reflects the change in the valuation criterion of properties held for investment. As detailed in Part A, Section 4 - Other aspects, the retroactive application of the accounting principle entailed the recognition of a specific positive reserve from the first application on 1 January 2018 of €91 million (net of the effect tax) and an adjustment of the result for the year 2018 (net of the tax effect) of -€16 million following the evolution of the fair value of the period and the amortization adjustments.

### B.2 Revaluation reserves of financial assets at fair value through other comprehensive income: breakdown

(€ million)

ASSETS/VALUES	AMOUNT AS AT 12.31.2019		AMOUNT AS AT 12.31.2018	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	291	(40)	169	(486)
2. Equity securities	63	(305)	89	(333)
3. Loans	-	-	-	-
<b>Total</b>	<b>354</b>	<b>(345)</b>	<b>258</b>	<b>(819)</b>

### B.3 Revaluation reserves of financial assets at fair value through other comprehensive income: annual change

(€ million)

ASSETS/VALUES	CHANGES IN 2019		
	DEBT SECURITIES	EQUITY SECURITIES	LOANS
<b>1. Opening balance</b>	<b>(317)</b>	<b>(244)</b>	<b>-</b>
<b>2. Positive changes</b>	<b>1,092</b>	<b>70</b>	<b>-</b>
2.1 Fair value increases	858	42	-
2.2 Net losses on impairment	-	X	-
2.3 Reclassification through profit or loss of negative reserves: following disposal	234	X	-
2.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	21	-
2.5 Other changes	-	7	-
<b>3. Negative changes</b>	<b>(524)</b>	<b>(68)</b>	<b>-</b>
3.1 Fair value reductions	(335)	(67)	-
3.2 Recoveries on impairment	-	-	-
3.3 Reclassification through profit or loss of positive reserves: following disposal	(189)	X	-
3.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	(1)	-
3.5 Other changes	-	-	-
<b>4. Closing balance</b>	<b>251</b>	<b>(242)</b>	<b>-</b>

### B.4 Revaluation reserves to defined benefit plan: annual changes

(€ million)

	CHANGES IN	
	2019	2018
<b>1. Net opening balance</b>	<b>(194)</b>	<b>(196)</b>
<b>2. Positive changes</b>	<b>-</b>	<b>13</b>
2.1 Fair value increase	-	13
2.2 Other changes	-	-
<b>3. Negative changes</b>	<b>(28)</b>	<b>(11)</b>
3.1 Fair value reductions	(28)	(11)
3.2 Other changes	-	-
<b>4. Closing balance</b>	<b>(222)</b>	<b>(194)</b>

## Section 2 - Own funds and regulatory ratios

For information on the regulatory ratios of UniCredit S.p.A. at the reference date and for the comparison with the previous periods refer to the own funds disclosure reported into the UniCredit group disclosure (Pillar III).

## Part G - Business combinations

### Section 1 - Business combinations completed in the year

#### 1.1 Business combinations

Business combinations with counterparties outside the Group are performed using the “purchase method” as required by IFRS3 “Business Combinations”, cited in the disclosure of Accounting policies, part A.2 - Main items of the accounts.

In 2019, the Bank did not carry out any business combinations outside the Group.

With reference to business combinations within the Group, since 1 September 2019 the partial demerger of UniCredit Services S.C.p.A. versus UniCredit S.p.A. was performed with reference to the transfer of real estate and operations activities and logistics currently supplied in Italy in favour to Italian customers (so-called “Reus” demerger).

### Section 2 - Business Combinations completed after year-end

No business combination have been completed after year end.

### Section 3 - Retrospective adjustments

No retrospective adjustments has been applied in 2019 on business combinations competed in previous years.

## Part H - Related-party transactions

### Introduction

Reference is made to the corresponding paragraph of Part H - Notes to the consolidated accounts of UniCredit group which is herewith quoted entirely.

### 1. Details of Key management personnels' compensation

Details of Key management personnel's 2019 remuneration are given below pursuant to IAS24 and to Banca d'Italia Circular 262 dated 22 December 2005 (6<sup>th</sup> update of 30 November 2018) requiring that also the Statutory Auditors' compensation be included.

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.

#### Remuneration paid to key management personnel (including directors)

	(€ million)	
	YEAR 2019	YEAR 2018
a) short-term employee benefits	16	16
b) post-retirement benefits	1	1
<i>of which: under defined benefit plans</i>	-	-
<i>of which: under defined contribution plans</i>	1	1
c) other long-term benefits	-	-
d) termination benefits	4	-
e) share-based payments	5	6
<b>Total</b>	<b>26</b>	<b>23</b>

The information reported above include the compensation paid to Directors (€4 million), Statutory Auditors (€0.9 million), General Manager (€0.1million) and other Managers with strategic responsibilities (€10 million), as shown in the document "Information Tables Pursuant Art.84 -quarter "Annual Report - Section II" of the Regulation No.11971 Issued by Consob" attached to the "2020 Group Remuneration Policy", and €11 million relating to other costs borne in 2019 (the company share of social security contributions, accruals to severance pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The compensation paid shows a substantial stability versus 2018, in line with the conservative approach to remuneration that has been adopted during Transform 2019 plan. The €4 million increase in the total compensation versus the previous year is linked to severance payments related to employment terminations, having by their own nature a non-recurring nature.



## Part H - Related-party transactions

### 2. Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

#### Related-party transactions: balance sheet items

	AMOUNTS AS AT 12.31.2019							(€ million)	
	CONTROLLED	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS <sup>(1)</sup>	% ON ACCOUNTS ITEM
Financial assets at fair value through profit or loss:	3,063	-	-	-	-	3,063	20.84%	-	-
a) Financial assets held for trading	2,849	-	-	-	-	2,849	22.47%	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	214	-	-	-	-	214	10.60%	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost:	38,796	2,150	390	1	1	41,338	13.73%	19	0.01%
a) Loans and advances to banks	15,076	1,452	-	-	-	16,528	39.29%	-	-
b) Loans and advances to customers	23,720	698	390	1	1	24,810	9.58%	19	0.01%
Hedging derivatives (assets)	5,015	-	-	-	-	5,015	96.02%	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-
Other assets	219	5	-	-	-	224	5.74%	-	-
<b>Total assets</b>	<b>47,093</b>	<b>2,155</b>	<b>390</b>	<b>1</b>	<b>1</b>	<b>49,640</b>	<b>13.88%</b>	<b>19</b>	<b>0.01%</b>
Financial liabilities at amortised cost:	11,008	1	315	5	161	11,490	3.49%	23	0.01%
a) Deposits from banks	8,477	1	-	-	-	8,478	14.72%	23	0.04%
b) Deposits from customers	556	-	315	5	161	1,037	0.48%	-	-
c) Debt securities in issue	1,975	-	-	-	-	1,975	3.62%	-	-
Financial liabilities held for trading and designated at fair value	4,253	-	-	-	-	4,253	24.81%	-	-
Hedging derivatives (liabilities)	4,545	-	-	-	-	4,545	93.10%	-	-
Liabilities associated with disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-
Other liabilities	226	1	30	-	-	257	4.18%	-	-
<b>Total liabilities</b>	<b>20,032</b>	<b>2</b>	<b>345</b>	<b>5</b>	<b>161</b>	<b>20,545</b>	<b>5.75%</b>	<b>23</b>	<b>0.01%</b>
Guarantees given and commitments	23 580	2 133	39	-	2	25 754	15.40%	-	

**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, pursuant to IAS24.

### Related-party transactions: profit and loss items

	AMOUNTS AS AT 12.31.2019							(€ million)	
	CONTROLLED	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS <sup>(*)</sup>	% ON ACCOUNTS ITEM
10. Interest income and similar revenues	(201)	109	30	-	-	(62)	1.21%	1	0.02%
20. Interest expenses and similar charges	713	-	(1)	-	-	712	54.73%	(1)	0.08%
<b>30. Net interest margin</b>	<b>512</b>	<b>109</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>650</b>	<b>17.02%</b>	<b>-</b>	<b>-</b>
40. Fees and commissions income	98	4	755	-	-	857	19.67%	-	-
50. Fees and commissions expenses	(173)	-	(8)	-	-	(181)	32.61%	-	-
<b>60. Net fees and commissions</b>	<b>(75)</b>	<b>4</b>	<b>747</b>	<b>-</b>	<b>-</b>	<b>676</b>	<b>17.78%</b>	<b>-</b>	<b>-</b>
70. Dividend income and similar revenues	-	-	-	-	-	-	-	-	-
80. Net gains (losses) on trading	(152)	-	-	-	-	(152)	34.31%	-	-
90. Net gains (losses) on hedge accounting	287	-	-	-	-	287	n.m.	-	-
100. Gains (Losses) on disposal and repurchase of:	(4)	-	-	-	-	(4)	3.28%	-	-
a) Financial assets at amortised cost	(4)	-	-	-	-	(4)	5.26%	-	-
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
c) Financial liabilities	-	-	-	-	-	-	-	-	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	8	-	-	-	-	8	3.32%	-	-
a) Financial assets/liabilities designated at fair value	-	-	-	-	-	-	-	-	-
b) Other financial assets mandatorily at fair value	8	-	-	-	-	8	57.14%	-	-
<b>120. Operating income</b>	<b>576</b>	<b>113</b>	<b>776</b>	<b>-</b>	<b>-</b>	<b>1,465</b>	<b>14.88%</b>	<b>-</b>	<b>-</b>
130. Net losses/recoveries on credit impairment relating to:	(233)	(6)	(42)	-	-	(281)	10.20%	-	-
a) Financial assets at amortised cost	(233)	(6)	(42)	-	-	(281)	10.26%	-	-
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
140. Gains/Losses from contractual changes with no cancellations	-	-	-	-	-	-	-	-	-
190. Administrative expenses:	(1,141)	1	-	-	(2)	(1,142)	21.29%	-	-
a) Staff costs	(15)	1	1	-	-	(13)	0.47%	-	-
b) Other administrative expenses	(1,126)	-	(1)	-	(2)	(1,129)	43.37%	-	-
200. Net provisions for risks and charges	2	1	6	-	-	9	3.13%	-	-
230. Other operating expenses/income	70	6	(59)	-	-	17	5.86%	-	-
<b>240. Operating costs</b>	<b>(1,069)</b>	<b>8</b>	<b>(53)</b>	<b>-</b>	<b>(2)</b>	<b>(1,116)</b>	<b>20.82%</b>	<b>-</b>	<b>-</b>

Note:

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

## Part H - Related-party transactions

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.

With reference to the description of main transactions with related parties, reference is made to the corresponding paragraph of Part H - Notes to the consolidated accounts of UniCredit group which is herewith quoted for the transactions related to UniCredit S.p.A.

## Part I - Share-based payments

### A. Qualitative information

#### 1. Description of payment agreements based on own equity instruments

Reference is made to the paragraph Share-Based Payments Part I - A. Qualitative information - 1. Description of payment agreements based on own equity instruments of the Notes to the consolidated accounts, which is herewith quoted for the part that concern the delivery of UniCredit shares.

### B. Quantitative information

#### 1. Annual changes

Reference is made to the paragraph Share-Based Payments Part I - B. Quantitative information - 1. Annual changes of the Notes to the consolidated accounts, which is herewith quoted entirely.

#### 2. Other information

All Share-Based Payment granted after 7 November 2002 whose vesting period ends after 1 January 2005 are included within the scope of the IFRS2.

#### Financial statement presentation related to share based payments

(€ million)

	2019		2018	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
<b>(Costs)/Revenues</b>	<b>(27)</b>		<b>(20)</b>	
- connected to equity-settled plan <sup>(1)</sup>	(27)		(20)	
- connected to cash-settled plans	-		-	
<b>Debts for cash-settled plans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:**

(1) Includes costs for €1.6 million related to golden parachute.

## Part L - Segment reporting

Segment reporting of UniCredit S.p.A., parent company of the UniCredit banking group, is provided in Part L of the Notes to the consolidated accounts, in accordance to the IFRS8.

## Part M - Information on leases

### Section 1 - Lessee

#### Qualitative information

The Bank in conducting its business, signs lease contracts for which accounts for rights of use that mainly relate to the following type of tangible assets:

- Buildings;
- Others (eg. cars).

These contracts are accounted for in accordance with rules set in accounting standard IFRS16 further detailed in Part A - Accounting policies - A.2 - Main items of the accounts (section to refer to).

The rights of use deriving from these lease contracts are mainly used to provide for services or for administrative purposes and accounted for according to the cost method. If these rights of use are sub-leased to third parties, a financial or operating lease contract is booked based on their characteristics.

As allowed by the accounting standard, the Bank has decided not to account for rights of use or lease liabilities in case of:

- short-term leases, lower than 12 months; and
- lease of low value assets. In this regard, in this respect an asset is considered as low value if its fair value when new is equal to or lower than €5 thousand. This category mainly includes office machines (PCs, monitors, tablets, etc.) as well as fixed and mobile telephony devices.

The lease payments deriving from this type of activity are booked in item "160. Administrative expenses" on an accrual basis.

#### Quantitative information

The book value of the rights of use arising from lease contracts are exposed in Part B - Balance sheet - Assets - Section 8 - Property, plant and equipment of the Notes to the accounts.

During the year, these rights of use resulted in the recognition of depreciations for €182 million of which:

- €175 million relating to buildings;
- €7 million relating to the other category (eg cars).

In addition, impairment for €7 million has been booked.

With reference to leasing liabilities, the related book value is shown in Part B - Balance sheet - Liabilities - Section 1 - Financial liabilities at amortised cost of the Notes to the accounts (section to refer to).

During the year, these lease liabilities led to the recognition of interest expenses shown in Part C - Income statement - Section 1 - Interests of the Notes to the accounts.

With reference to short-term leases and leases of low value assets, it should be noted that during the year, rentals were accounted for €58 million. It should be noted that such amount also includes VAT on rentals which is not included in the lease liability calculation.

Finally, with reference to the sublease contracts, it should be noted that these contracts determined operating income for €27 million.

For the purposes of determining the lease term, the Bank considers the non-cancellable period established by the contract, during which the lessee has the right to use the underlying asset as well as any renewal options where the lessee has reasonable expectation to proceed with the renewal. In particular, with reference to contracts that provide the lessee with the option to automatically renew the lease at the end of a first period, the lease term is determined considering elements such as the duration of the first period, the existence of any plan leading to the disposal of the asset leased as well as any other circumstance indicating the reasonable certainty of renewal.

Therefore, the amount of cash flows, not reflected in the calculation of the lease liability, to which the Bank is potentially exposed, is essentially due to the possible renewal of lease contracts and the subsequent extension of the lease term not included in the original calculation of the lease liabilities taking into account the information available and expectations existing as at 1 January 2019 (date of initial application of IFRS16) or on the starting date of the lease.

## Part M - Information on leases

### Section 2 - Lessor

#### Qualitative information

The Bank carries out financial leasing activities associated with the sublease of properties both to other Group's companies and to third parties; the corresponding credits for financial leases have taken on a significantly higher amount compared to previous years due to both the change in ownership of the related lease contracts from UniCredit Services S.C.p.A. to UniCredit S.p.A. and the introduction of the IFRS16 which establishes the right of use, and no longer the underlying tangible asset, as the element on which to evaluate the presence of a financial lease.

These contracts are exposed through the recognition of a credit for financial leases recognized in item "40. Financial assets at amortised cost", of the related income on an accrual basis in item "10. Interest income and similar revenues" and of the impairment for the expected credit loss in item "130. Net losses/recoveries on credit impairment".

Operating leases activities, on the other hand, are essentially attributable to the leasing of owned properties to parties external to the Group.

These contracts are represented through the recognition, on an accrual basis, of the rentals received in item "200. Other operating expenses/income".

#### Quantitative information

##### 1. Balance sheet and Income statement information

With reference to financial lease contracts, the book value of credit for financial leases is shown in Part B - Balance sheet - Assets - Section 4 - Financial assets at amortised cost of these Notes to the accounts.

Such loans determined, during the year, interest income shown in Part C - Income statement - Section 1 - Interests of Notes to the accounts.

With reference to operating lease contracts, it should be noted that the book value of the owned assets granted under operating lease is composed as follows:

- Land: €212 million;
- Buildings: €317 million.

Rentals recognised on an accrual basis during the year for leasing of these activities are shown in Part C - Income statement - Section 14 - Other operating expenses/income of these Notes to the accounts.

##### 2. Financial leases

##### 2.1 Classification for time bucket of Payments to be received and Reconciliation with Lease Loans booked in the Assets

		(€ million)
		12.31.2019
TIME BUCKET	PAYMENTS TO BE RECEIVED FOR LEASE	
Up to 1 year		6
1 year to 2 years		-
2 year to 3 years		1
3 year to 4 years		4
4 year to 5 years		2
Over 5 years		84
<b>Total Payments to be received for lease</b>		<b>97</b>
<b>RECONCILIATION WITH LOANS</b>		
Unpaid Financial Profits (-)		-
Not guaranteed Residual Amount (-)		-
<b>Lease Loans</b>		<b>97</b>

It should be noted that the Bank has decided, as permitted by the accounting standard, not to restate comparative information as a result of the first adoption of accounting standard IFRS16. Consequently, the table does not report the balances as at 31 December 2018.

The value shown in the table represents the gross exposure. This value is decreased by impairment, equal to €1 million, leading to the amount of €96 million shown among the Assets - Section 4 - Financial assets at amortised cost of these Notes to the accounts.

## Part M - Information on leases

### 2.2 Other information

With regard to financial leases, the credit risk associated with the contract is managed according to what is stated in Part E - Information on risks and hedging policies - Section 1 - Credit risk of the Notes to the accounts (section to referred to).

The classification of the contract as a finance lease is determined by the fact that the risks and rewards of the leased right of use are transferred to the lessee mainly through contract durations substantially aligned with the useful life of the related right.

### 3. Operating leases

#### 3.1 Classification for time bucket of Payments to be received

		(€ million)
		12.31.2019
TIME BUCKET	PAYMENTS TO BE RECEIVED FOR LEASE	
Up to 1 year		18
1 year to 2 years		17
2 year to 3 years		17
3 year to 4 years		17
4 year to 5 years		16
Over 5 years		88
<b>Total</b>		<b>173</b>

It should be noted that the Bank has decided, as permitted by the accounting standard, not to restate comparative information as a result of the first adoption of accounting standard IFRS16. Consequently, the table does not report the balances as at 31 December 2018.

### 3.2 Other information

There is no further significant information to report compared to the above.





## Annual 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 charged 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 applicationof the administrative and accounting procedures employed to draw up the 2019 Annual Financial Statements.
2. The adequacy of the administrative and accounting procedures employed to draw up the 2019 Annual Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and for financial reporting in particular.
3. The undersigned also **certify** that:
  - 3.1 the 2019 Annual 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) correspond to the results of the accounting books and records;
    - c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer;
  - 3.2 the Report on Operations includes a reliable analysis of the operating trend and results as well as of the situation of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Milan, 5 February 2020

Jean Pierre MUSTIER



Stefano PORRO





# Board of Statutory Auditors' Report

*(English translation of the Italian original document)*

**BOARD OF STATUTORY AUDITORS' REPORT  
TO THE SHAREHOLDERS MEETING OF 9 APRIL 2020  
(PURSUANT TO ART.153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND ART.2429, PAR.2, OF THE ITALIAN CIVIL CODE)**

Dear Shareholders,

the Board of Statutory Auditors (hereinafter, also the "BoSA") is called to report to the Shareholders' Meeting of UniCredit S.p.A. (hereinafter, also the "Bank", the "Parent company", "UniCredit") on the oversight activity performed during the year and on any detected omissions and censurable facts, pursuant to Art.153 of Italian Legislative Decree No.58/1998 (Consolidated law on finance TUF) and Art.2429, paragraph 2, of the Italian Civil Code. The Board of Statutory Auditors is also entitled to make comments and proposals concerning the financial statements, their approval and all matters within its remit. This report provides the information required by Consob Communication 1025564/2001 as amended and/or supplemented.

During 2019, the Board of Statutory Auditors performed its institutional duties in compliance with the Italian Civil Code, Italian Legislative Decree No.385/1993 (Consolidated law on banking TUB), No.58/1998 (TUF) and No.39/2010 and subsequent amendments and/or additions, the provisions of the company Bylaws and those issued by the Authorities that exercise supervisory and control activities, also taking into consideration the rules of conduct recommended by the Italian National Board of Certified Public Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

## 1. Appointment and activities of the Board of Statutory Auditors

On 11 April 2019, the Shareholders' Meeting of UniCredit S.p.A. renewed the Board of Statutory Auditors, which had lapsed from office after completing its three-year term, appointing its members for the subsequent period and until the approval of the financial statements at 31 December 2021. These were Mr. Marco Rigotti (Chairman), Ms. Antonella Bientinesi, Mr. Angelo Rocco Bonisconi, Ms. Benedetta Navarra and Mr. Guido Paolucci (Permanent Statutory Auditors). The Statutory Auditors Ms. Antonella Bientinesi, Mr. Angelo Rocco Bonisconi, Ms. Benedetta Navarra and Mr. Guido Paolucci were already present in the previous composition of the BoSA.

The Board of Directors of UniCredit, in its meeting held on 6 February 2019, approved by resolution to charge the Board of Statutory Auditors with the functions of Supervisory Body pursuant to Italian Legislative Decree No.231/2001 as from its aforementioned renewal for the financial years 2019-2021. Until the renewal of the Board of Statutory Auditors, the previous organizational structure was therefore maintained, entrusting these functions to an independent body, specifically set up for this purpose, composed of external members and senior executives of the Company with the task of guidance, support and control functions.

During the year 2019, the Board of Statutory Auditors held overall No.57 meetings with an average duration of about 4 hours:

- No.10 meetings, up to the date (13 March 2019) of the meeting called for the approval of the previous Report of the Board of Statutory Auditors at the Shareholders' Meeting;
- No.3 meetings, held after 13 March 2019, and until the date of the Shareholders' Meeting of 11 April 2019;
- No.44 meetings, held after the renewal of the Board of Statutory Auditors, of which No.31 as ordinary session and No.13 acting as 231 Supervisory Body's.

During 2020 and until the date of the present Report, the Board of Statutory Auditors met 12 times.

During 2019, the Board of Statutory Auditors attended all No.18 meetings of the Board of Directors, and the Shareholders' Meeting.

In compliance with the provisions of the "UniCredit - Corporate Bodies and Committees Regulation", during 2019, the Chairman of the Board of Statutory Auditors, attended all meetings of the Internal Control & Risks Committee, as a permanent guest; the entire Board of Statutory Auditors also attended these Committee meetings, when issues of common interest were discussed (annual and half-yearly financial reports and accounting issues related to the new business Plan Team 23). In the second half of 2019, the Chairman of the Board of Statutory Auditors, also attended the meetings of the Related Parties Committee; almost all members of the Board of Statutory Auditors attended one meeting of the Committee.

## 2. Group activities development operations and other corporate transactions

The Board of Statutory Auditors, besides attending the meetings in which the Board of Directors carried out the ongoing monitoring of the execution of the **2016-2019 Strategic Plan "Transform 2019"** (the "Transform 2019 Plan") completed its analysis aimed at examining the implementation of the main actions contemplated in the Transform 2019 Plan, and carried out specific in-depth analysis with the Top Management within the respective remits, regarding the implementation of the five pillars of the Plan itself:

- Transforming the operating model;
- Maximizing the commercial bank value;
- Strengthening and optimizing the capital;
- Improving asset quality;
- Adopting a Group Corporate Center that is streamlined yet with directional powers strongly oriented towards coordinating the business.

# Board of Statutory Auditors' Report

The implementation of Transform 2019 was fully in line with expectations. In particular, as at 31 December 2019, the Group shows a strong capital position with the CET1 (Common Equity Tier 1 Capital) ratio equal to 13.09%, including the effect from the proposed share buyback (i.e. 13.22% excluding it), compared to the 10.4% prior to the beginning of the Transform 2019 Plan.

Since the end of 2019 the SREP (Supervisory Review and Evaluation Process) Pillar 2 Capital Requirement (P2R) has lowered by 25 basis points to 175 basis points, based on the SREP letter issued by ECB (European Central Bank) on 2 December 2019.

In terms of improving asset quality, in 2019 the proactive risk reduction measures have continued, leading the Non-Performing Exposure (NPE) ratio to 5.04% at the end of December, in comparison to the 7.72% of the end of 2018, with a coverage ratio increased to 65.24%, compared to 60.96% of the end of 2018 (restated values, as indicated in the financial statements report).

The consolidated report on operations also includes the sale initiatives of non-performing loans portfolio, aimed at reducing the Non-Performing Exposure (NPE) and Non Core asset.

With regard to the **transactions and initiatives involving shareholdings**, described in the financial statements report, please note the following:

## **Reduction of UniCredit stake in Yapi Kredi Bank below 32%**

At the end of November 2019 UniCredit and Koç Group entered into a set of agreements related to certain shares transfers (as better described below) and to the termination of the existing shareholders agreement related to Koç Finansal Hizmetleri A.S. ("KFS"), the Turkish joint venture vehicle through which Koç Group and UniCredit have run a commercial banking operation in Turkey since 2002.

Specifically, as reported in the financial statements report ("Subsequent events") the agreements signed meant that when the transaction was concluded on 5 February 2020, the following were completed: (i) the disposal of the entire UniCredit's 50% stake in "KFS" to the Koç Group, (ii) the disposal of shares of Yapi ve Kredi Bankasi A.Ş. ("Yapi Kredi") by KFS to UniCredit S.p.A. and Koç Holding A.Ş., as a result of which UniCredit S.p.A. became a direct shareholder of Yapi Kredi with a stake equal to 31.93% of the share capital, and (iii) the termination of the shareholders agreement related to KFS.

On the same date, UniCredit S.p.A. completed the Accelerated BookBuilding offering for the disposal to institutional investors of the 11.93% of the share capital of Yapi Kredi; following such transaction UniCredit S.p.A. holds a direct stake in Yapi Kredi equal to 20% of the share capital, which is accounted among the participations under significant influence.

## **Disposal of FinecoBank**

### *Accelerated bookbuilding of 17% of FinecoBank and exit from UniCredit group*

On 7 May 2019, UniCredit S.p.A. announced the launch of a placement of ordinary shares in FinecoBank S.p.A. representing 17% of the issued share capital, compared to 35.3% held on the same date. On 8 May 2019 the successful completion of the transaction has been announced following the placement to institutional investors of No.103.5 million of ordinary shares at a price of €9.80 per share. The price represented a discount of 4.4% to the last pre-announcement closing price of FinecoBank S.p.A. Gross proceeds in favour of UniCredit S.p.A. amounted to €1,014 million.

Before the abovementioned announcement, on the same day, UniCredit S.p.A. and FinecoBank S.p.A. announced a series of actions and procedures aimed at ensuring FinecoBank S.p.A. ability to operate independently in case of exit from the UniCredit group. In this context, the parties have entered into a framework agreement concerning, inter alia:

- financial guarantee contract granted by UniCredit S.p.A. in favour of FinecoBank S.p.A. in order to neutralise the credit risk exposure of FinecoBank S.p.A. against UniCredit S.p.A.;
- a contract that allows FinecoBank S.p.A. to use, free of charge, certain names and trademarks containing the term "Fineco", owned by UniCredit S.p.A., together with the provision of an American option in favour of FinecoBank S.p.A. for the acquisition of the brand;
- a Master Service Agreement for the supply of certain services for a specific period of time by UniCredit group in favour of FinecoBank S.p.A.

Following the completion of the placement's settlement, on 10 May 2019 UniCredit S.p.A. informed that FinecoBank S.p.A. was no longer part of the Group.

### *Accelerated bookbuilding of UniCredit's residual stake in FinecoBank*

On 8 July 2019, UniCredit S.p.A. announced the launch of a placement of the residual stake held in FinecoBank S.p.A., equal to 18.3% of the issued share capital, that lead to the placement to institutional investors of No.111.6 million of ordinary shares at a price of €9.85 per share. The price represented a discount of 4.4% to the last pre-announcement closing price of FinecoBank S.p.A. Gross proceeds in favour of UniCredit S.p.A. amounted to €1,099 million.

## Board of Statutory Auditors' Report

### *Exercise of the option for the purchase of the brand "Fineco" by FinecoBank*

By exercising the option provided by the contract stipulated with UniCredit S.p.A., in November 2019 FinecoBank S.p.A. purchased the brand "Fineco" at the price of €22.5 million. The change of ownership at the relevant trademark offices, where the brand "Fineco" is registered, is in progress.

### **Accelerated bookbuilding of 8.4% of Mediobanca**

On 6 November 2019, UniCredit S.p.A. announced the launch of a placement of its total stake held in Mediobanca - Banca di Credito Finanziario S.p.A., for an amount equal to 8.4% of the issued share capital. On the same day, the successful completion of the transaction has been announced, following the placement to institutional investors of No.74.5 million of ordinary shares at a price of €10.53 per share. The price represented a discount of 2.3% to the last pre-announcement closing price of Mediobanca. Gross proceeds of the placement amounted to €785 million.

### **Disposal of Ocean Breeze, German offshore wind farm**

In December 2019, UniCredit S.p.A. sold Ocean Breeze Energy GmbH & Co. KG ("Ocean Breeze"), held through UniCredit Bank AG, to Macquarie Infrastructure and Real Assets Ocean Breeze is the owner and operator of the 400MW offshore wind farm BARD Offshore 1, the first operative offshore wind farm in the German North Sea.

### **Foundation of UniCredit Leased Asset Management S.p.A.**

Within the goal of accelerating the rundown of the Non Core portfolio by 2021, in April 2019 UniCredit Leased Asset Management S.p.A., a company entirely owned by UniCredit Leasing S.p.A., was set up to optimise the property management returned to UniCredit Leasing and preserve the value of the real estate guarantees underlying loans to Group customers, through auction activity intervention, in order to allow a better valuation and a more efficient placement of the property on the market.

The new company, whose target is on real estate assets from business activities, became operative after the spin-off of the Leased Asset Management branch division and the previously repossessed property of UniCredit Leasing.

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

In February 2019 UniCredit approved the reorganisation project of the activities carried out by its subsidiary UniCredit Services S.C.p.A. through the transfer to UniCredit S.p.A. of the Italian activities related to "operations" and "real estate" business today carried out by UniCredit Services in Italy for the benefit of Italian customers.

The transfer of the activities is expected to generate benefits in terms of synergies and simplification of procedures and/or complexities reduction and governance enhancement, also through a clearer accountability and budgeting process.

The reorganisation project, which obtained the European Central Bank authorisation in April 2019, took place through a partial non-proportional and asymmetric demerger of UniCredit Services in favor of UniCredit; in July 2019 the aforementioned demerger was approved by the extraordinary shareholders' meeting of UniCredit Services and by the Board of Directors of UniCredit, according to the provisions of Article 2505-bis of the Italian Civil Code; the project was completed on September 1st, 2019.

In relation to the aforementioned transactions, the Board of Statutory Auditors has examined the strategic reasons, rationales, economic effects and accounting profiles, with the relevant Functions, and based on the information available, it can reasonably confirm that the transactions themselves comply with the law and the Bank's Articles of Association and are not manifestly imprudent, risky, contrary to the resolutions of the Shareholders' Meeting, or such as to compromise the integrity of the corporate assets.

## 3. Other information on Group activities

### **Team 23 - UniCredit 2020-2023 Strategic Plan**

The new Strategic Plan Team 23, (hereinafter also referred to as the "Team 23 Plan", "The Plan"), approved by the UniCredit S.p.A. Board of Directors on 2 December 2019, and subsequently presented to the financial community, is based on four pillars:

1. Grow and strengthen client franchise. Examples of initiatives underway include: (i) building on UniCredit's position as the "go-to" bank for European SMEs, thanks to local presence in its markets, a single group-wide service model across the Group's unique pan European network, and the full range of corporate products and services delivered by a fully plugged-in CIB; ii) redesigning the product and service offering for individuals through enhancements to the service and distribution models, including a continued migration of transactions towards direct channels; iii) fully exploiting the CEE leadership position and economic potential with a strengthened commercial strategy, driven by a clear customer focus and leveraging on the enhanced digital processes and international franchise; iv) delivering the fully plugged-in CIB's complete product offering to all customers across the Group's pan European network including SMEs, Corporates, Private Banking, Wealth Management and Financial Institutions.
2. Transform and maximise productivity. Through this continuous transformation and simplification of processes, the Group will achieve three key objectives: i) enhanced customer experience; ii) improved productivity across the value chain; iii) reduced operational risks.

## Board of Statutory Auditors' Report

3. Disciplined risk management & controls. A strict focus on credit risk and asset quality remains a strategic goal of Team 23. The Group will maintain its discipline in origination, targeting the best rated clients. The monitoring and management of credit risk will be further strengthened through the use of new technologies and data sources. Automatic risk approval will be used for selected segments and products using enhanced data analytics during the pre-evaluation phase. The bank will continue to manage NPEs proactively to optimise value and capital.
4. Capital and balance sheet management. The initiatives cover the commitment to deliver enhanced capital returns for investors through a combination of capital distribution (dividends, share buybacks) as well as by growing tangible equity, including (i) proactive capital allocation, (ii) gradual alignment of domestic sovereign bond portfolios and evolution of Group structure. When presenting the Team 23 Plan, the Management explained that, in order to optimise its MREL (Minimum Requirement for own funds and Eligible Liabilities) requirement in the medium term, UniCredit will continue working on a project to create a subholding, based in Italy but not listed, for UniCredit Bank AG, UniCredit Bank Austria AG and the legal entities of the CEE banks, where UniCredit S.p.A. would remain the operating holding, and the resolution strategy would remain Single Point of Entry, which is the basis for the multi-year funding plan. At present, no decisions have been submitted to the Board of Directors in relation to the aforementioned project. The Board of Statutory Auditors has requested to be updated on any developments, with particular reference to the profiles associated to the new corporate structure and governance.

### 4. Atypical or unusual transactions

The financial statements, the information received during the meetings of the Board of Directors and the information received from the Chairman and the CEO, the Management, the Head of Internal Audit, the direct subsidiaries' Boards of Statutory Auditors, and the External Auditor revealed no atypical or unusual transactions, carried out with third parties, related parties or intragroup.

### 5. Related-party transactions

#### **Global Policy "Transactions with related parties, associated persons and Corporate Officers ex Art.136 CBA"**

The Board of Directors, by resolution dated February 6th, 2019, after consulting the Related Parties Committee and the Board of Statutory Auditors, approved the updated version of the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex Art.136 CBA" for the management of transactions with parties in conflict of interest, pursuant to Consob Regulation 17221/2010, Banca d'Italia Circular 285/2013 and Art.136 of Italian Legislative Decree 385/1993.

The aforementioned Global Policy foresees the definition of the periodic changes to Global Policy itself, within the first quarter following the end of the calendar year, taking into account, inter alia, the effectiveness shown by the same in practice and any changes in the reference regulations. However, in view of the forthcoming review by CONSOB of the "Regulation on related-party transactions", following the consultation started by the Supervisory Authority on 31 October 2019, the review has therefore been postponed after the publication of the CONSOB Regulations, in order to take into account the impact that the new regulations will have on internal procedures.

The financial statements report contains information relating to related-party transactions, together with the related certifications (pursuant to Art.5 of the Consob Regulation No.17221/2010 containing the provisions on related-party transactions adopted by resolution No.17221/2010 and subsequent amendments ruled "Public information on related-party transactions"). In particular, it should be noted that:

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

### 6. Oversight of the external audit activity

Directive 2014/56/EU Art.28 amended Directive 2006/43/EC concerning external audit and was transposed in Italy with Legislative Decree No.135/2016, which updated Italian Legislative Decree No.39/2010. Regulation (EU) 537/2014 of 16 April 2014, Art.10 (hereafter also the "Regulation") defines the specific requirements of the audit report for public interest entities.

The Financial Statements of UniCredit S.p.A., of the Company and the Consolidated Financial Statements as at 31 December 2019, are audited by the External Auditors Deloitte & Touche S.p.A. pursuant to Legislative Decree No.39 of 27 January 2010, and in execution of the Shareholders' resolution of 11 May 2012. The financial statements of the other Group companies are audited by Deloitte & Touche S.p.A. itself, or by other companies in the Deloitte & Touche network.

Pursuant to Art.19 of Italian Legislative Decree No.135/2016, during the course of 2019 and up to the date of this Report to the Shareholders, the Board of Statutory Auditors carried out an in-depth monitoring process during all the activity carried out by the External Auditors.



## Board of Statutory Auditors' Report

The BoSA scheduled a series of specific meetings during the various phases of the audit, during which it examined, inter alia:

- the 2019 Transparency Report (independent auditing policies and procedures and internal quality control system (practice review);
- the resources and hours budgeted for the 2019 external audit;
- the scope of work, materiality and significant risks 2019;
- the 2019 Audit Plan;
- the 2019 Group Audit timetable.

The Board of Statutory Auditors analysed the methodology adopted by the External Auditors and acquired the necessary information during the task, with constant interaction on the audit approach used for the various significant areas of the financial statements, sharing the issues related to corporate risks, as well as receiving updates on the progress of the audit and on the main aspects examined by the External Auditors.

In November 2019, the Board of Statutory Auditors met in two separate sessions with the **Partners of the Deloitte network** in charge of the audits of UniCredit Bank AG, UniCredit Bank Austria AG, AO UniCredit Bank and of the Companies belonging to CEE (Central Eastern Europe), as well as Cordusio SIM, Cordusio Fiduciaria, UniCredit Factoring, UniCredit Leasing S.p.A., UniCredit Services S.C.p.A., for the usual annual update on the scenario developments in the various countries and on the main results of the respective audit activities.

The Board of Statutory Auditors reviewed the following reports of the External Auditors Deloitte & Touche S.p.A., whose activity supplements the general framework of the control Functions required by the regulations in regard to financial information process:

- the auditing reports issued on 10 March 2020, pursuant to Art.14 of Italian Legislative Decree 39/2010 and Art.10 of Regulation (EU) No.537/2014;
- the supplemental report issued on 10 March 2020, pursuant to article 11 of the aforementioned Regulation, to the Board of Statutory Auditors in its capacity as internal control and auditing committee;
- the annual confirmation of independence, issued on 10 March 2020, pursuant to Art.6 par.2) subpar.a) of the Regulation and pursuant to paragraph 17 of ISA Italia 260.

The aforementioned reports on the audit of the Company financial statements and the consolidated financial statements of the Group highlight that they both provide a truthful and correct representation of the equity and financial situation of UniCredit S.p.A. and of the UniCredit group at 31 December 2019, of the economic performance and cash flow for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of Art.9 of Italian Legislative Decree No.38/05 and of Art.43 of Italian Legislative Decree No.136/15.

Furthermore, in the opinion of the External Auditors, the Management Report and some specific information contained in the Report on Corporate Governance and Ownership Structure indicated in Art.123-bis, paragraph 4, of Italian Legislative Decree No.58/98 (TUF) are consistent with the financial statements of UniCredit S.p.A. and with the consolidated financial statements of the UniCredit group at 31 December 2019, and are prepared in accordance with the law. With reference to the possible identification of significant errors in the Management Report (Article 14, paragraph 2, subpar.e) of Italian Legislative Decree No.39/2010), the External Auditors declared that there was nothing to report.

The reports on the auditing of the financial statements and the consolidated financial statements show the **key matters** that, according to the professional opinion of the External Auditors, were more significant in the accounting audit of the Company and consolidated financial statements for the year under review [ISA (Italy) 701]:

- the change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40);
- the risk of uncorrected classification and valuation of performing customers loans;
- the risk of uncorrected classification and valuation of non-performing loans (unlikely to pay and bad loans);
- Prisma Transaction: accounting derecognition of a portfolio of non-performing loans following transfer through securitisation.

With regard to the aforementioned key matters, for which the External Auditors' reports illustrate the related audit procedures adopted, the External Auditors do not express a separate opinion, as the same have been dealt within the audit, and in the assessment of the financial statements as a whole. The aforementioned key matters have been the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the External Auditors.

The Board of Statutory Auditors met regularly with the Auditing Company as required by Art.150, paragraph 3, of Italian Legislative Decree 58/1998 (TUF) for a mutual exchange of information. It informed the Board of Statutory Auditors that there were no censurable actions or facts or irregularities which would have required specific reporting under Art.155, paragraph 2, of Italian Legislative Decree 58/1998 (TUF).

In light of the foregoing, the Board of Statutory Auditors deems the process of interaction with the External Auditors to be adequate and transparent. It also believes that the improvement of the "two-way dialogue" between the External Auditors and the Bodies responsible for governance on the areas of financial statements risk and on the procedures identified to oversee them further supported the role and responsibility of the parties involved in the preparation of the financial statements and in the auditing activities.



# Board of Statutory Auditors' Report

## 7. Oversight on the independence of the External Auditors

During the 2019 financial year, pursuant to Art.19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors verified and monitored the independence of the External Auditors Deloitte & Touche S.p.A., pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and article 6 of the Regulation, in particular with regard to the adequacy of the provision of services other than auditing to the audited entity. Furthermore, as previously stated (see previous paragraph), the Board of Statutory Auditors received by Deloitte & Touche the declaration confirming its independence from UniCredit S.p.A.

Since January 2017, with regard to the correct application of EU Regulation No.537/2014, the Bank has sent operating instructions to all the companies of the UniCredit group so that they may submit each individual non-audit assignment for the assessment and approval of the Control Body of each Group company (Board of Statutory Auditors, Audit Committee or equivalent Body), and subsequently to the UniCredit S.p.A. Board of Statutory Auditors to issue its final binding opinion. The Board of Statutory Auditors also took note of the information concerning non-audit services prepared through a preventive and four-monthly flow by the competent Function. Therefore, pursuant to this process, all the companies of the UniCredit group contributed to the transmission of the data requested and required by internal regulations, in order to enable the timely monitoring of the costs of the services provided to the External Auditors and by all entities belonging to the Deloitte network.

Following the renewal of the Board of Statutory Auditors in 2019, the Control Body, together with the Bank's competent Functions, carried out a review of the existing internal regulations, Global Operational Regulation (GOR), called "Principles and rules for the management of contractual relations with the Group's External Auditors". It was issued in March 2018, and addressed to all the Group's subsidiaries, prompting specifically the introduction of wider restrictions than those foreseen by the regulations concerning the identification of the non-audit services number that can be assigned to the Group's External Auditors network. At the date of this Report, the review of the internal regulations is close to be published.

On the basis of the final data for 2019, the services provided by the Group's External Auditors amount to approximately €33,9 million, of which €5 million refer to non-audit services.

The ratio between the cost of non-audit services and the three-year average of audit services (2016-2017-2018) amounted to 31% for 2019, at consolidated level, lower than the 70% limit established by internal regulations and applicable external regulations ("fee cap"). On the other hand, with regard to the non-audit services planning for 2020, the Deloitte network will be assigned services with a value of approximately €7.5 million, with a forecast fee cap of 35% at consolidated level.

With reference to the information concerning the Parent company, provided in the statement relating to the "Publication of the remuneration - UniCredit S.p.A. - 2019 financial year - Deloitte network", the Board of Statutory Auditors notes that, compared to the previous year, the costs of the services assigned to the External Auditors increased, net of inflation, by €250,000 in consideration of the supplemental fees requested by the External Auditors following the change in the valuation criteria of tangible assets held both for business and investment purposes, while the costs of certification services, amounting to €2,318,000 increased compared to the previous year by 16%. The costs of non-audit services, amounting to €994,000 increased compared to the previous year by 18%.

At the Group level, the costs of non-audit services assigned to the External Auditors decreased by 8% compared to 2018.

## 8. Oversight of the financial information process

For the purposes of overseeing the financial reporting processes, the Board of Statutory Auditors, in addition to the aforementioned in-depth analysis carried out with the External Auditors, which did not reveal significant critical issues of the internal control system concerning the financial reporting process, carried out the planned and periodic meetings with the Manager in charge of preparing the Financial Statements and the competent Accounting and Group Risk Management structures.

The administrative and accounting procedures for drafting the Company and consolidated financial statements and all other financial information were set up under the responsibility of the Manager in charge of preparing the Financial Statements who, together with the CEO, attests that they are adequate and actually applied.

During the above mentioned periodic meetings, the Manager in charge of preparing the Financial Statements did not report any significant shortcomings in the operating and control processes that could undermine the adequacy and actual application of the administrative and accounting procedures, in order to correctly represent the economic, asset and financial aspects of the accounting events in compliance with international accounting standards.

The Manager in charge of preparing the Financial Statements and the Chief Executive Officer signed the statements relating to the individual and consolidated financial statements at 31 December 2019, pursuant to Art.81-ter of the Issuer Regulation, approved by Consob with Resolution 11971/1999 as amended and supplemented.

The Board of Statutory Auditors took note of the updates that have occurred in the internal regulations concerning the internal control system applicable to Financial Reporting and the Manual on Group accounting rules and principles, most recently approved by the Board of Directors at its meeting of 5 March 2020.

## Board of Statutory Auditors' Report

The Board of Statutory Auditors also therefore acknowledged the **"Report on the status of the internal control system on the Financial Reporting - Management Report"** with regard to the certification campaign pursuant to the Law 262/05 of the consolidated and individual financial statements at 31 December 2019, issued on 5 February 2020.

In light of the information received and of the analyses carried out, as also described below, the Board of Statutory Auditors deems the overall administrative accounting system to be adequate in regards to the current regulations.

Compared to a total of 482 companies wholly consolidated, on the basis of the criteria defined in the aforementioned internal regulations, and 47 companies consolidated using the equity method as at 31 December 2019, the companies subject to certification for the 262 campaign amount to 61 and cover 98.1% of the Group Total Aggregated Assets ("GTAA").

The certification campaign as at 31 December 2019, which for UniCredit S.p.A. involved No.477 processes that undergo No.2.003 checks, and No.2,180 processes relating to the other Group companies on which there were a total of No.7,484 checks, ended with the issuance of all the so-called "internal certifications" to the Manager in charge of preparing the Financial Statements of UniCredit S.p.A. by the counterparties of the relevant companies subjected to the campaign.

With reference to the points of attention that emerged for UniCredit S.p.A., the Board of Statutory Auditors has recommended the finalization of the implementation of the new IT platform for the management of mortgage guarantees "PRZ Revolution".

Regarding the areas of improvement identified by the certification campaign, which are mainly related to i) the existence of substantial manual procedures that characterize part of the operations of Functions directly involved in the preparation of Company and consolidated financial statements/reports, ii) the supply of automated reports/procedures to improve the production and control activities carried out manually, (iii) identification of structures, owner of controls in some areas of activity, the BoSA will continue to monitor the complete addressing of the related remedial actions (Group Remediation Plan), in order to gradually reduce the use of compensatory actions, which are often manual and operationally burdensome, and which can increase the related operational risk.

The Board of Statutory Auditors has taken note of the procedures carried out by the External Auditors requested by the Bank ("Agreed upon procedures") as suggested by the Board of Statutory Auditors, regarding the production of the disclosure made with reference to 31 December 2019, by UniCredit S.p.A. in the Information Document of the UniCredit group drawn up pursuant to Regulation (EU) No.575/2013 ("Pillar III"), in relation to: (i) the processes and their first and second-level controls for: (a) the determination of the Own Funds and Banking Regulatory Ratios; (b) the determination of Risk Weighted Assets; (c) the production of the disclosure made in Pillar III; (ii) verifying the composition, the correct determination and the arithmetic correctness of certain information provided in Pillar III; (iii) the trend and consistency analysis of the Own Funds, Banking Regulatory Ratios and Risk Weighted Assets.

The Board of Statutory Auditors believes that the above-described activity makes it possible to consider the internal regulatory framework adequate and updated, the design of the procedures and the control processes implemented sufficiently formalized and comprehensible, and the planned control activities (both first and second level) actually implemented and effective. It also contributes to the growth of the internal culture regarding the analysis of the phenomena underlying the formation of the Own Funds, as well as an ever greater transparency towards the markets.

With regard to the activities related to the strengthening of the governance of data and information (**Data Quality**), as well as the strongest safeguards serving the decision-making and risk-control processes, a topic on which the Board of Statutory Auditors has always paid significant attention over time, during 2019 updates have been carried out with the relevant Functions for the start of a new multi-year strategic initiative called Umbrella Program, led by the GRM, CFO and COO Functions, with the aim of data quality/architecture/aggregation/reporting initiatives, in order to increase the accuracy of the Group's data and the relative flexibility in data aggregation, in order to be able to deal with new or ad hoc regulatory requirements, also in the context of scenarios characterized by stress, also taking into account the Supervisory Review and Evaluation Process (SREP) recommendations of the Supervisor.

The Umbrella Program was presented to ECB's Joint Supervisor Team ("JST") during the year.

Keeping in mind the overall capacity to produce reporting quickly and comprehensively, the Board of Statutory Auditors considers it important, as per the approach adopted by the Bank, that each architectural investment aimed at strengthening the data aggregation capacity or speed is included in the Umbrella Program in order to synergistically harmonize the strengthening initiatives and the projects that involve data quality. In addition, the Board of Statutory Auditors highlighted the importance of accurate program governance and related accountability, as well as adequate structuring in terms of assigned resources, receiving assurances in this regard. The Board of Statutory Auditors will therefore continue to monitor the planned releases with a strong focus on the identified benefits (increase in the accuracy, flexibility and adaptability of the data).

### **Change in the evaluation criterion of the Group's real estate portfolio**

As detailed in the financial statements report, the UniCredit group, also following the several business combinations, holds a significant real estate portfolio including land and buildings (4,250 items) whose book value as at 30 June 2019 amounted to €5,199 million of which €3,055 million for assets used in business (IAS16) and €2,144 million for assets held for investment (IAS40).

## Board of Statutory Auditors' Report

In the last years, and following a constantly changing market scenario, the Group has launched a series of initiatives to enhance such this real estate assets through actions which constitute now an integral part of those contained in the Team 23 Plan.

With reference to the properties used in business, these initiatives are aimed at a continuous enhancement of these properties through an "active management" of the portfolio even beyond the time horizon of Team 23 Plan, according to a corporate strategy mainly oriented to typical commercial banking activities, including also the possibility of disposal in case of suitable conditions. These initiatives are influenced by the strategic choices included in the Plan, e.g.:

- flexible working;
- rationalisation of the spaces of the headquarters structures present in the major cities, to be carried out through the progressive merging into management centers with shared workstations;
- digitalisation and progressive focus on remote marketing channels;
- further transformation of the "physical" branches;
- rationalisation of labor costs also connected to the automation of business processes which lead to a progressive reduction of the occupied areas and the subsequent sale of the vacated spaces.

With reference to properties held for investment, a gradual disposal of the properties in the portfolio is expected by 2025.

Based on the above, in order to correctly reflect the effects of these initiatives in the financial statements, for the purposes of preparing the financial statements at 31 December 2019, the Group has decided to change, compared to the financial statements of previous year, the evaluation criterion of the Group's real estate portfolio, in particular:

- for the properties used in business (ruled by IAS16 "Property, plant and machinery") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition;
- for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

This decision was made by the UniCredit S.p.A. Board of Directors on the Management's proposal during the meeting held on 2 December 2019. The Board of Statutory Auditors, together with the relevant Functions structures and the External Auditors, carefully examined the change in the valuation criteria in question and the related impacts, including the effects in the CET1 (+58pb), considering the approach taken by the Bank compliant with the accounting standards, specifically consistent with the new Team 23 Plan and the managerial strategies adopted. The related disclosure in the financial statements appears adequate.

The Board of Statutory Auditors also focused on the possible volatility risk as well as on the increase in the so-called real estate risk, resulting from the change in the valuation criterion of properties at current values, noting the sensitivity analysis carried out with regard to the increase/decrease in the values of the real estate markets. Furthermore, on the basis of the CRR (EU Capital Requirements Regulation) provisions on the subject, it recommended, to the attention of the Management, the requirements, control systems, risk analysis and measurement, organizational structures, documentation and specific models necessary, with reference to the situation in question.

### **Deferred Tax Assets for the carry-forward of unused tax losses - DTA TLCF**

The Bank has updated the calculation method applied to the sustainability test of deferred tax assets from tax losses carried forward with reference to the perimeter of the Italian tax consolidation, of which detailed information is provided in the financial statements report.

As explained, starting from financial year 2019, the sustainability test for both IRES and IRAP has been developed on a 10 years-time length (from 2020 to 2029) lengthening the forecast interval compared to the 5-year period used in previous years, since it is considered more appropriate based on the following considerations:

- the implementation of 2019 Transform Plan, completed in line with expectations, through which UniCredit has demonstrated its forward-looking ability, also confirming the underlying assumption of the sustainability of positive long-term results,
- the approval of new Team 23 Plan, which including, among others, non-recurring elements such as the updating of the rundown strategy of the Non Core portfolio by 2021, as well as the completion of the operational reorganization (including extraordinary operations already carried out or planned in the plan horizon), allows to assume the stability of future operating results, and the definition of a context of greater reliability of forecasts.

The lengthening of the time period also includes periods subsequent to the official forecasts contained in the Strategic Plan Team 23 (MYP), that is, beyond the period 2020-2023. Therefore in order to mitigate the effects of the uncertainty inherent the adoption of an approach based also on estimates beyond the plan horizon, it has been adopted a model incorporating a probabilistic component, in particular, in line with ESMA recommendation issued on 15 July 2019, the new sustainability test for the determination of future taxable incomes envisages:

- a deterministic approach for the years for which official projections are available (i.e. the period 2020-2023);
- a statistical approach for the years beyond official projections (2024-2029); this approach is based on the statistical generation of multiple scenarios that lead to generating projections of future taxable income in the test time horizon. As far as possible, objective criteria and realistic assumptions have been adopted to define the values of this projection, such as: (i) long-term annual growth rate set at 2%, which incorporates an assumption of growth at 0% in real terms, as 2% represents the target rate of price stability; (ii) nominal future growth rate with 4% cap applied to pre-tax profit for projections beyond the deterministic period, which leads to consistency with the long-term annual growth rate of 2%.

## Board of Statutory Auditors' Report

Furthermore, in line with IAS12, as well as taking into consideration the ESMA document No.20167410, a confidence interval has been selected which reflects a probability greater than 50% in relation to the expected tax incomes.

The Board of Statutory Auditors took note of the rationale underlying the aforementioned update, carrying out several in-depth analyses with the competent structures and the External Auditors, and has deemed the approach adopted by the Bank to be in compliance with the accounting principles, consistent with the new Team 23 Plan, as well as the managerial strategies adopted, and adequate the related disclosure in the financial statements; lastly, it recommended that Management should pay constant attention to measuring compliance with the Team 23 Plan, and the consequent effectiveness of the assumptions made in the detection of the DTA TL CF.

The Board of Statutory Auditors has noted the results of the analyses carried out with regard to the **impairment** of intangible assets. Specifically, as at 31 December 2019, UniCredit Services S.C.p.A. and its subsidiary UniCredit Services GmbH booked write-downs an overall amount of €195 million on intangible assets, referred: (i) for €187 million to intangible assets produced internally; (ii) for €8 million to the review of the useful life of some assets.

With the Team 23 Plan approval and the new ICT strategies, UniCredit Services S.C.p.A. and its subsidiary assessed the existence of a significant impact on landscape of banking business applications, as well as and on ICT Platforms technology. Consequently, the companies executed an extraordinary impairment test campaign on self-created software, in order to verify the existence of benefits associated to the assets in production from some years; as a result, the afore mentioned write-backs were recognised, especially with reference to projects started before 2016 and ICT applications and platforms which turned into obsolescence.

The financial statement report contains detailed information on any liabilities and costs that may arise from **pending legal proceedings**.

The Board of Statutory Auditors, together with the relevant Functions of the Bank, has examined in detail the methodology and process adopted in the analysis of litigation, and in the analysis and assessment of **provisions for risks and charges**, and has requested to be periodically and promptly updated on the evolution of the main situations.

In particular, the financial statements report provide information on developments in the investigations started by the US authorities, on the compliance with the regulations on the **financial sanctions imposed by U.S. laws**, by UCB AG, UCB Austria and UniCredit S.p.A.

The parent company UniCredit S.p.A., and the other Companies have each cooperated extensively with the U.S. and New York authorities, including conducting their own voluntary investigation of their U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices were identified. Even before the conclusion of these investigations, the Group initiated substantial and substantive remediation activities relating to policies and procedures, which are ongoing. On 15 April 2019, the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG reached a resolution with the U.S. and New York authorities regarding these investigations. As part of such resolution, the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG entities have paid penalties totalling approximately \$1.3 billion and have agreed to implement certain remedial policies and procedures. The amount paid by the respective entities was entirely covered by their provisions, and the final penalty amount has not had a material impact on UniCredit group. No further enforcement actions are expected relating to the subject of the resolved investigation. As part of the settlements with the U.S. and New York authorities (DANY, OFAC, DOJ, DFS and Fed), UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG made certain commitments to implement remedial compliance controls and conduct risk assessments relating to UniCredit group's global business lines, to provide periodic reports and certifications concerning the implementation and effectiveness of the group's compliance program to the U.S. and New York authorities, and to engage an independent external party to conduct an annual review of the effectiveness of the group's compliance program whose findings will be shared with the U.S. and New York authorities.

The Notes to the consolidated accounts also update on the proceedings relating to:

- **Squeeze-Out** of UCB AG and UCB Austria's former minority shareholders (Appraisal Proceeding). In 2008, approximately 300 former minority shareholders of UCB AG filed a request before the District Court of Munich to have a review of the price paid to them by the parent company UniCredit S.p.A., equal to €38.26 per share, in the context of the squeeze out of minority shareholders (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the price to be paid to the former minority shareholders. At present the proceeding is pending in the first instance. With reference to UCB Austria, 2008, approximately 70 former minority shareholders of 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). At present the proceeding is pending in the first instance.
- **Euro-denominated bonds issued by EU Countries**. On 31 January 2019, the parent company UniCredit S.p.A. and UCB AG received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extends to certain periods from 2007 to 2012, and includes alleged activities by UCB AG in a part of this period. The "Statement of Objections" does not prejudice the outcome of the proceeding; should the European Commission conclude that there is sufficient evidence of an infringement, a decision prohibiting the conduct and imposing a fine could be adopted, with any fine subject to a statutory maximum of 10% of the company's annual worldwide turnover. The parent company UniCredit S.p.A. and UCB AG had access to the entirety of the European Commission's file on the investigation from 15 February 2019, onwards. As a result of the assessment of the files, the parent company UniCredit S.p.A. and UCB AG regard it no longer remote but possible, even though not likely, that a cash outflow might be required to fulfil a potential fine arising from the outcome of the investigation. On the basis of the current

## Board of Statutory Auditors' Report

information, it is not possible to estimate reliably the amount of any potential fine at the present date. The parent company UniCredit S.p.A. and UCB AG have responded to the raised objections on 29 April 2019, and participated in a hearing before the European Commission on 22-24 October 2019. Proceedings are ongoing. There is no legal deadline for the European Commission to complete antitrust inquiries.

On 11 June 2019, UCB and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. The third amended class action complaint does not include a quantification of damages claimed. The proceedings are in their inception. "Motions to dismiss", a procedural device contemplated by the United States Federal Rules of Civil Procedure which provides defendants with an opportunity to challenge the legal sufficiency of a complaint and present arguments that the complaint should be dismissed, will likely be fully briefed before the end of the second quarter of 2020 and will likely include the argument that the complaint fails to state a claim.

In the financial statements report, the Directors inform about the proceedings related to certain forms of banking transactions with customers that do not specifically concern the UniCredit group, but involve the financial system as a whole.

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 early years 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 2019, the number of claims for refunds/compensation for compound interest did not show particular variations compared to 2018. At present, UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.

With regard to the litigation connected to **derivative products**, the Directors report that several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, the parent company UniCredit S.p.A. and the involved Group companies have made provisions deemed appropriate based on the best estimate of the impact which might derive from such proceedings.

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 the possibility that the principal and associated interest payments related to the loan redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates.

In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against subsidiaries of the parent company UniCredit S.p.A. in a number of CEE countries including Croatia, Slovenia and Serbia.

In 2019 the Supreme Court in Croatia confirmed that the Swiss franc (CHF) currency clause was invalid. In the course of 2019, court decisions, recent court practice related to FX matter along with the expiration of the statute of limitation for filing individual lawsuits in respect to invalidity of the interest rate clause, led to a significant increase in number of new lawsuits against Zagrebačka Banka ("Zaba"). There are several court decisions pending before the Croatian courts which may have an adverse impact. Provisions have been booked which are deemed appropriate.

Within the diversification of investments to which the available assets are addressed and also considering in this context those investments with the characteristics of the so-called "safe haven" with a long-term horizon, several UniCredit S.p.A.'s customers have historically invested in **diamonds** through a specialised intermediary company, with which the Bank has stipulated, since 1998, a collaboration agreement as "Introducer", in order to regulate the "reporting" methods of the offer of diamonds by the same company to UniCredit customers.

As reported in the financial statement report, since the end of 2016, the liquidity available on the market to meet the requests of customers who intended to divest their diamond assets has contracted to a certain extent until it became nil, with the suspension of the service by the brokerage company.

Already starting from 2017 UniCredit S.p.A. started a "customer care" initiative which envisaged the availability of the Bank to intervene for the acknowledgement towards the customer of the original cost incurred for the purchase of precious items and the consequent withdrawal of the stones, upon certain conditions.



## Board of Statutory Auditors' Report

The initiative has been adopted assessing the absence of responsibility for its role as "Introducer"; nevertheless, the AGCM (Italian Competition and Market Authority) ascertained UniCredit's responsibility for unfair commercial practice (confirmed in appeal by the Administrative Regional Court in the second half of 2018), imposing, in 2017, a fine of €4 million paid in the same year. UniCredit has filed an appeal against this decision to the Council of State and the proceedings are pending.

On 8 March 2018, a specific communication was issued from Banca d'Italia concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies.

As at 31 December 2019, UniCredit S.p.A.:

- received reimbursement requests for a total amount of about €387 million (cost originally incurred by the Clients) from No.11,313 Customers; according to a preliminary analysis, such requests fulfill the requirements envisaged by the "customer care" initiative; the finalisation of the reimbursement requests is currently carried out, aimed at assessing their effective compliance with the "customer care" initiative, and then proceed with the settlement where conditions recur;
- with reference to the scope outlined in the previous point (€387million), reimbursed No.6,942 customers for about €257 million (equivalent value of original purchases), equal to about 66% of the reimbursement requests said above.

In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Risk and Charges Fund was set up; its quantification was also based on the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value.

Finally, the gems purchased are recognised for about €69 million in item "130. Other assets" of the balance sheet.

On 19 February 2019, the judge in charge of the preliminary investigation at the Court of Milan issued an interim seizure directed to UniCredit and other financial institutions aimed at: (i) direct confiscation of the amount of €33 million against UniCredit for the offence of aggravated fraud and (ii) indirect as well as direct confiscation of the amount of €72 thousand for the offence of self-laundering against UniCredit, assuming the administrative liability of UniCredit S.p.A. pursuant to Article 25 octies of Legislative Decree 231/2001 for the crime of self laundering. On 2 October 2019, the Bank received notice of the conclusion of the preliminary investigations pursuant to Article 415-bis of the Italian Criminal Code, which found that some employees and former employees of UniCredit S.p.A. were investigated for the crime of aggravated fraud and self-laundering and the Bank itself for the crime of self-laundering pursuant to Legislative Decree No.231/2001. With regard to this matter, the Board of Statutory Auditors, acting as Supervisory Body 231, has followed, and will continue to follow, the evolution of the matter in close coordination with the Functions and with the external legal advisor.

With regard to **other claims by customer**, the Compliance Function, supporting the business structures oversees the regulatory environment evolution relating to banking services and products in areas like transparency, financial and investment services and anti-usury. Compliance, as control Function, develops rules, checks processes and procedures and monitors complaints trends. The Compliance Function, along with the Legal one, also supports analysis and evaluation stages of adequacy of potential "customer care" actions or other initiatives designed to compose particular situations in which UniCredit S.p.A. might be involved in order to define them.

Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at banking system level.

Concerning the **financing of consumer credit**, the EU Directive 2008/48 establishes that "the consumer shall be entitled at any time to discharge fully or partially his obligations under a credit agreement. In such cases, he shall be entitled to a reduction in the total cost of credit, such reduction consisting of the interest and the costs for the remaining duration of the contract". Following the decision of the European Court of Justice in September 2019 (judgment C-383/18 referring to the "Lexitor" case) and the communication of the Banca d'Italia issued in December 2020, UniCredit S.p.A. proceeded to adapt to the most recent interpretation of this legislation. Therefore, in the event of a request for early repayment of the loan, the consumer is entitled to pay off his debt net of costs not yet accrued on the repayment date.

In consideration of the above, as well as the interpretations prior to the aforementioned communication of the Banca d'Italia, the Bank noted the guidelines issued by the Authority adapting to the framework outlined, and has carried out the appropriate assessments, also to preserve the quality of the customers relationship.

The Notes to the consolidated accounts also include information on the provision for tax risks for risks arising from tax disputes and risks arising from labour lawsuits.

# Board of Statutory Auditors' Report

## 9. Oversight of the adequacy of the internal control and risk management system

The internal control system in the UniCredit group is based on:

- Control bodies and functions which involve, each for their respective remits, the Board of Directors, the Internal Controls & Risks Committee (IC&RC), the Chief Executive Officer as Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the company Functions with specific duties in this regard;
- information flows and methods of coordination between the parties involved in the internal control and risk management system;
- Group Governance mechanisms.

As indicated in the **Report on Corporate Governance and Ownership Structures**, the types of control in UniCredit, in compliance with current legislation and inspired by international best practices, are structured on three levels:

- line controls (known as first-level controls), handled by the corporate Functions responsible for the business/operating activities, as well as with regard to UniCredit S.p.A., a dedicated structure (Internal Controls Italy), which supports the Co-CEO Italy as system manager of first-level operational controls, including those set forth by "special laws", with reference to the relevant structures/activities;
- controls on risks and compliance (known as second-level controls), handled by the Group Compliance and Group Risk Management Functions, each for the matters within their respective remit;
- internal audit (known as third-level controls), handled by the Internal Audit Function.

Pursuant to Circular No.285/2013 of Banca d'Italia, the Anti-Money Laundering Function and the Internal Validation Function are also included in the corporate control Functions, respectively positioned within Group Compliance and Group Risk Management.

During the period under examination, the Board of Statutory Auditors acknowledges having carried out a periodic exchange of relevant information with the aforementioned Control Functions. It also acknowledges that the aforementioned Control Functions have fulfilled the related disclosure obligations towards the BoSA.

Moreover, in order to guarantee a continuous and timely flow of information with Internal Audit, the Head of the Function has a standing invitation to the Board of Statutory Auditors meetings.

On the basis of the information acquired and included in the 2019 Report (**Integrated Audit Report**) of the Internal Audit Function, the internal control system was assessed by the same overall as "mostly satisfactory", (confirming the same assessment referred to the previous period), in light of the stable trend of audit analysis process with negative results, the reduction of the findings issued by the Supervisory Authorities, and the maintenance of a strong focus and a strict discipline on the completion of remedial actions, with reference to both audit findings and those of the Authorities.

In the period under examination, the Board of Statutory Auditors received and discussed, with the Internal Audit Department, several Audit Reports and some special investigations. In the cases of "unsatisfactory" or "partially satisfactory" audit reports, the Board of Statutory Auditors asked to be kept up-to-date about the implementation of the Remediation Plans and, where appropriate, has called upon the Managers of the concerned areas, in order to discuss the audit results and the related Remediation Plans directly.

Generally, the most important issues at Group level were Compliance - AML (Anti-money laundering) (see also "Compliance risk" below) and IT security risks, for which the Bank and the Group have taken steps, compared to previous years, to further increase its levels risk management application standards, following lessons learned related to events external to the Bank, affecting the banking and financial sector during the year, as well as the increasing interest of Supervisors on the aforementioned issues. Other issues of greater importance were the documentation relating to customer business relationships, the Parent company's coordination role with regard to smaller subsidiaries and foreign branches, Data quality/Aggregation.

The Board of Statutory Auditors has examined and formulated its own recommendations on all the aforementioned issues.

The Board of Statutory Auditors has examined in detail the underlying root causes and examined the detailed remedial plans defined and launched by Management, whose execution it will monitor, also calling the Parent company's central structures to a strong focus on steering and control, in all Group companies. In particular, the Board of Statutory Auditors has also emphasised, to the Board of Directors, the need to achieve in 2020 significant progress in the management of the issues mentioned, acknowledging the strong commitment shown by Management to this end.

With reference to the report "**Outsourcing of business activities**" prepared by the Internal Audit Function in compliance with the requirements of Banca d'Italia (Circular 285/2013), in addition to the Supervisory provisions, said report also includes the results of the audits in relation to non-relevant external outsourcers and ICT third parties (not considered outsourcers), from which no specific critical issues have emerged in relation to the Group outsourcing framework.

The new EBA Guidelines, which came into force in October 2019, were also taken into account. The overall monitoring process of RTO (Retained Organization) Functions on the quality of the service provided was effective. However, Internal Audit Function has detected some areas worthy of strengthening, with reference, for example to the monitoring of security risk, for which despite the improvements achieved, time and effort are still needed to reach the desired level of maturity.

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The results of the audit activity expressed in the “**Annual Internal Audit Report**” on the **provision of investment services** (“MiFID” Report, Art. 14 Bank d'Italia/CONSOB Joint Regulation of 29 October 2007, and CONSOB Resolution No.17297 of 28 April 2010), have confirmed an overall assessment of “mostly satisfactory” for the internal control system for 2019. The results of the audit analyses of the processes are all positive. The activities of collection, archiving and centralisation of the customer's compulsory documentation together with the actions to ensure their dematerialisation are still underway, with interventions whose completion is expected by 2020.

### **Credit, counterparty, market, operational risk management**

With regard to credit risk management, the Internal Audit assessment is confirmed as “mostly satisfactory” within the Group. In UniCredit S.p.A., improvements emerged in 2019 which led to the core credit component being considered “mostly satisfactory”; however, in UC S.p.A. the overall assessment remains “partially satisfactory” considering that: (i) some operational deficiencies have emerged (in the SME - Small Medium Enterprise segment, in credit origination, monitoring, collateral) mainly due to inadequate IT tools; the automated underwriting phase (MyCredit platform - SME Business; data quality; restructuring tool); (ii) the need to strengthen the second-level controls in the Risk Management area, against which the Internal control framework Project (2020/21) was recently started, which will specifically insist on the strengthening of controls on credit processes; (iii) some gaps identified by the Bank itself in the comparison analysis with the draft of the new EBA Guidelines on loan origination/monitoring, mainly related to governance and loan origination.

With reference to **Internal Models**, during the course of its supervisory activities, the Board of Statutory Auditors has positively noted, through the necessary updates with the relevant Functions, the progress of the actions envisaged by the “Model Roadmap 2018-2020”, specifically a positive trend mainly in the governance of the same, and in the effective implementation of the Model Road Map, also in consideration that ECB has approved the Model Changes in the Italian perimeter.

The Board of Statutory Auditors has therefore noted and appreciated the considerable commitment and discipline shown by the Management and the Functions responsible for implementing the aforementioned Model Road Map.

With regard to the credit risk (**IRB Systems**), the assessments of the Internal Validation (Internal Validation - GRM) and Internal Audit Function, agree that the IRB systems are compliant with regulatory requirements.

The Board of Statutory Auditors however noted that the assessment remains “partially satisfactory” mainly in relation to the weaknesses found in the GW (Group Wide) risk parameters models, currently in production, where mitigation actions have been implemented with dedicated MOC “Margins of conservativeness” as well as in the IT and Data Quality area.

The Board of Statutory Auditors considers it necessary, however, to bear in mind the persistence of execution risk in relation to the activities addressed by the Model Roadmap, due to the high number of applications to ECB expected in 2020, as well as the implementation of many actions foreseen by the “New Definition of Default Project”.

With regard to **counterparty, market (IMOD) and operational (AMA) risks**, the assessments of the Validation and Internal Audit Function, respectively “adequate” and “mostly satisfactory”, considered the relevant systems to be overall compliant with the regulatory provisions.

The Board of Statutory Auditors has also taken note of the “mostly satisfactory” assessment carried out by the Supervisor and the Internal Audit Function at UniCredit S.p.A., and in the main Group companies with regard to the Risk Management Functions.

On 5 March 2020, the Board of Statutory Auditors issued its favourable opinion for the certification by the Board of Directors of the existence of the requirements for using the Group's credit, counterparty, market and operational risk management, measurement and control systems.

As part of the various credit initiatives, the Board of Statutory Auditors took note of the “Semi annual update on the implementation of the strategic and operational plan to address NPEs and foreclosed assets” forwarded to the Supervisor, noting the qualitative and quantitative progress recorded for the Group NPEs (non-performing exposures).

### **Liquidity risk**

In the context of the initiatives and actions concerning the liquidity monitoring processes, the Board of Statutory Auditors welcomed the new “Global Policy - Roles and responsibilities in the context of liquidity management & control”, approved by the Board of Directors in January 2019, which implements the innovations in terms of roles and responsibilities within the liquidity framework, with a strengthening of the procedures between the different involved parties (CFO, CRO, GRM), in particular to further strengthen the steering by the Parent company and the overall framework of the first- and second-level controls, in line with the ECB Guidelines and the requests formulated in the scope of the “LCR deep dive”.

Furthermore, in December 2019, the new version of the “Global Policy Internal Liquidity Adequacy Assessment Process” was approved, with the aim of defining a dedicated escalation process between the first and second defense levels in liquidity management, in the event of disagreement in the assessments for the different liquidity areas. The Board of Statutory Auditors welcomed this update, which allows completing the action plan relating to an ECB finding which recommended strengthening the control environment in liquidity management.



## Board of Statutory Auditors' Report

### Compliance risk

The Board of Statutory Auditors took note of the **Annual Report** of the Compliance Function, which includes the assessments formulated by the Compliance Function with regard to potential compliance risks, at the Group level, with reference both to Italian companies, including UniCredit S.p.A., and to the main foreign companies.

The abovementioned report also fulfilled the requirements of Consob regulation No.20307/2018 and of Art.89 of Consob regulation No.20197/2017. Taking into account the results of the compliance risk assessment and second-level controls carried out, the activities completed in accordance with the 2019 Compliance Plan, the Compliance Function expressed a "mostly satisfactory" opinion on the management of the non-compliance risk.

As already mentioned, the continuous effort in the improvement of the Anti-Financial Crime area is ongoing. The AML (Anti-money laundering) area, as described below, remains an important point of attention and is assessed as "partially satisfactory" due to: (i) results of the Compliance Risk Assessment and second-level control Group Controls; (ii) results of the compliance quality assurance review (QAR) activities; and (iii) results of some audits and Supervisor's assessments in the AML area.

The Board of Statutory Auditors has therefore emphasised the need for a significant strengthening of first- and second-level controls in the area, as well as the related IT profiles, and has taken note of the further initiatives planned in 2020, aimed, inter alia, at (i) increasing the Group's compliance culture and especially in the business area, (ii) introducing additional mechanisms to discourage non-compliant behaviour, also with an impact on remuneration profiles, (iii) strengthening control points at local level, (iv) strengthening technical and managerial skills through initiatives to manage the resources directly involved.

The Board of Statutory Auditors has also favourably noted the actions and initiatives put in place during 2019 by the Bank, targeted for each of the 5 Pillars of the Compliance Culture Framework (support of the Top Management and Tone from the Top, Governance and processes, learning and development communication and people engagement, and performance appraisal), also expected the importance of the increasing spread of ethics in business, including: 2019 Tone from the Top Program; Compliance Ambassador Program, 2019 Compliance Day, Compliance Culture communication initiatives.

The training activities were also strengthened and further developed, constantly monitoring their level of fruition at the Group level.

The Board of Statutory Auditors considers of utmost importance that the strengthening of the risk culture is maintained and further developed, appreciating the strong commitment of the Management for such topic; it also hopes that the strong focus expressed by the Top Management with regard to the "Culture" topic, at the entire Group's level, as a key element for the Group's overall sustainability, will be constantly maintained.

The Board of Statutory Auditors was informed on the implementation of the Group Rules by the Group companies: at the end of 2019 there is some delay in their implementation, which is expected to be completed within the first months of 2020.

The Board of Statutory Auditors has taken note of the "**Report on the Overall State of Complaints received by UniCredit S.p.A.**" submitted to the Board of Directors on 5 March 2020, which highlights, compared to 2018, an increase of about 8% in written complaints received (No.38,730). Specifically, there was a significant increase in Privacy related complaints, No.1,475 complaints received in 2019 (+1.109% compared to 2018), largely determined by the communications sent to clients following a data breach regarding a file generated in 2015, and which took place in the second half of 2019, involving approximately 3 million people.

With reference to complaints accepted with refund, the highest incidences are recorded within the macro-items "Mortgages and Loans" (64%), "Other Services" (14%) and "Cards" (11%), the Board of Statutory Auditors, during its in-depth meetings with the relevant Function, requested an analysis of the recurring cases and related corrective measures undertaken by the Bank.

Reimbursements to customers increased by 138.4% vs 2018, equal to €89.4 million.

The increase in reimbursements compared to the same period of the previous year was determined exclusively by the increase in reimbursements related to complaints with regard to the Bank's role as "Introducer" in relation to the purchase of diamonds. Refunds on diamonds rose from €25.6 million in 2018 to €79.6 million in 2019.

As already mentioned in paragraph 8, with regard to the overall status of the customer care initiative launched by the Bank at the beginning of 2017, it should be noted that, as at 31 December 2019, the Bank proceeded to reimburse customers (through the purchase of diamonds) a total amount of approximately €257 million.

The Board of Statutory Auditors also received information from the relevant departments that a new "mapping" of Non Core Products offered at Group level was carried out in 2019; following these checks, the list of Non Core products at Group level was updated, and the related internal Compliance regulations "*Non Core products/services*" was issued, aimed at establishing Group rules for the approval and marketing of Non Core products, including monitoring and controls on such products. At the same time, the standard of controls to be carried out by *Compliance* on this type of products was defined.

During the year, considered the importance, the Board of Statutory Auditors continued examining the issues relating to **AML/FC** (Anti-money laundering/Financial Crime) area, requesting specific updates to the relevant Functions. Among these issues is worth mentioning the **ATLAS** Project, which involved some Group Companies, and aimed at bringing all the initiatives present in SIM, with regard to the AML area, under single governance, maintaining a close monitoring of the progress of the planned actions, whose results have been submitted to the Board of Statutory Auditors on several occasions.

## Board of Statutory Auditors' Report

The Board of Statutory Auditors, in confirming its previous opinion, believes that the AML topic continues to represent a very significant risks area, in relation to which the complexity of the phenomena to be controlled is growing (an example is represented by crypto-currencies), as well as the attention of the Supervisory Authorities. The Board of Statutory Auditors invited the Management to keep such area under constant and strict control, strengthening the appropriate activities, including steering being devoted to all Group companies, as well as the smaller ones and Foreign Branches, considering the possible consequences also from a reputational point of view.

The Board of Statutory Auditors favourably noted the increased attention paid by the Management to this issue, characterized by an appropriate tone at the top and several initiatives started in the period under examination, during which the BoSA will monitor implementation and further strengthening, and recommended to keep such attention and commitment strong and constant, given the changing nature of the threats posed by money laundering and terrorist financing.

The Board of Statutory Auditors will take due account of the recommendations expressed by the Supervisory Body in its communication of 27 February 2020, on the importance of money laundering and terrorist financing risks in prudential supervision, with particular focus on the organisational and control system appropriate to the level of risk to which intermediaries are actually exposed, considering that effective organisational and control structures constitute an essential condition for preventing and mitigating corporate risk factors.

The Board of Statutory Auditors therefore examined the **"Report on the Anti-Money Laundering Function of UniCredit S.p.A. - Italian Perimeter - Year 2019"** submitted to the Board of Directors of UniCredit at the meeting held on 5 March 2020. As at 31 December 2019, the activities carried out for the self-assessment of the risks of money laundering and terrorist financing have assigned a "Significant" residual risk level in line with the previous year.

The residual risk level in 2019 is mainly due to: (i) results of second-level controls carried out in the third and fourth quarters 2019; (ii) methodology and prudential thresholds adopted in the execution of risk assessment activities, in compliance with the stricter requirements of the Banca d'Italia; (iii) actions in progress to resolve findings highlighted by the Supervisory Authority, the Internal Audit Function and the Compliance Function itself following the execution of its controls.

The Board of Statutory Auditors has noted that the Bank has started and promptly addressed a series of corrective measures in relation to the above; several initiatives, mainly on "Know Your Customer", have been launched on the Commercial Network.

The Board of Statutory Auditors was also informed about the analysis of "Suspicious Transaction Reports (SOS)" which saw a reversal of the downward trend in the flow of "Suspicious Transaction Reports (SOS)" received by the relevant UniCredit Functions in 2018 compared to 2017 (-16.5%); in fact, the number of "Suspicious Transaction Reports (SOS)" received in 2019 amounted to 13,726 (+115% compared to 6,388 in 2018). The main reasons for the increase are due to:

- effects of the further monitoring measures implemented, following the findings of the Supervisory Authority during an assessment aimed at verifying "Compliance with anti-money laundering regulation" and carried out during 2019 (e.g. the issuance of the new Service Order No.4032/11 dated 18 November 2019, "Anti-Money Laundering Regulatory Updates", which requires the production of reports for all persons affected by measures related to criminal investigations by the Judicial Authority);
- special investigations conducted on particular phenomena that have highlighted positions to be reported.

Furthermore, the gradual but continuous increase in the complexity and number of "Suspicious Transaction Reports (SOS)" received, the growing involvement of territorial structures and the particular analysis/control activities in order to monitor/oversee the risks of money laundering linked to particular "phenomena" and behaviours must be taken into account.

The Board of Statutory Auditors has received assurance that in order to deal with the aforementioned increase in "Suspicious Transaction Reports (SOS)", a specific task force has been defined, pending a formal transfer of internal full time equivalents from another structure, by April 2020, to be dedicated to the activities in question.

The Board of Statutory Auditors also took note of some organisational changes, adopted in order to achieve greater organisational clarity and to better outline the role of the resources dedicated to the Group Perimeter and those dedicated to the Italy Perimeter: since October 2019, the following two separate structures have been operating managerially - instead of the pre-existing "AML" Function: "AML Italy", responsible for the monitoring of anti-money laundering issues in the UniCredit Perimeter and "AML", responsible for the monitoring of anti-money laundering issues at Group level. Further organizational changes are being implemented as at the date of writing of the present Report.

At the meeting of the UniCredit Board of Directors held on 10 December 2019, the "Anti-Money Laundering Policy" was approved (as required by the Banca d'Italia Provision "Provisions applicable to organisation, procedures and internal controls aimed at preventing the use of intermediaries for the purpose of money laundering and financing of terrorism" issued on 26 March 2019).

Lastly, the Board of Statutory Auditors has taken note of the Anti-Money Laundering Training Plan 2020 - UniCredit S.p.A., which aims to continuously mitigate the risks of money laundering, diversifying training courses on the basis of the specific activities identified, and ensure the increase of staff knowledge and skills recipient. The Training Plan provides for classroom and online courses modulated according to the different corporate roles and the associated risks.

During the financial year, the Board of Statutory Auditors proceeded to investigate in-depth the **whistleblowing reports**, on which received information in its function as 231 Supervisory Body's of UniCredit S.p.A., investigating, as the Board of Statutory Auditors, with the support of the Human Capital Function, several whistleblowing reports that could give rise to conduct/unlawful conduct issues, regardless of their relevance pursuant to Legislative Decree 231/2001.

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The Board of Statutory Auditors has therefore taken note of the information contained in the "Report on the internal system for reporting violations (so-called whistleblowing) for 2019" - prepared in compliance with the Banca d'Italia's Supervisory Provisions (Circular No.285/2013 Part One, Title IV, Chapter 3, Section VIII "Internal systems for reporting violations".

The Board of Statutory Auditors has noted that the UniCredit group is particularly committed to promoting a corporate culture characterised by correct behavior, and has shared and stressed, in several occasions, with the Management and the Human Capital Function the importance of paying the utmost attention to the correctness of the behaviors assumed by the resources in the Group. The Board of Statutory Auditors was therefore pleased to note that the Global Whistleblowing Policy was updated in June 2019, and the new Global Policies "Prohibition of Retaliation" and "Fight against Harassment, Sexually Inappropriate Behaviour and Bullying", were issued, which in addition to laying down particularly advanced rules on these issues, make specific processes and communication channels available to whistleblowers (e.g. with regard to Italian Legal Entities the new Italian dedicated "Parlami" channel, a telephone service managed centrally by a specific Human Capital Function). The Board of Statutory Auditors believes that, inter alia, the Group's "Ethics & Respect" communication campaign, the issue of Policies and training activities, have made a significant contribution to spreading the Group's attention to employees in promoting correct behavior ("do the right thing"), the Speak Up culture and the whistleblowers' protection.

The analysis of the Whistleblowing reports, which may constitute a violation of the rules governing the banking business, is an important element in order to detect potential issues of non-compliance risk, as well as possible reputational implications for the Bank.

The Board of Statutory Auditors agrees on the importance of this instrument in the context of crime prevention, because they come from the same context in which the offence was committed and can provide fundamental information that cannot be acquired in any other way.

On 26 November 2019, at the European Union level, Directive (EU) 2019/1937 on "the protection of persons who report infringements of EU law" was published in the Official Journal. Its main purpose is to establish common minimum standards to ensure a high level of protection for persons who report infringements of EU law in specific sectors. The Directive will have to be implemented by European Union countries within two years and the recently updated Group Policy has already been inspired by this Directive.

The Board of Statutory Auditors has examined the information contained in the **Report of the Data Protection Officer (DPO)** of UniCredit S.p.A. for the year 2019.

Following the implementation of the minimum requirements already achieved in May 2018 (date of entry into force of the regulations), further targets were achieved in 2019 within the dedicated Group project, specifically referred to: i) implementation of the "right to be forgotten" (deletion of personal data by "selective" approach for product/service), ii) definition and adoption of the new second-level controls catalog, iii) updating of the relevant internal regulations of the GDPR (General Data Protection Regulation, EU Regulation No.2016/679) and iv) employee training.

GDPR risk assessment activities for UC S.p.A. ended with a "significant" risk assessment, mainly due to the high level of "basic" risk factors (so-called inherent risk) determined by factors related to UniCredit's size and operations (e.g. number of subjects whose data are processed, type of data processed, number of processes and procedures involved).

With regard to violations (so-called data breaches), the Board of Statutory Auditors lastly noted the most significant cases identified during the year, applying the process adopted in UniCredit S.p.A., whose basic principles were extended to Group companies in 2019, with the issue of a specific Global Policy, determined by: (i) criminal activities aimed at obtaining information useful for cloned checks, (ii) leak carried out by unknown persons, of a file prepared in 2015, containing personal data of about 3 million customers and former customers (iii) the involvement, albeit marginal, in the so-called "Capital One" case.

The cases detected in UniCredit S.p.A. and submitted to the DPO check were No.79, of which No.33 were considered relevant for GDPR purposes, but only No.8 showed characteristics requiring notification to the competent Supervisory Authority (Data Protection Supervisor) and No.5 also to interested parties. It should also be noted that any IT or security weaknesses detected have been remedied, and further measures have been implemented to reduce the risk of potential unauthorized data leak.

The Board of Statutory Auditors has been informed of the corrective measures taken and of the settlement of any IT or security weaknesses.

In 2019, the competent Supervisory Authority did not carry out any inspections involving UniCredit S.p.A.

A specific IT tool (used by UniCredit to manage ICT and Security incidents) was also adopted at the end of 2019 which, thanks to specific implementations on GDPR, will allow the tracking and "end-to-end" management of personal data breaches, with particular reference to DPO processes. As requested by Internal Audit, the use of the tool has also been extended to other Italian Group entities, both centralised and non-centralised, and, during 2020, will be extended, based on the results of a specific feasibility study, to other Italian and foreign Group entities.

## Board of Statutory Auditors' Report

As explained in the financial statement report ("Subsequent events"), the Board of Statutory Auditors was informed that on 5 February 2020, the Italian Personal Data Protection Authority notified the parent company UniCredit S.p.A. of the start of sanctioning proceedings regarding a customers' personal data breach following a Cyber-attack (data breach) occurred in October 2018; the Bank provided to communicate such breach through its Group website on 22 October 2018. As required by the "Italian personal data protection Code (Art.166, c.6 of Legislative Decree 196/03)" the Bank will present its statement of defense on the matter and will request a hearing with the Authority to explain its arguments. It is currently not possible to define the timeline and outcome of the proceedings.

With regard to the provision of investment services and related controls, the Board of Statutory Auditors lastly examined the annual reports prepared by the competent Functions:

- "MiFID" report (Art.13 Banca d'Italia/CONSOB Regulation of 29 October 2007, and CONSOB Resolution No.17297 of 28 April 2010) prepared by Group Risk Management with reference to the controls carried out on the performance of investment activities;
- "Report on the procedures for the performance of services and investment activities", as per CONSOB Resolution 17297 of 28 April 2010" and the "Report on the Management of Conflicts of Interest (COI)", prepared by the Compliance Function.

### **ICT Risk**

In 2019, the Board of Statutory Auditors increased its attention to ICT Risk by meeting with the relevant Functions, in different periods, for the necessary in-depth analysis.

The Board of Statutory Auditors has received, inter alia, updates on "ICT Security and 2019 main priorities" focusing on : (i) internal and external assessment carried out in order to measure the cybersecurity maturity level throughout the Group; (ii) Findings on Access Rights Management (FARM) project started following the findings issued by ECB in the framework of the inspection on access management carried out in 2018, and analysed the Adequacy and Cost of ICT (Information Communication Technology) report, which shows the substantial adequacy of the ICT process maturity cycle.

The Board of Statutory Auditors considers of utmost importance to ensure the compliance with the commitments and investments expected, specifically in the ICT and Security Areas, given the specific importance of the risks related to IT security and Cyber Risk, as also highlighted both by the priorities for the 2020 financial year, identified by the Supervisors, and by their recent inspections. In this respect, the BoSA asked for frequent and regular updates, and the Chairman of the BoSA, in agreement with the Chairman of the IC&RC, has agreed on a specific update and induction programme.

Lastly, the Board of Statutory Auditors has received updates from the experts of the External Auditors on the strengthened audit activities relating to: (i) the Bank's and Group's information systems (ISAE 3402 E&Y), (ii) the Cyber Risk and its benchmarks, (iii) the exposure of the confidentiality security.

The Board of Statutory Auditors was updated about the incidents occurred during the period under examination regarding the ICT security, including unauthorised data access dating back to 2015, as reported in the financial statement report, the root causes and consequent measures.

### **Operational Risk - Group Top Risks**

The "Group Operational & Reputational Risks Committee" is responsible for the evaluation and monitoring of operational (including ICT and Cyber) and reputational risks at Group level. It enables the coordination among the control functions in identifying and sharing Group priorities concerning Operational & Reputational Risks (e.g. emerging risks) and monitors the effectiveness of initiatives put in place to oversee them.

The Board of Statutory Auditors took positive note of the initiative - implemented - launched by the three Control Functions, aimed at providing an integrated view about the activities and initiatives related to the main operational risks for 2019, and has taken note of the substantial confirmation for the risk areas already identified for 2019 (Cyber Risk; Third Party/Outsourcing; Evolution of the regulatory framework; Operational Model transformation/IT; Conduct Risk & Risk Culture) to which is added, as an emerging risk for 2020, Climate Change, for which the Board of Statutory Auditors noted the growing managerial focus with the intention of strengthening the concept of sustainability also in terms of the inherent risk management (see below "Systemic Threats").

The initiative in question has allowed the three Functions to develop synergies, thanks to the mutual exchange of the results of the enacted activities and to benefit from the different approaches to the issues.

The Board of Statutory Auditors has advised the Bank to continue with determination in the assessment and integrated monitoring of the operational risk by the Control Functions, in order to take account of each new arising risk that could potentially affect the Group, helping to change at any given time and with high priority the interventions on priority risks and to extend the monitoring where necessary.

Lastly, the Board of Statutory Auditors noted the Annual Operational Risk Report 2019.

## Board of Statutory Auditors' Report

Operational risk remains an important area of focus for the Group, with the strengthening of business controls and governance processes in all Group companies. The intensification of the focus on controls in order to prevent financial crimes, and on KYC (Know Your Customer) includes better supervision through centralized and stricter compliance requirements, in addition to staff rotation between business and control functions.

### **Other Risks - Systemic Threats**

In the context of a regulatory framework, and an external scenario constantly and rapidly evolving, the Board of Statutory Auditors has had the opportunity to analyse some of the main features in terms of systemic threats, with the relevant Functions. Specifically:

#### *Systemic threats associated with cybercrime*

Along with the continuous digitalisation of banking services, both the financial industry itself and its clients are increasingly exposed to cyber-attacks, exacerbated by the heightened geopolitical tensions around the globe. This requires reinforced governance with a continuous strong focus on data protection and security.

Possible IT risks can be caused by interruptions, faults, damage, inappropriate uses, ineffective changes, incorrect procedures, design errors, which can affect ICT infrastructures and related software applications, causing potential damages due to the loss of integrity and availability of data and information.

This risk is increasing as, in addition to the above mentioned risks, further risks deriving from threats perpetrated are getting relevant through the use of networks with which the Group is interconnected, both internally and towards the outside world. These attacks are aimed at the theft of data and information injections of malware and viruses through social engineering techniques or through "Distributed Denial of Service" (DDoS) attacks in order to cause system overloads that hamper the proper services' performance.

Considering the above, it should be noted that UniCredit group, over the past few years, has been subject to some cyber-attacks which led, even though only in a few limited cases, to the theft of personal data. In this regard, taking into account the type of risks detected, UniCredit, in addition to strengthening the protection measures already in place, carried out a wide and in-depth assessment of the effects that may derive also for financial statements purposes.

#### *Systemic threats associated with climate change*

Climate change-related risks (both physical and transition) and the accompanying shift towards sustainable finance (see also paragraph 12 "Non-Financial Statement") are mounting challenges to the financial sector and may impact underwriting, credit or market risks.

The Board of Statutory Auditors has noted the Bank's proactive approach in this regard: for instance the setting up of a dedicated team within the Group Risk Management (GRM) Function, responsible for the supervision and management of processes related to climate change risks and UniCredit's approach to sensitive sectors.

The first activity put in place by the team is focused on assessing the transition risk of corporate and investment banking listed companies to define more in detail climate change impact on the risk profile. With reference to physical risk, it has been performed a preliminary estimation of potential impact of sea-level rise on the value of individuals mortgage collaterals related to properties located along the Italian coastline.

#### *Systemic threats associated with coronavirus outbreak*

In the financial statements document, the Directors report some considerations, referring to 5 February 2020, regarding the actions taken by UniCredit following the coronavirus outbreak, and the possibility of an economic slowdown, also in the Eurozone, with potential impacts, as at 5 February 2020 not yet quantifiable, also on the Group's profitability, mainly with reference to the operating income and the cost of risk.

### **Other contributions**

With reference to further reporting containing information on the internal control and risk management system, the Board of Statutory Auditors has noted that, at the date of this Report, the assessment of the adequacy of the allocation of Group capital (ICAAP) is underway by the structures in charge, together with the assessment of the overall functionality of the Internal Liquidity Adequacy Assessment Process (ILAAP), whose reports will be prepared within the set deadlines.

The Board of Statutory Auditors examined the "2019 Group ICS Management Evaluation Assessment" document, prepared by the Finance & Controls Area, aimed at supporting the Board of Directors in assessing the completeness, adequacy, functionality and reliability of the Group Internal Control System as a whole.

Based on the self-assessment carried out by the Management in 2019, the Group's internal control system (No.22 companies subject to self-assessment by the reference Management and 15 Group's Foreign Branches) was rated overall as "mostly satisfactory", in line with the aforementioned rating expressed by the Internal Audit Function. With regard to No.3 Companies, the downgrading to "unsatisfactory" rating was necessary, due to critical issues arising in the AML area. With regard to UniCredit S.p.A., the self-assessment confirmed the "mostly satisfactory" opinion.



## Board of Statutory Auditors' Report

The Board of Statutory Auditors, in line with what was assessed in the course of its activities, has therefore noted the areas of attention identified mainly relating to: Anti-money laundering, Third Parties Management, Data Protection, Fraud Management, and took note of the initiatives adopted or being finalised, aimed at further strengthening the internal control and risk management system.

In conclusion, the Board of Statutory Auditors did not identify critical situations or facts that could make the internal control and risk management system as a whole inadequate, even though situations that required the planning and addressing of specific corrective actions did emerge. Lastly, the Board of Statutory Auditors acknowledges the ever greater renewed reactivity and proactive nature of the Management in relation to the definition and operational implementation of the actions to improve and remedy the detected weaknesses and shortcomings.

### 10. Oversight of the adequacy of the organisational structure

In consideration of the fact that the organisational and managerial structure is an integral part of the Bank's and the Group's transformation plan, the Board of Statutory Auditors acknowledges that the Group's structure reflects an organisational and business model that guarantees the autonomy of the countries and local banks on specific activities in order to ensure greater proximity to the customer. This model also guarantees efficient decision-making processes and considers a divisional structure with regard to the governance of the Corporate Investment Banking (CIB) products/businesses, the Wealth Management, and the business in the Central and Eastern Europe (CEE) area countries, as well as a global supervision of the COO Functions as well as of Finance & Controls Functions.

The Board of Statutory Auditors examined the report prepared by the competent Group Human Capital structure which considers the organisational structure of UniCredit S.p.A. to be adequate, by virtue of the robustness of the overall regulatory framework that ensures the uniqueness of the system of responsibility and powers with reference to the bodies/committees and the corporate structures.

The Board of Directors Meeting held on 6 February 2019, approved the optimisation of the organisational model and the managerial team reorganisation project with the start of the development of the Team 23 Plan, with the aim of continuing the streamlining process that was launched with Transform 2019 and to ensure that the managerial team, that will implement the new Plan, is in charge of it from the beginning of the planning process.

The current organisational structure is focused on the following main areas of responsibility:

- the Chief Executive Officer maintain direct supervision besides the Business, over the Risks, Compliance, Legal and Human Resources, as well as over the optimisation of the Costs and the main operational activities; Chief Operating Officer (COO) position covered by two co-Heads (co-Chief Operating Officers), responsible for supervising the costs management and the development of IT & Operations activities, the transformation of digital processes and procedures in compliance with defined Group strategies;
- Commercial Banking Western Europe (CB WEU) and Commercial Banking Central Eastern Europe (CB CEE), both positions covered by two co-Heads (co-CEO), who are responsible for all business activities, focusing on developing customer services and optimising cross-selling for the respective perimeter of competence; the CIB Division, reporting to the two specifically appointed co-CEOs CB WEU and CB CEE, has a coverage role for multinational clients ("Multinational"), for selected "Large Corporate" clients with a strong potential demand for investment banking products, for Financial and Institutional Groups (FIG) and is responsible for global product lines "Global Transaction Banking (GTB)", "Global Financing & Advisory (F&A)", "Markets", as well as the international network;
- as far as the Italian perimeter is concerned, the co-Heads (co-CEOs) CB Italy are responsible for the definition of the business strategies of the "commercial banking" and for directing, coordinating and controlling the Networks;
- the various Functions called "Competence Line" (Planning, Finance & Administration; Risk Management; Lending; Legal; Compliance; Internal Audit; Identity & Communication; Human Capital) oversee, each within their remit, the guidance, coordination and control of the UniCredit group's activities and related risks.

The Board of Statutory Auditors has examined the main organisational changes that occurred in 2019, including:

- creation of "Non Core Asset Management" (NCAM) structure, reporting to "Group Risk Management" (GRM), with functional line reporting to "Group Lending Office" (GLO), responsible for coordinating and managing the files classified under restructuring and workout by UniCredit S.p.A. in relation to the non-performing Non Core portfolio, as well as performing the distressed asset management, according the rundown strategy of the Non Core portfolio defined by the Group; as part of the reorganization of "Non Core" activities, with reference to the Italian perimeter, in the same year the "overcoming" of the Special Network Italy and the creation of the "Non Core Network" was approved, reporting to "Non Core Restructuring Italy" (within the GRM scope), which has been assigned the responsibility for the management of "Non Core" clients mainly with the aim of containing the related risk and the progressive "Run Down" of the related portfolio; "Corporate Special Portfolio Areas" have also been created: they report to the Corporate Businesses of the Regions, responsible for the management of Core Customers, mainly with the aim of developing the related business - acting in close coordination with the relevant Corporate Sales & Marketing departments - as well as credit quality and associated risk containment;
- cancellation of the position of General Manager and creation/amendment of the following positions reporting directly to the Chief Executive Officer:
  - Commercial Banking Western Europe (CB WEU) and Commercial Banking Central Eastern Europe (CB CEE) - both positions covered by two co-CEOs, who are responsible for all business activities for the respective perimeter of competence;

## Board of Statutory Auditors' Report

- Finance & Controls (F&C) which centralizes the Planning, Finance & Administration, Identity and Communication activities, relations with Institutional counterparties and Banking Supervisory Authorities, credit disbursement, management and supervision of the overall internal controls system. Moreover, the Head of Finance & Controls coordinates Group Risk Management, Group Compliance and Group Legal Functions, facilitating the identification and achievement of synergies for the entire competence area, monitors cross-functional projects (e.g. M&A transactions) and the achievement of efficiency and transformation targets of the Area; the hierarchical reporting to the Chief Executive Officer of the aforementioned three Functions remains in place.
- Chief Operating Officer (COO), position covered by two co-Heads (co-COOs), focused on the oversight and transformation of the operational machine (through the Transformation, Information, Security, Real Estate, Procurement & Cost Management, Operations, and Digital Processes activities). Moreover, the COO coordinates Group Human Capital Function, facilitating the identification and achievement of synergies, monitors cross-functional projects, and the achievement of efficiency and transformation targets defined for the competence area.
- reorganisation of property management and Operations activities carried out in Italy, as well as the related governance activities identified, as a result of the partial spin-off of UniCredit Services S.C.p.A. into UniCredit S.p.A. (so-called "REUS" Project);
- establishment, currently being finalised, of the "Business Operational Excellence" structure with the responsibility - with regard to the CB WEU, CB CEE and CIB perimeters - to ensure the effectiveness of the first-level control system by enabling the business functions to act as the first line of defense in reducing operational risks. Such structure is also responsible for ensuring the efficiency and consistency of the new product approval process ("NPP") at Group level. "Business Operational Excellence" reports hierarchically to "CB WEU" and functionally to "CB CEE" and "CIB".

Lastly, the Board of Statutory Auditors examined the changes occurred in the Chief Operating Office area, noting that the "Group ICT and Security Office" Function has been divided into two separate functions in order to strengthen Group Governance in the ICT and Security areas respectively. The "Group Chief Information Office" (GCIO) ensures the governance and coordination of ICT activities within the Group, guaranteeing the unity of management view and IT risk, as well as uniformity of application of IT system rules, while the "Group Chief Security Office" ("GCSO") is responsible for defining the Group's security strategy, in order to protect people, information and assets (tangible and intangible), by ensuring the governance and coordination of physical security activities, and Top Management protection, logical security and access management, ICT, Cyber Security, and Anti-Fraud services, ensuring the unity of managerial management.

The Board of Statutory Auditors considered the need to strengthen the monitoring Function specifically with regard to security and cyber profiles, and the difficult harnessing on the market of external resources with the required skills. The BoSA has therefore taken note of the managerial positions held recently (second half of 2019) into the Group Chief Security Office, covering the responsibilities of Group Cyber Security, Group Corporate Security, Group Security Governance & Resilience.

With reference to the new organisational structure of the Finance & Controls area, which was taken over by an international experienced Manager, who joined UniCredit in January 2020, the Board of Statutory Auditors will closely monitor the suitability and operational effectiveness of the model, on an ongoing basis, also with reference to functional reporting to the Heads of the GRM and Compliance Control Functions.

### Steering activity

In the period, the BoSA paid specific attention to issues concerning the strengthening of the Parent company's steering activities, focusing on the coordination, management and control of smaller Group Companies and foreign subsidiaries.

Among the actions actually implemented, the review of the first-and second-level controls aimed at harmonizing the global business approach to controls, with specific centrally coordinated on-site projects and other organizational initiatives, should be included, as well as those already mentioned (e.g. the creation of the Business Operational Excellence).

The managerial and functional reporting lines within the Control Functions at Group level were also reviewed, as well as the governance and organisation model of the Foreign Branches (CIB Foreign Network) and oversight mechanisms with global supervision, both on business and controls, guaranteed by the Head Office Functions through the existing reporting lines involved in the local Internal Control Committees.

UniCredit S.p.A. has also recently issued a new version of the Group Managerial Golden Rules, a set of mechanisms and rules aimed at the exercise by the Parent company's role of guidance and control over the Functions within the various subsidiaries, in compliance with the responsibilities of the Corporate Bodies of the same, by implementing the following actions:

- defining budget objectives, policy and guidelines/competence models, also through the issue of Group regulations;
- monitoring the implementation of policies, training activities and competence models;
- providing non-binding prior indications regarding the definition of the organisational structure of the corresponding Functions within the Company;
- providing recommendations and proposals for the appointment, dismissal and career path, and for the implementation of performance evaluation and short-term incentive systems for line Managers.

## Board of Statutory Auditors' Report

In addition to the aforementioned actions, the Heads of the Control Functions (Internal Audit, Compliance and Risk Management - and other Functions identified as having control responsibilities) have a direct role, also through their first reporting Lines, in the exercise of the following additional specific powers of direction and control over subsidiaries:

- issuing findings whenever deficiencies, problems or unauthorised deviations from the Group-wide standards are detected (e.g. as part of audits and special investigations, Compliance Risk Assessment, Desk and Thematic Review, Quality Assurance Review);
- establishing the standards of conduct and expected behaviour of Group employees (Tone from the Top).

The Board of Statutory Auditors appreciates the strong commitment of the Management, will provide to monitor, in order to ensure that all the initiatives and actions implemented will continue to strengthen overall risk awareness, reducing the compliance and operational risk, as well as the risk of missing or incomplete oversight by the central Functions.

### ***Suitability of Control Functions and Activity Plans***

#### *Internal Audit Function*

The Board of Statutory Auditors examined the Audit Plan 2019 UC S.p.A. review, not finding significant changes in risk coverage, as well as the 2020 Audit Plan (as an integral part of the Multi-year Audit Plan) approved by the Board of Directors in January 2020. Such Plan, together with the Internal Audit Guidelines for 2020 communicated to Group Companies, consolidates, based on the professional opinion of Internal Audit, the information relating to: i) the risk scenarios reported by external sources (EBA, ECB etc.); ii) the contribution of UniCredit S.p.A. Top Management; iii) the findings and the indications of the Supervisory Authorities and External Auditors; iv) the top risk reported by the Internal Audit Function of the main Legal Entities.

The Board of Statutory Auditors has received updates on capacity developments, also with respect to the gaps identified in 2019, and has therefore noted the number of resources belonging to the Function, the related skills, the job rotation initiatives undertaken with the Business Functions, and other Control Functions, also aimed at improving the spread of risk culture.

The BoSA has received a reporting about the DAT project - Digital Audit Transformation - within the Audit area, which provides for the strengthening of the approach based on data analytics techniques and the enhancement of the skills required for Internal Auditors, developing in the Pillars (i) People - adoption of new mind-sets and skills; (ii) Technologies - Introduction of innovative technologies; (iii) Sharing & Best Practice.

The overall efficiency of the Function is increased by relying on a number of levers, such as remote audits and remote controls and greater data availability. Based on the information acquired, the Board of Statutory Auditors considers the Function's capacity to fulfill its tasks to be adequate.

#### *Group Risk Management*

The Board of Statutory Auditors has examined the Activities Plan 2020, approved by the Board of Directors in January 2020, of the Group Risk Management (GRM) Function, developed taking into account the overall context of ECB requests, the developments in the regulatory framework, the attention to operational and reputational risk, Cyber/IT risks, the spread of the Risk Culture, and awareness of issues of conduct risk, also with attention to third parties.

With regard to GRM priorities and targets, focus is given to: ongoing collaboration with GLO functions on projects related to key topics of the Team 23 Plan, strict monitoring of GRM key areas (completion of Non core rundown; proactive management of NPEs in order to maximize value and capital), non-financial risk.

The Board of Statutory Auditors has been informed that the resources sizing, belonging to the GRM area are now substantially adequate, due to an intensive recruiting process, especially in the Universities; moreover, some recruitments are already planned in the Operational & Reputational Risk area with a specific focus on Cyber Risk. The strategy of giving priority to recruitment instead of turning to external consultants has also made it possible to achieve significant savings in this regard.

Based on the information acquired, the Board of Statutory Auditors considers the size and capacity of the GRM Function to be adequate for achieving the objectives laid down in the 2020 Activity Plan.

#### *Compliance Function*

The Board of Statutory Auditors has examined the founding principles of the 2020 Activity Plan of the Compliance Function (approved by the Board of Directors in January 2020).

The Plan has been developed in continuity with last year's Compliance Plan, taking into account, inter alia, the targets of the new Team 23 Plan, and the assumption of a number of elements such as Governance and effective coordination, ensuring consistent IT investments for the Plan within a common Group framework, the New Advisory approach and tool, and ensuring a robust and common risk presidium.

In terms of resource development and skill adaptation, the training programs have been further strengthened. Overall, the challenge for the future will be based on finding and organizing a correct mix of skills also in the use of new technologies, such as artificial intelligence, areas in which the Bank is investing heavily.

The Board has been informed of the imminent entry into the Compliance Competence Line of FTE (Full Time Equivalent) resources coming from Internal Controls Italy and CEE Commercial Banking, who will be responsible for strengthening key activities and controls, such as AML activities and controls.

Based on the information acquired, the Board of Statutory Auditors considers the Function's capacity to fulfil its tasks to be adequate.



## Board of Statutory Auditors' Report

### 11. Remuneration policies

The Board of Statutory Auditors noted that the Board of Directors, in its meeting held on 5 March 2020, approved the document **"2020 Group Remuneration Policy and Report"**, and the related Board of Directors' Report to be submitted to the Shareholders' Meeting. This document defines the principles and standards used to design, implement and monitor the Group's remuneration systems, as part of the review of the Group's strategy described in the Team 23 new Strategic Plan.

The Board of Statutory Auditors took note of the report issued by the Internal Audit Function **"2019 Remuneration Policies and Practices"**, which ends with the formulation of a **"satisfactory"** rating.

Lastly, in compliance with the current regulations, the Board of Statutory Auditors examined the proposal for:

- Goal Setting 2020 for the Chief Executive Officer, the Manager in charge of preparing the Financial Reports and the Head of the Internal Audit Function of UniCredit S.p.A.;
- 2020 remuneration review for the Manager in charge of preparing the Financial Reports and the Head of the Internal Audit Function of UniCredit S.p.A.;
- review of the 2019 bonus for the Manager in charge of preparing the Financial Reports and the Head of the Internal Audit Function of UniCredit S.p.A. and LTI (Long Term Incentive Plan) for the Chief Executive Officer.

and verified the correctness of the Bank's adopted process and criteria, including the consistency with the relevant regulations, thus expressing its positive opinions to the Board of Directors.

### 12. Non-Financial Statement

The Board of Statutory Auditors has taken note of the adherence to the highest standards of policies with regard to ESG (Environmental, Social, Governance) topic and principles with external monitoring and recognition.

Beyond internal actions, as announced to the market on 26 November 2019, UniCredit has signed up to key institutional and international agreements with external monitoring requirements: the Task Force on Climate-Related Financial Disclosures (TCFD), Principles for Responsible Banking (PRB) and OECD Business for Inclusive Growth Coalition (B4IG).

UniCredit's commitment to ESG topics has been recognised with the confirmation of the Group as a constituent of the FTSE4Good Index Series. In particular, FTSE Russell assigned an ESG rating to UniCredit equal to 5,0 (the top score on its ESG rating scale). This positions UniCredit in the 99<sup>th</sup> percentile, among Diversified Banks peers.

The Board of Statutory Auditors, taken note of Italian Legislative Decree No.254/2016 on the disclosure of non-financial information and the Implementing Regulation issued by Consob with a resolution dated 18 January 2018, No.20267, exercised its functions by supervising the compliance with the provisions contained therein regarding the drafting of the Non-Financial Statement (hereinafter referred to as **"DNF"**) as part of the Integrated Financial Statements, approved by the Board of Directors on 5 March 2020.

The Board of Statutory Auditors held several meetings with the Function responsible for drafting the DNF, the representatives of the appointed External Auditors (Deloitte & Touche) and examined the documentation made available. The BoSA analyzed the Assonime Circular No.13 of 12 June 2017, a commentary on Italian Legislative Decree No.254/2016 and Legislative Decree No.4 dated 11 February 2019, **"(News on non-financial reporting)"**, noted the application of the Global Rule **"Preparation of Non-Financial Information for the Integrated Report Production"**, aimed at defining roles, responsibilities, activities, controls and information flows of coordination between the Parent company and the Group's Companies and structures.

The Board of Statutory Auditors took note of the recent issuance (December 2019) of some specific Global Policies - **"Non-Conventional Oil and Gas Industry and Oil and Gas in the Arctic Region"** and **"Coal Sector - Environmental, Social and Reputational Risk"**, which aim to define principles and rules for assessing the reputational and environmental, social and reputational risk of the related sector. It also acknowledged the report issued by the External Auditors on 10 March 2020, which states that no elements were received that would suggest that the DNF of the UniCredit group, with regard to the financial year ended on 31 December 2019, had not been drafted in all significant aspects in compliance with the relevant regulations.

On the basis of the information acquired, the Board of Statutory Auditors certifies that, during its examination of the Non-Financial Statement, elements of non-compliance and/or violation of the relevant regulatory provisions have not come to its attention.

### 13. Additional activity by the Board of Statutory Auditors and information requested by Consob

In the performance of its duties, the Board of Statutory Auditors, as required by Article 2403 of the Italian Civil Code and Article 149 of Legislative Decree 58/1998 (TUF):

- exercised oversight on the implementation of the corporate governance rules contained in the codes of conduct that the Company declares to abide by. UniCredit S.p.A. complies with the Corporate Governance Code approved by the Corporate Governance Committee promoted by Ania, Assogestioni, Assonime, Confindustria and Borsa Italiana and has prepared, pursuant to Article 123-bis of Italian Legislative Decree No.58/1998 (TUF), the annual **"Report on Corporate Governance and Ownership Structure"**;
- exercised oversight of the adequacy of the instructions given to subsidiaries pursuant to Art.114, par.2 of Italian Legislative Decree 58/1998 (TUF);
- exchanged information with the Boards of Statutory Auditors of the directly controlled companies as required by Art.151, paragraph 2, of Italian Legislative Decree No.58/1998 (TUF) and by the Supervisory Instructions of Banca d'Italia. In January 2019, in addition to an exchange of correspondence, the Board of Statutory Auditors met the Chairmen of the Boards of Statutory Auditors of the main Italian companies of the Group, in order to receive reports on any critical issues affecting the administration and control systems and the general trend of corporate activity;
- carried out its oversight activities at some Foreign Branches of UniCredit S.p.A. (Abu Dhabi), as well as through investigations conducted at the Italy Network (North West Region) on selected samples of managed files;
- in compliance with the regulations and customary practices, the BoSA met with ECB, acting as Supervisory Authority of the Parent company, for the purpose of a fruitful exchange of information on subjects of mutual interest, including specific issues illustrated in this Report.

## Board of Statutory Auditors' Report

From the date of the previous Report of the Board of Statutory Auditors and up to the date of this Report, communications and/or complaints have been received, also qualified as such pursuant to Art.2408 of the Italian Civil Code.

Specifically, the following are noted:

- a communication by certified e-mail, dated 8 April 2019, received from the shareholder Mr. Marco Bava, who complained about the application of the regulations carried out by UniCredit, in the pre-Shareholders' meeting questions;
- a communication by certified e-mail, dated 28 April 2019, received from the shareholder Mr. Tommaso Marino, who complained about the content of a response received to his question formulated in the pre-Shareholders' meeting, regarding the possibility of viewing the financial statements of an association;
- a communication by registered letter, dated 31 January 2020, received from the shareholder Mr. Francesco Santoro, who asked the Board of Statutory Auditors to carry out verifications in relation to the possibility of recovering some loans disbursed and the possible transfer of the same to third parties.

In response to each communication received, the Board of Statutory Auditors promptly carried out adequate in-depth examinations with the support of the Bank's relevant Functions, checking the real validity of the reported facts, gathering the necessary information to examine and evaluate the cases submitted and sharing, in all cases, the reasonableness of the conclusions presented by those Functions. As outcome of the investigations, no irregularities were found that required reporting to the Shareholders' Meeting.

During the year, the Board of Statutory Auditors, in addition to what has already been expressly stated in this Report, issued the opinions and expressed the observations that the current regulations and supervisory provisions for banks assign to its responsibility.

Furthermore, the Board of Statutory Auditors reports that:

- it has taken note of the self-assessment required by the regulatory provisions, carried out by the Board of Directors in the meeting of 5 March 2020;
- it found that the criteria and procedures establishing the requirements of independence adopted by the Board of Directors for the annual assessment of the independence of its members were correctly applied;
- it found that the Board of Directors carried out the verification of the positions held for the purposes of the interlocking prohibition pursuant to Article 36 of Italian Legislative Decree 201/2011;
- it verified the fulfilment of the independence requirements of the individual members of the Board of Statutory Auditors and carried out, periodically and occasionally, the acknowledgement and the assessments concerning the communications received by the individual members regarding the number of awarded/lapsed appointments and the associated time commitment;
- in addition to the Board Meetings, it participated in specific meetings with the Directors, also open to the Statutory Auditors, dedicated to the perspectives and key elements of the strategy of the Group and the entire European Banking Sector;
- it oversaw that transactions undertaken with persons with administrative, managerial or control functions were always conducted in compliance with Art.136 TUB and Supervisory Instructions.

The Board of Statutory Auditors does not deem it necessary to exercise the option of making proposals to the Shareholders' Meeting pursuant to Art.153, second paragraph, of Italian Legislative Decree 58/1998 (TUF).

### **Corporate Governance**

The Board of Statutory Auditors of UniCredit S.p.A. operates within the framework of an integrated governance and of adequate and structured internal corporate information flows. The BoSA took note of the information provided in the Report on Corporate Governance and Ownership Structures, approved by the Board of Directors during the meeting held on 5 March 2020.

On 25 February 2020, the Board of Statutory Auditors completed the self-assessment process on the adequacy in terms of composition, correct and effective functioning of the Body. The self-assessment process was carried out in compliance with the Regulations for Corporate Bodies and Committees, adopted in compliance with the Supervisory Provisions on Corporate Governance for Banks and in compliance with the indications contained in the document "Self-assessment of the Board of Statutory Auditors" issued by the National Council of Chartered Accountants and Accounting Experts in May 2019.

The Board of Statutory Auditors carried out the self-assessment on its composition, considering it adequate, also in the light of its development over time and the diversity in terms of skills, competences and expertise, as well as gender, which ensured the effective ongoing functioning of the Body.

During the year, the members of the Board of Statutory Auditors participated to the permanent induction program for the members of the Board of Directors, which included, inter alia, recurring training sessions in order to preserve over time the technical skills needed to play the role with awareness.

The Board of Statutory Auditors reported every six months to the Board of Directors and the IC&RC about the main activities carried out and the recommendations made.

## Board of Statutory Auditors' Report

In addition to what has already been stated in paragraph 1. "Appointment and activities of the Board of Statutory Auditors" regarding attendance at meetings of the Bodies, the Board of Statutory Auditors received the usual information flows, during the period (provided for in the "Corporate Bodies and Committees Regulation" and in the policies) on the activities of the Remuneration Committee and Related-Party transactions.

In this regard, it should be noted that the Regulation, approved by the Board of Directors in 2018, provide for the participation of the Chairman of the Board of Statutory Auditors in meetings of the Internal Controls and Risks Committee, without prejudice to the right of each member of the Board of Statutory Auditors to attend specific meetings of the Board Committees.

This approach, fully consistent with the Corporate Governance Code for listed companies, differs from the practice existing between Italian listed banks and major Italian listed companies. Moreover, the Chairman of each Committee may invite the Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by him/her, to attend meetings.

The BoSA carried out the usual periodic checks, together with the competent Functions, examining a selected sample of reports within the forms pursuant to Article 23 of the Articles of Association, detecting no exceptions. The Board of Statutory Auditors asked to review the relevant procedure, in order to make it more consistent with the definition of significant transactions set out in the above-mentioned Article 23 and in the provisions of law on which it is based, hoping the new procedure to be adopted soon.

In line with what was discussed with the JST, the BoSA is planning to visit the Group's main Legal Entities, as part of its supervisory and steering activities, regarding some in-depth analysis of specific Legal Entities and cross issues within the Group itself.

With specific reference to the assignment to the **Board of Statutory Auditors** also of the functions of **Supervisory Body pursuant to Italian Legislative Decree No.231/2001** ("OvV 231") starting from the renewal of its mandate which took place with the Shareholders' Meeting of 11 April 2019, the Board of Statutory Auditors, charged with functions of Supervisory Body, reported to the Board of Directors every six months on the activities carried out on the implementation of the Organisational and Management Model adopted by UniCredit S.p.A. pursuant to the aforementioned Legislative Decree (at the meetings held on 6 August 2019, and 5 February 2020, respectively).

During the reference period, the Board of Statutory Auditors, acting as 231 Supervisory Body's, oversaw the functioning and compliance with the Model, and the verification and control activity, based on the information made available to it, and it was functional to the objectives of its effective implementation. The 231 Supervisory Body pursued these objectives with the collaboration of Internal Audit and Compliance Functions without substituting, replacing or duplicating the control tasks institutionally assigned to these Functions.

The Board of Statutory Auditors has adopted specific operating practices in order to perform its ordinary role in synergy with the one acting as 231 Supervisory Body.

### Audit engagement of the appointment of the Statutory Auditors for the period 2022-2030

With the approval of Individual financial statement of UniCredit S.p.A. and consolidated financial statements of the UniCredit group as at 31 December 2021, by the Shareholders' Meeting of UniCredit S.p.A. to be called in 2022, the statutory audit appointment conferred on 11 May 2011, by UniCredit S.p.A. Shareholders' Meeting to Deloitte & Touche S.p.A. ("Deloitte"), for the nine-year period 2013-2021, will expire.

Based on current legislation (European Regulation No.537/2014, Legislative Decree No.39/2010 supplemented by Legislative Decree No.135/2016 which has transposed Directive 2014/56/EU), this appointment will not be renewable and the new statutory audit mandate should be assigned by the Shareholders' Meeting on the basis of a reasoned recommendation of the Board of Statutory Auditors acting as the Audit Committee pursuant to Art.19 of Legislative Decree No.135/2016, following a specific selection procedure according to the criteria and procedures set out in Art.16 of the European Regulation.

Considering the size and complexity of UniCredit group, the Board of Statutory Auditors (hereinafter referred to as "BoSA") acting as Audit Committee, pursuant to Art.19 of Legislative Decree No.135/2016, in agreement with the relevant corporate functions, deemed it appropriate to start the selection procedure for the statutory audit appointment for the 2022-2030 financial years, as at June 2019, in order to submit the appointment for approval to the Ordinary Shareholders' Meeting of UniCredit S.p.A. which will be convened to approve the financial statements for the Financial year as at 31 December 2019.

This early appointment of the external auditor, a widespread practice among the main listed entities, allows, first of all, a more profitable handover between the outgoing auditor and the new auditor, the compliance with the time limits set to guarantee the auditor's independence (so-called cooling in period ex Art.5 of the European Regulation), as well as the appointment by the other entities of the Group.

The Shareholders' Meeting is also called upon to decide on the remuneration of the auditors as well as on any criteria for adjusting the fees, which is also the subject of the reasoned proposal of the Board of Statutory Auditors.

The related Reasoned Proposal of the Board of Statutory Auditors, made available within the time limits and methods provided for by current regulations, is therefore submitted to the assessments of the UniCredit S.p.A. Shareholders' Meeting.

## Board of Statutory Auditors' Report

### Conclusions

The oversight of the Board of Statutory Auditors revealed no censurable actions, omissions or irregularities requiring to be noted in this Report.

During the meetings of the Board of Directors, during which the most significant economic, financial and equity transactions of UniCredit S.p.A. and its subsidiaries were examined, the Board of Statutory Auditors received the information pursuant to Art.150, paragraph 1, of Italian Legislative Decree. 58/1998 (TUF).

Based on the information acquired through its oversight activity, the Board of Statutory Auditors did not become aware of any operations during the period covered by this report performed not in compliance with the principles of proper management, resolved and carried out not in accordance with the law and the Company Bylaws, not in the Company's interest, not in accordance with Shareholders' resolutions, manifestly imprudent or reckless, lacking the necessary information where Directors' interests were involved, or prejudicial to the Company's assets.

Having regard to the foregoing, the Board of Statutory Auditors, having examined the reports drawn up by the Auditing Company, having noted the joint attestations issued by the Chief Executive Officer and the Financial Reporting Manager, does not find in the areas under its remit any impediment to the approval of the proposal of the Financial Statements as at 31 December 2019 and the destination of dividends submitted by the Board of Directors. In this regard, the Board of Statutory Auditors notes that the Board of Directors assessed the dividend destination proposal based on prudent assumptions aimed at allowing, linearly over time, the constant compliance with prudential capital requirements.

Milan, 10 March 2020

For the Board of Statutory Auditors

The Chairman  
Marco Rigotti



**INDEPENDENT AUDITOR'S REPORT  
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010  
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of  
UniCredit S.p.A.**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of UniCredit S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40)***

**Description of the key audit matter**

As described in the notes to the accounts *Part A – Accounting Policies Section 4 – Other matters (Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40))*, effective from the financial statements as at 31 December 2019, the Group has modified the valuation criterion for the real estate portfolio as follows:

- for the properties used in the business (ruled by IAS16 "Property, plant and machinery") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition;
- for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

The representation of the voluntary changes in accounting standards (accounting policy) is governed by IAS 8 "Accounting standards, changes in accounting estimates and errors". According to the requirements of this standard, the change in valuation criterion for properties used in the business, from the cost model to the fair value model is made as at 31 December 2019, while for investment properties, the change in valuation criterion from the cost model to the fair value model is made as at 1 January 2018 with a restatement of the comparative data as at 31 December 2018.

In the financial statements as at 31 December 2019, the change in the valuation criterion of the properties resulted in an overall positive balance sheet effect of 628 million Euro gross of tax effect as detailed below:

- for properties used in business, the recognition of a revaluation of 761 million Euro gross of tax effect. This value, net of deferred tax, amounting to 251 million Euro, was allocated to a specific valuation reserve in the equity. In addition, net losses for 123 million Euro were recognised in the income statement gross of the tax effect;
- for properties held for investment an overall revaluation in the equity equal to 118 million Euro gross of the tax effect (75 million Euro net of the tax effect) composed of: (a) the recognition in a first time adoption reserve of a revaluation equal to 136 million Euro gross of tax effect (91 million Euro net of the tax effect) as a change in the opening balances of equity as at 1 January 2018; (b) the restatement of retained earnings reserves as at 31 December 2018 as a consequence of the changes in the fair value of properties during the previous year and due to the fact that properties held for investment are no longer subject to depreciation, for a negative amount equal to 18 million Euro gross of tax effect (16 million Euro net of the tax effect);
- with regard to properties held for investment, during 2019 a net loss equal to 128 million Euro gross of the tax effect has been recognised in the income statement.

Considering the significance of the impact of the change in valuation criterion of the real estate portfolio on the Bank's net equity, the operational complexities associated with the first time adoption of the new accounting policy and the inherent subjectivity in the estimation processes adopted by management in valuing properties used in the business and investment properties according to the new criterion, we deem that the change in valuation criterion for these categories of tangible assets represents a key audit matter of the financial statements of the Bank as at 31 December 2019.

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**Audit procedures performed**

The main audit procedures performed were:

- examination of, with the support of Deloitte accounting specialists and real estate specialists, the documentation prepared by the Bank for the purpose of approving the change in valuation criterion of the properties (which includes: accounting manual, procedures and further supporting documentation) and the minutes of the governance and control bodies of the Bank;
- collection of information through discussions with the relevant functions of the Bank;
- analysis of the process set up by the Bank for the selection of the independent valuation experts appointed for drawing up specific valuation appraisals;
- identification and assessment of the design of key controls governing the classification and evaluation of the properties;
- analysis of, with the support of Deloitte real estate specialists, the appraisals prepared by the independent valuation experts which illustrate the valuation methods used and the related fair values as at 31 December 2019;
- checks on a sample basis, with the support of Deloitte real estate specialists, on the adequacy of the fair values held as at 31 December 2019 of the properties used in the business and the investment properties;
- test of the appropriateness of the restatement: i) of the specific first time adoption reserve in the shareholders' equity as at 1 January 2018; ii) of the comparative data relating to 2018 due to the change in the fair values of the real estate properties during the year and to the fact that investment properties are no longer subject to depreciation;
- verification of the appropriateness of the disclosure of the properties held at fair value as at 31 December 2019 as well as the related tax effects.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.



**Risk of uncorrected classification and valuation of performing customer loans**

**Description of the key audit matter**

As indicated in the notes to the accounts *Part B – Balance Sheet Information (Table 4.2 Financial Assets at amortised cost: Breakdown by product of loans and advances to customers)*, stage 1 and stage 2 loans to customers are equal to 224,921 million Euro as at 31 December 2019.

For the classification of credit exposures in the various homogeneous risk classes, the Bank refers to sector regulations, supplemented by the internal rules governing the classification and transfer rules within the various risk categories.

In particular, the allocation of credit exposures in one of the IFRS 9 stages is done at initial recognition, when the exposures are classified as stage 1 and is periodically reviewed based on “stage allocation” rules depending on a combination of relative and absolute elements as specified in *Part E – Information on risks and hedging policies – paragraph 2.3 Measurement method for expected losses*.

The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 15 – Other Information Impairment* describes the methods used for the impairment of groups of performing loans. In particular, for exposures classified in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year, while for exposures classified in stage 2, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

The same paragraph in the notes to the accounts describes the method to calculate the expected credit loss based on models that use the parameters of Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”) calculated for regulatory purposes and for which necessary adjustments are made to ensure that the measurement of impairment (or expected losses) considers timely and forward-looking information, including the effects of multiple scenarios.

Considering the significance of the amount of the performing loans recorded in the financial statements, the complexity of the estimation processes adopted by the Bank which comprised a structured classification activity into homogeneous risk categories and the use of valuation models characterized by numerous variables, including the existence of indicators of possible impairment, we have identified the classification and valuation of performing loans, with particular reference to performing credit portfolios with higher levels of management risk (“watchlist” exposures), as a key audit matter of the financial statements of the Bank as at 31 December 2019.

**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the Bank’s internal control system and the relative internal regulations concerning to the credit process which included, in particular, the identification of the organizational and procedural safeguards implemented by the Bank to monitor credit quality as well as the adequacy of the classification according to the provisions of

the sector legislation and for the relative assessment in compliance with the applicable accounting standards;

- analysis of the implementation of the procedures and Bank processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures with reference to the most significant changes compared to the prior year data, also through the obtainment and analysis of the monitoring reports; analysis of the related results with the heads of the Bank departments and related organizational units involved;
- analysis and understanding of the main valuation models adopted and verification, on a sample basis, of the reasonableness of the parameters subject to estimation, also used with the support of credit model experts and IT experts belonging to the Deloitte network;
- analysis and recalculation of the collective assessment of performing loans;
- checks on a sample basis on the classification according to the provisions of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurring after the reference date of the financial statements.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

***Risk of uncorrected classification and valuation of non-performing loans (unlikely to pay and bad loans)***

**Description of the key audit matter**

As indicated in the report on operations in the table *Loans to customers – Asset Quality*, as at 31 December 2019, non-performing loans to customers, net of write-downs equal to 69.37%, have a carrying value of 4,707 million Euro, of which, as reported in the notes to the accounts *Part B – Balance Sheet – Assets (table 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers)*, loans are equal to 4,687 million Euro.

In addition, the report on operations shows that the coverage ratio for bad exposures as at 31 December 2019 is equal to 84.92% with a carrying value of 956 million Euro, for unlikely to pay is equal to 59.83% with a carrying value of 3,440 million Euro and for non-performing past due is equal to 33.22% with a carrying value of 311 million Euro.

The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 15 – Other Information Impairment* shows that in stage 3 there are impaired exposures corresponding to the aggregate Non-Performing Exposures in accordance with Bank of Italy Circular No.272 as of 30 July 2008 and subsequent updates and with the EBA Implementing Technical Standards (EBA/ITS/2013/03/rev1 24/7/2014).

In the same paragraph of the notes to the accounts, it is also described that the assessment of bad exposures and unlikely to pay takes place:

- on an analytical basis, as the difference between the carrying amount and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset;
- through the comparison with coverage levels defined statistically for some credit portfolios below a predefined threshold.

Consistent with the basis underlying the 2020-2023 Strategic Plan, in December 2019, the Board of Directors of the Bank approved a modification to the parameters used to estimate the recovery values of credit exposures to customers included within the scope of Non Core business, with the objective of a complete disposal by the end of 2021. The modification of the aforementioned parameters qualifies, in accordance with IAS 8, as a change in accounting estimate, as the valuation criterion of the receivables has not changed.

In the notes to the accounts *Part E – Information on risks and hedging policies Section 1 – Credit Risk Paragraph A – Credit Quality*, it is reported that the change in accounting estimate previously described, resulted in the recognition of impairments in the income statement for the fourth quarter of 2019 for a total amount of 827 million Euro, of which:

- 747 million Euro relating to the application of the sales strategy, which involved credit-impaired exposures for a total of 4,439 million Euro nominal value, increasing the relative coverage level from 72.1% to 89.3%;
- 32 million Euro deriving from an increase in coverage levels relating to lower expected recoveries, which involved credit-impaired exposures for a total of 127 million Euro nominal value, increasing the relative coverage level from 70.8% to 92.8%;
- 48 million Euro attributable to write-offs, which involved credit-impaired exposures of 706 million Euro nominal value.

Considering the significance of non-performing loans amount recorded in the financial statements and the complexity of the estimation processes adopted by the Bank which implied a complex classification activity into homogeneous risk categories and the use of some variables characterized by a high subjectivity (such as the estimates of expected cash flows, the relative recovery times, the value of any guarantees and the recovery strategies) for the determination of the relative recoverable amount, we have identified the classification of non-performing loans and their valuation as a key audit matter of the financial statements of the Bank as at 31 December 2019.

**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the internal control system as well as the related internal regulations regarding the monitoring of credit quality, the management of impaired loans as well as the adequacy of the classification according to the provisions of the sector legislation and its assessment in compliance with the applicable accounting principles;
- analysis and understanding of the approval process by the competent bodies of the Bank of the actions to strengthen the strategy of reducing credit exposures included in the Non Core perimeter;
- verification of the implementation of the procedures and Bank processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures, for each category of non-performing loans, by calculating appropriate hedging indices and comparing them with the prior year data, also by obtaining and analyzing the monitoring reports, and analysis of the relative results with the heads of the Bank departments and the related organizational units involved, in addition to sector data;
- analysis and understanding of the main evaluation models adopted and verification, on a sample basis, of the reasonableness of the parameters to be assessed, also with the support of credit model experts and IT experts belonging to the Deloitte network;
- checks on a sample basis, for each category of non-performing loans, on the classification according to the requirements of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurring after the reference date of the financial statements.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

***Prisma transaction: accounting derecognition of a portfolio of non-performing loans following transfer through securitization***

**Description of the key audit matter**

As described in the notes to the accounts *Part E – Information on risks and hedging policies Section 1 – Credit Risk Paragraph A – Credit Quality*, the Board of Directors of the Bank approved the PRISMA transaction on 20 September 2019, realised in 2 phases: (1) on 11 October 2019 the legal transfer of the non-performing loan portfolio consisting of residential mortgages for a gross book value of 4,098 million Euro to PRISMA SPV Srl at a price of 1,320 million Euro, then settled on 18 October 2019 through the full

subscription by the Bank of all senior, mezzanine and junior notes issued (Asset Backed Securities ("ABS")), for 1,210 million Euro, 80 million Euro and 30 million Euro respectively; (2) on 5 November 2019 the transfer by the Bank to third party investors of 95% of the mezzanine and junior notes (for 104.5 million Euro out of the total of 110 million Euro originally subscribed) at a total price of approximately 48 million Euro.

With the completion of the aforementioned transaction, on 12 November 2019, the conditions provided for by IFRS 9 (paragraph 3.2.6) were fulfilled and the Bank proceeded with the accounting derecognition of the receivables belonging to the portfolio securitized through the PRISMA transaction from the balance sheet assets and to record the remaining portions of the ABS subscribed (100% senior, 5% mezzanine and junior) in the financial statements, classifying them in the categories envisaged by IFRS 9 based on their characteristics. On 27 December 2019, the Italian Minister of Economy and Finance granted the "Garanzia Cartolarizzazione Sofferenze" ("GACS") as a guarantee for the repayment of the senior notes.

Considering the significance of the accounting effects related to the transaction above described, we deem the derecognition of the receivables belonging to the loan portfolio subject to securitization within the PRISMA transaction to represent a key audit matter of the financial statements of the Bank as at 31 December 2019.

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**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis of the approval process of the securitization transaction by the competent bodies of the Bank;
- obtaining and analyzing: (i) the contracts made with third party counterparties who have signed the agreements for the sale of loans and ABS; (ii) the minutes of the meetings of the governing bodies of the Bank;
- analysis of the accounting treatment of the effects of the loan transfer transaction (through securitization), also through inquiries with the heads of the corporate functions and the related organizational units involved, as well as with the control body of the Bank;
- verification of the existence of the conditions required by IFRS 9 for the write-off of the receivables transferred as part of the PRISMA transaction from the balance sheet with reference to the substantial transfer of the risks and benefits of the loan portfolio sold and securitized;
- obtaining and analyzing the documentation prepared by the Bank for the application of the granting of the guarantee on the securitization of bad loans (GACS);
- verification of the classification and evaluation of the ABS securities subscribed by the Bank and recorded in the financial statements as at 31 December 2019 in the categories envisaged by IFRS 9.

Finally, we have verified the adequacy and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

### **Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

#### **Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of UniCredit S.p.A. has appointed us on May 11, 2012 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of UniCredit S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of UniCredit S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of UniCredit S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of UniCredit S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Riccardo Motta**  
Partner

Milan, Italy  
March 10, 2020

*This report has been translated into the English language solely for the convenience of international readers.*





## Ordinary Shareholders' Meeting resolution of 9 April 2020

The UniCredit S.p.A. Ordinary Shareholders' Meeting approved the 2019 Financial Statements of UniCredit S.p.A., comprising the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Notes to the accounts, as presented by the Board of Directors as a whole and with regard to the individual entries and thereby approved the coverage of the negative reserves totaling €3,407,151,223.87 through use of i) Share Premium Reserve for the amount of €3,283,308,260.33, preventively authorized by the Supervisory Authority, to eliminate the negative reserve related to the repayment of Additional Tier 1 coupons in 2018 and 2019 and the negative reserve related to the first time adoption of the IFRS9 and ii) Statutory Reserve for the amount of €123,842,963.54 to eliminate the negative reserves arising from the payment of usufruct fees in 2019 related to Cashes financial instruments.

The Ordinary Shareholders' Meeting also resolved:

- to cover the entire loss from the 2019 financial year through the use of the Share Premium Reserve for the amount of €555,260,165.28; the use of the Share Premium reserve has been preventively authorized by the Supervisory Authority;
- to set in fourteen the number of Directors;
- to integrate the Board of Directors, by appointing the directors Mrs. Beatriz Lara Bartolomé and Mr. Diego De Giorgi, already co-opted by the Board in the meeting of 5 February 2020, who will hold the office until the expiration of the current Board of Directors and, therefore, until the Shareholders' Meeting convened to approve the 2020 financial statements;
- to confer the statutory audit mandate to the auditing firm KPMG S.p.A. for the years 2022-2030, also determining the fees;
- to approve the 2020 Group Incentive System;
- to approve the 2020 Group Remuneration Policy and the Remuneration Report which forms an integral part of it;
- to approve the 2020-2023 Long-Term Incentive Plan.

9 April 2020



# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below. An explanation for the restatement of comparative figures is provided in the previous sections.

## Balance sheet

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>ASSETS</b>		
Cash and cash balances	2,395	7,461
10. Cash and cash balances	2,395	7,461
Financial assets held for trading	12,678	11,834
20. Financial assets at fair value through profit and loss: a) Financial assets held for trading	12,678	11,834
Loans to banks	38,637	28,635
40. Financial assets at amortised cost: a) Loans and receivables with banks	42,068	30,972
less: Reclassification of debt securities in Other financial assets	(3,431)	(2,336)
Loans to customers	229,625	222,591
40. Financial assets at amortised cost: b) Loans and receivables with customers	259,095	239,585
less: Reclassification of debt securities in Other financial assets	(29,564)	(17,052)
+ Reclassification of loans from Other financial assets - Item 20 c)	94	58
Other financial assets	104,199	112,294
20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value	2,019	3,164
less: Reclassification of loans in Loans to customers	(94)	(58)
30. Financial assets at fair value through other comprehensive income	31,407	46,927
70. Equity investments	37,873	42,873
+ Reclassification of debt securities from Loans to banks - Item 40 a)	3,431	2,336
+ Reclassification of debt securities from Loans to customers - Item 40 b)	29,564	17,052
Hedging instruments	7,311	5,853
50. Hedging derivatives	5,223	4,167
60. Changes in fair value of portfolio hedged items (+/-)	2,089	1,686
Property, plant and equipment	4,172	2,363
80. Property, plant and equipment	4,172	2,363
Goodwill	-	-
90. Intangible assets of which: goodwill	-	-
Other intangible assets	4	4
90. Intangible assets net of goodwill	4	4
Tax assets	10,405	10,662
100. Tax assets	10,404	10,662
Non-current assets and disposal groups classified as held for sale	1,142	117
110. Non-current assets and disposal groups classified as held for sale	1,142	117
Other assets	3,906	3,877
120. Other assets	3,906	3,876
<b>Total assets</b>	<b>414,474</b>	<b>405,691</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Balance sheet

	AMOUNTS AS AT	
	12.31.2019	12.31.2018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from banks	57,571	58,995
10. Financial liabilities at amortised cost: a) Deposits from banks	57,578	58,995
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(7)	-
Deposits from customers	215,696	211,872
10. Financial liabilities at amortised cost: b) Deposits from customers	217,039	211,872
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(1,343)	-
Debt securities issued	54,509	52,969
10. Financial liabilities at amortised cost: c) Debt securities in issue	54,509	52,969
Financial liabilities held for trading	13,403	10,384
20. Financial liabilities held for trading	13,403	10,384
Other financial liabilities	5,090	3,535
30. Financial liabilities designated at fair value	3,740	3,535
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers - Item 10 b)	1,343	-
+ Reclassification of leasing liabilities IFRS16 from Deposits from banks	7	-
Hedging instruments	7,608	6,295
40. Hedging derivatives	4,882	4,525
50. Value adjustment of hedged financial liabilities (+/-)	2,726	1,770
Tax liabilities	1	2
60. Tax liabilities	1	2
Liabilities included in disposal group classified as held for sale	-	-
70. Liabilities referable to disposal groups classified as held for sale	-	-
Other liabilities	9,077	10,728
80. Other liabilities	6,155	7,617
90. Provision for employee severance pay	623	629
100. Provisions for risks and charges	2,299	2,483
Shareholders' equity:	51,519	50,911
- Capital and reserves	52,074	48,469
110. Valuation reserves	472	(503)
120. Redeemable shares	-	-
130. Equity instruments	5,602	4,610
140. Reserves	11,783	10,031
150. Share premium	13,225	13,393
160. Share capital	20,995	20,940
170. Treasury shares (-)	(2)	(2)
- Net profit (loss)	(555)	2,442
180. Profit (Loss) of the period (+/-)	(555)	2,442
<b>Total liabilities and shareholders' equity</b>	<b>414,474</b>	<b>405,691</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Income statement

	YEAR	
	2019	2018
Net interest	3,849	4,156
30. Net interest margin	3,819	4,166
+ Derivatives instruments - Economic Hedges - Others - Interest component	31	-
+ Reclassification for IFRS16	-	(10)
Dividends and other income from equity investments	1,844	2,587
70. Dividend income and similar revenue	1,906	2,630
less: Dividends on equity investments, shares and equity instruments mandatorily at fair value	(62)	(43)
Net fees and commissions	3,802	3,830
60. Net fees and commissions	3,802	3,950
less: Expenses for payment services and cards	-	(120)
Net trading income	327	121
80. Net gains (losses) on trading	443	-
less: Derivatives instruments - Economic Hedges - Others - Interest component	(31)	-
90. Net gains (losses) on hedge accounting	(3)	1
100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income	57	87
100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	(11)	(1)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	(241)	(9)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities (from Item 100 a)	52	-
+ Dividends on equity investments, shares and equity instruments mandatorily at fair value (from Item 70)	62	43
Net other expenses/income	(91)	(73)
200. Other operating expenses/income	292	412
less: Recovery of expenses	(480)	(508)
less: Leasehold improvements	25	21
less: Integration costs	-	1
less: Net results from trading of physical gold, precious stones and metals	78	2
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	(8)	(1)
<b>OPERATING INCOME</b>	<b>9,731</b>	<b>10,621</b>
Payroll costs	(2,756)	(2,866)
160. Administrative expenses: a) staff costs	(2,760)	(2,866)
less: Administrative expenses - staff costs - integration costs	4	-
Other administrative expenses	(2,130)	(2,284)
160. Administrative expenses: b) Other administrative expenses	(2,603)	(2,960)
less: Other administrative expenses contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA	386	384
less: Other administrative expenses - integration costs	111	2
less: Reclassification for IFRS16	-	191
+ Other operating expenses/income - leasehold improvements (from Item 200)	(25)	(21)
+ Expenses for payment services and cards (from Item 60)	-	120
Recovery of expenses	480	508
+ Other operating expenses/income - recovery of expenses (from Item 200)	480	508
Amortisation, depreciation and impairment losses on intangible and tangible assets	(319)	(313)
180. Net value adjustments/write-backs on property, plant and equipment	(316)	(131)
190. Net value adjustments/write-backs on intangible assets	(2)	(2)
+ Reclassification for IFRS16	-	(181)
<b>Operating costs</b>	<b>(4,725)</b>	<b>(4,955)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>5,006</b>	<b>5,666</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Income statement

(€ million)

	YEAR	
	2019	2018
<b>OPERATING PROFIT (LOSS)</b>	<b>5,006</b>	<b>5,666</b>
Net impairment losses on loans and provisions for guarantees and commitments	(2,659)	(1,986)
100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	76	(34)
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans	8	1
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	(52)	-
130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	(2,740)	(1,998)
less: Net losses/recoveries on impairment relating to financial assets at amortised cost - debt securities	(7)	11
130. Net losses/recoveries on impairment relating to: b) financial assets at fair value through other comprehensive income	(16)	(14)
less: Net losses/recoveries on impairment relating to financial assets at fair value through other comprehensive income - debt securities	16	14
140. Gains/Losses from contractual changes with no cancellations	(21)	(3)
170. Net provisions for risks and charges: a) commitments and financial guarantees given	77	38
<b>NET OPERATING PROFIT (LOSS)</b>	<b>2,347</b>	<b>3,680</b>
Other charges and provisions	(752)	(786)
170. Net provisions for risks and charges: b) other net provisions	(365)	(428)
less: Tax disputes relating to income tax (interests and sanctions excluded)	-	26
+ Administrative expenses - other administrative expenses contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA (from Item 160 b)	(386)	(384)
Integration costs	(114)	(3)
+ Administrative expenses - staff costs - integration costs (from Item 160 a)	(4)	-
+ Administrative expenses - other administrative expenses - integration costs (from Item 160 b)	(111)	(2)
+ Net other expenses/income - integration costs - (from Item 200)	-	(1)
Net income from investments	(1,737)	(1,607)
220. Profit (Loss) of equity investments	(1,397)	(1,590)
230. Net gains (losses) on tangible and intangible assets measured at fair value	(251)	(34)
250. Gains (Losses) on disposal of investments	-	44
+ Net losses/recoveries on impairment relating to financial assets at amortised cost - debt securities (from Item 130 a)	7	(11)
+ Net losses/recoveries on impairment relating to financial assets at fair value through other comprehensive income - debt securities (from Item 130 b)	(16)	(14)
+ Net results from trading of physical gold, precious stones and metals (from Item 200)	(78)	(2)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(256)</b>	<b>1,284</b>
Income tax	(299)	1,158
270. Tax expenses (income) from continuing operations	(299)	1,184
+ Other changes and provisions - Tax disputes relating to income tax (interests and sanctions excluded) - (from Item 170 b)	-	(26)
<b>PROFIT (LOSS) AFTER TAX</b>	<b>(555)</b>	<b>2,442</b>
Profit (Loss) from non-current assets held for sale after tax	-	-
290. Profit (Loss) after tax from discontinued operations	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(555)</b>	<b>2,442</b>
Goodwill impairment	-	-
240. Goodwill impairment	-	-
<b>NET PROFIT (LOSS)</b>	<b>(555)</b>	<b>2,442</b>
300. Net profit (loss) for the period	(555)	2,442

## Annex 2 - Audit fees and other non-audit services

(pursuant to article 149-duodecies, CONSOB Regulation No.11971/99, as supplemented)

(€ million)

DISCLOSURE OF EXTERNAL AUDITORS' FEES - UNICREDIT S.p.A. - FINANCIAL YEAR 2019 - DELOITTE NETWORK					
As prescribed by §149-duodecies of the Consob Issuers Regulation, the following table gives fees paid in 2019 for audit services rendered by the Auditor and firms in its network.					
UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE					
EXTERNAL AUDITING	SERVICE PROVIDER				FEES <sup>(1)</sup>
	NAME OF AUDITING FIRM	COMPANY NAME	DESCRIPTION OF SERVICE		
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Audit of Company and Consolidated Accounts and First Half Report, accounting checks and foreign branches <sup>(2)</sup>		3.4
Auditing Firm Total					3.4
External Auditing Total					3.4
UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE					
CHECKING FOR THE PURPOSES OF OTHER OPINIONS	SERVICE PROVIDER				FEES <sup>(1)</sup>
	NAME OF AUDITING FIRM	COMPANY NAME	DESCRIPTION OF SERVICE		
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Limited review on 2019 non financial information, Limited review on 1Q 2019 and 3Q 2019 Consolidated Reports for the inclusion of interim net profit in Common Equity Tier 1 Capital, Issuing Comfort Letters concerning bond issues, Signing the Italian tax declaration forms, Supervisory Fees ECB ISA805, English translation of the Auditor's Reports		2.1
Auditing Firm Total					2.1
Network Auditing Firm(s)	Deloitte Touche Tohmatsu CPA LLP, Deloitte & Touche Middle Est LLP, Deloitte SL	UniCredit S.p.A.	Statutory audit of foreign branches Shanghai, Abu Dhabi and Madrid financial statements according to local regulations		0.2
Network Auditing Firm(s) Total					0.2
Data Checking Total					2.3
UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE					
OTHER NON-AUDITING SERVICES	SERVICE PROVIDER				FEES <sup>(1)</sup>
	NAME OF AUDITING FIRM	COMPANY NAME	DESCRIPTION OF SERVICE	TYPE	
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Agreed Upon Procedure (AUP) on Own Funds, AUP on quarterly calculation foreign exchange risk of CIUs, AUP on contributions to the Single Resolution Fund, AUP on Servicing Report Cordusio RMBS	Other services	0.2
Auditing Firm Total					0.2
Network Auditing Firm(s)	Deloitte Consulting S.r.l.	UniCredit S.p.A.	Support to Projects "Mobile Leadership Evolution Projects", "Evoluzione App Mobile Banking", "Liquidity Risk Model enhancements" and "My Credit Program"	Other services	0.7
Network Auditing Firm(s)					0.7
Other Non-Auditing Services Total					1.0
Grand Total					6.7

## Notes:

(1) Excluding VAT and expenses.

(2) Contract authorised by the Resolution of the Shareholders' Meeting of 11 May 2012 for a total amount of €2,206,600 (integrated by €150,000 in 2013, by €250,000 in 2016, by €250,000 in 2017, €224,000 in 2018 and by €150,000 in 2019), plus ISTAT indexation amounting to €128,610.



## Annex 3 - Internal pension funds: statement of changes in the year and final accounts

### Internal Pension Funds

As at 31 December 2019 UniCredit S.p.A. with regard to internal pension funds maintain commitments to the funds set up for the employees of the London and the Munich branch - of which the main details follow:

#### Statement of changes in internal pension funds

						(€ million)
FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2019	NO. OF MEMBERS AS AT 12.31.2019	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE	
<b>Statement of the "Pension fund for employees of the former Banca di Roma - London Branch"</b>	<b>6</b>	<b>20<sup>(*)</sup></b>	Defined benefit			
Opening balance as at 12.31.2018				2.8		
Provisions for the year:						
- Past service cost						
- Interest cost on defined benefit obligations				0.2		
- Interest Income on plan assets				(0.1)		
- Administrative expenses paid from plan assets				0.1		
Employer Contributions				(0.3)		
Exchange rate effect				0.1		
Actuarial (gains)/losses recognised in the year				0.4		
Balance as at 12.31.2019				3.2		
Present value of the liabilities				10.5		
Present value of plan assets				7.3		
Net Liability as at 12.31.2019				3.2		

Note:

(\*) of which 20 deferred benefit.

<b>"Pension fund for the employees of the London Branch" (ex Credito Italiano)</b>	<b>10</b>	<b>66<sup>(*)</sup></b>	Defined benefit			
Opening balance as at 12.31.2018				0.7		
Provisions for the year:						
- Current service cost (gross)				0.2		
- Past service cost				-		
- Interest cost on defined benefit obligations				0.8		
- Interest Income on plan assets				(0.8)		
Employer Contributions				(2.0)		
Exchange rate effects				0.0		
Actuarial (gains)/losses recognised in the year				1.1		
Balance as at 12.31.2019				0.0		
Present value of the liabilities				31.0		
Present value of plan assets				31.0		
Net Liability as at 12.31.2019				0.0		

Note:

(\*) of which 66 deferred benefit.

## Annex 3 - Internal pension funds: statement of changes in the year and final accounts

<b>"Pension fund for the employees of Munich Branch</b>	<b>10<sup>(*)</sup></b>	<b>Defined benefit</b>	
<b>Opening balance as at 12.31.2018</b>			<b>0.6</b>
Provisions for the year:			-
- Current service cost (gross)			0.3
- Interest cost on defined benefit obligations			0.0
- Interest Income on plan assets			(0.0)
Employer Contributions			(0.5)
Other increases (decreases)			0.3
Actuarial (gains)/losses recognised in the year			0.4
<b>Balance as at 12.31.2019</b>			<b>1.0</b>
<b>Present value of the liabilities</b>			<b>1.9</b>
<b>Present value of plan assets</b>			<b>0.9</b>
<b>Net Liability as at 12.31.2019</b>			<b>1.0</b>

Note:

(\*) of which 3 deferred benefit.

## Annex 4 - Securitisation - qualitative tables

Reference is made to the Annexes - Annex 3 - Securitisations - qualitative tables of Consolidated financial statements of UniCredit group with specific reference to UniCredit S.p.A. as Originator which is herewith quoted entirely.

## Annex 5 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative tables

Reference is made to the Annexes - Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same Funds - qualitative tables of Consolidated financial statements of UniCredit group with specific reference to UniCredit S.p.A. as originator which is herewith quoted entirely.



# Incorporations of qualitative information by reference

The following is the list of the incorporations of qualitative information by reference made by the Consolidated financial statements to the Company financial statements:

PART OF THE CONSOLIDATED FINANCIAL STATEMENTS WHERE A REFERENCE IS PRESENT	DESCRIPTION OF THE PART OF THE COMPANY FINANCIAL STATEMENTS WHERE IS DETECTABLE THE QUALITATIVE INFORMATION INCORPORATED BY REFERENCE
Part B - Information on consolidated balance sheet - Assets - Section 2 - Financial assets at fair value through profit or loss - Item 20	The paragraph "Information about the units of Atlante Fund and Italian Recovery Fund" is incorporated by reference to Part B - Balance sheet - Assets - Section 2 - Financial assets at fair value through profit or loss - Item 20 of the Notes to the accounts. The paragraph "Information about the investments in the "Schema Volontario" (Voluntary Scheme) is incorporated by reference to Part B - Balance sheet - Assets - Section 2 - Financial assets at fair value through profit or loss - Item 20 of the Notes to the accounts.
Part B - Information on consolidated balance sheet - Assets - Section 3 - Financial assets at fair value through other comprehensive income - Item 30	The paragraph "Information about the shareholding in Banca d'Italia" is incorporated by reference to Part B - Balance sheet - Assets - Section 3 - Financial assets at fair value through other comprehensive income - Item 30 of the Notes to the accounts.
Part B - Information on consolidated balance sheet - Assets - Section 11 - Tax assets and tax liabilities - Item 110 (Assets) and Item 60 (Liabilities)	The qualitative disclosure of deferred tax assets and liabilities of the Parent company is incorporated by reference to Part B - Information on balance sheet - Assets - Section 10 - Tax assets and tax liabilities - Item 100 (Assets) and Item 60 (Liabilities) of the Notes to the accounts.
Part B - Information on consolidated balance sheet - Liabilities - Section 13 - Group shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180	The paragraphs "12.1 Share capital and treasury shares", "12.2 Share capital - Number of shares", "12.3 Capital: other information" and "12.5 Equity instruments: breakdown and annual changes" are incorporated by reference to Part B - Information on balance sheet - Liabilities - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 of the Notes to the accounts.
Part C - Information on consolidated income statement - Section 21 - Tax expenses (income) for the period from continuing operations - Item 300	The qualitative disclosure of tax expenses (income) for the period of the Parent company is incorporated by reference to Part C - Income statement - Section 19 - Tax expenses (income) for the period from continuing operations - Item 270 of the Notes to the accounts.
Part E - Information on risks and hedging policies - Section 1 - Risks of the accounting consolidated perimeter - Qualitative information	The paragraph "Prisma transaction" is incorporated by reference to the same paragraph in Part E - Information on risks and hedging policies - Section 1 - Risks of the accounting consolidated perimeter - Quantitative information of the Notes to the accounts.
Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk - Qualitative information	The qualitative disclosure with reference to governance issues, commercial policies and credit strategies relating to the UniCredit S.p.A. perimeter, is incorporated by reference to paragraph of Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Qualitative information - 1. General Aspects of the Notes to the accounts. The qualitative disclosure with reference to the Italian perimeter of UniCredit S.p.A., reporting to the "Group Lending Office", is incorporated by reference to Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Qualitative information - 2. Credit risk management policies - 2.1 Organisational aspects of the Notes to the accounts.
Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk - Quantitative information - E. Prudential perimeter - Credit risk measurement model	The quantitative information of UniCredit S.p.A. on Credit risk measurement model is incorporated by reference to the paragraph in Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Quantitative information - F. Credit risk measurement models of the Notes to the accounts.
Part E - Information on risks and hedging policies - Section 2 - Risks of prudential consolidated perimeter - Section 2.5 - Operational risks	The paragraph "E. Other claims by customers" and the sub-paragraph "Diamond offer" are incorporated by reference to the similar paragraphs of Part E - Information on risks and hedging policies - Section 5 - Operational risks of the Notes to the accounts.

# Incorporations of qualitative information by reference

The following is the list of the incorporations of qualitative information made by reference by the Company financial statements to the Consolidated financial statements:

PART OF THE COMPANY FINANCIAL STATEMENTS WHERE A REFERENCE IS PRESENT	DESCRIPTION OF THE PART OF THE CONSOLIDATED FINANCIAL STATEMENTS WHERE IS DETECTABLE THE QUALITATIVE INFORMATION INCORPORATED BY REFERENCE
Report on operations - Introduction and highlights	<p>The paragraph "Share information" is presented by reference to the paragraph "Share information" - Group and UniCredit share historical data series of the Consolidated report on operations.</p> <p>The paragraph "Macroeconomic situation, banking and financial markets" is presented by reference to the paragraph "Macroeconomic situation, banking and financial markets" - Group results of the Consolidated report on operations.</p> <p>References of UniCredit official website where can be found Report on corporate governance and ownership structure, Report on remuneration and Non-financial information are reported in Other information of the Consolidated report on operations.</p> <p>The paragraph "Research and development projects" is presented by reference to the paragraph "Research and development projects" - Other information of the Consolidated report on operations.</p> <p>Information of significant organizational changes and organizational structure are presented by reference to the paragraph "Organisational model" - Other information of the Consolidated report on operations.</p>
Report on operations - Results of the year - Capital and value management	The qualitative disclosure of "Principles of value creation and disciplined capital allocation", "Capital ratios" for information relating to transitional capital requirements and buffers for UniCredit group and "Capital strengthening" are incorporated by reference to the same paragraphs in "Capital and value management" - Group results of the Consolidated report on operations.
Report on operations - Other information	<p>The paragraph "Group activities development operations and other corporate transactions", with specific reference to events relating to the parent company UniCredit S.p.A., is incorporated by reference to the same paragraph "Group activities development operations and other corporate transaction" - Other information of the Consolidated report on operations.</p> <p>The paragraph "Certifications and other communications" is incorporated by reference to the same paragraph "Certifications and other communications" - Other information of the Consolidated report on operations.</p>
Report on operations - Subsequent events and Outlook	<p>The paragraph "Subsequent events", with specific reference to events relating to the parent company UniCredit S.p.A., is incorporated by reference to the paragraph "Subsequent events" - Other information of the Consolidated report on operations.</p> <p>The paragraph "Outlook" is incorporated by reference to the paragraph "Outlook" of the Consolidated report on operations.</p>
Part C - Income statement - Section 10 - Other administrative expenses - Item 160	The paragraph "Contributions to Resolution and Guarantee Funds" is incorporated by reference to the paragraph "Contributions to Resolution and Guarantee Funds Part C - Consolidated income statement - Section 12 Administrative expenses - Item 190 of the Notes to consolidated accounts.
Part E - Information on risks and hedging policies - Introduction	The paragraph "Introduction" is incorporated by reference to the paragraph "Introduction" of Part E - Information on risks and hedging policies of the Notes to consolidated accounts.

# Incorporations of qualitative information by reference

Part E - Information on risks and hedging policies - Section 1 - Credit risk - Qualitative information	Qualitative information relating to “1. General aspects”, “2. Credit risk management policies”, “3. Non-performing credit exposure”, “4. Commercial renegotiation of financial assets and forbore exposures” is incorporated by reference to the same paragraphs of Part E - Information on risks and hedging policies Section 2 - Risks of prudential perimeter - 2.1 Credit risk - Qualitative information of the Notes to consolidated accounts.
Part E - Information on risks and hedging policies - Section 1 - Credit risk - Quantitative information	<p>The paragraph “Strengthening of the rundown strategy for Non Core perimeter” is incorporated by reference to the relevant paragraph “The strengthening of the rundown strategy of the Non Core perimeter” in Part E - Information on risks and hedging policies - Section 1 Risks of the accounting consolidated perimeter of the Notes to consolidated accounts.</p> <p>Concerning the classification of credit exposure, of loan commitments and financial guarantees given based on internal and external ratings in force for the UniCredit group reference is made to the paragraph of Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter of the Notes to consolidated accounts.</p> <p>Quantitative information regarding the sales of financial assets to Investment Funds, receiving as consideration units issued by the same Funds is entirely incorporated by reference to Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter of the Notes to consolidated accounts.</p> <p>The paragraph “E.4 Covered bond transaction” is incorporated by reference to the paragraph “D.4 Covered bond transaction” Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk - Qualitative information Part E - Information on risks and hedging policies of the Notes to consolidated accounts.</p>
Part E - Information on risks and hedging policies - Section 2 - Market risk	<p>Qualitative information as introduction (“Risk management strategies and processes”, “Structure and organisation”, “Risk measurement and reporting systems”, “Hedging policies and risk mitigation”, “Internal model for price, interest rate and exchange rate risk of the Regulatory trading book”) is incorporated by reference to qualitative information of paragraph of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk of the Notes to consolidated accounts.</p> <p>Qualitative information of “2.1 Interest rate risk and price risk - Regulatory trading book”, “2.2 Interest rate and price risk - Banking book” and “2.3 Exchange rate risk” is incorporated by reference to qualitative information of paragraph of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk of the Notes to consolidated accounts.</p> <p>Quantitative information of paragraph “3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis” of Interest rate risk and price risk - Regulatory trading book and of “2. Internal models and other methodologies for sensitivity analysis” of Exchange rate risk is incorporated by reference to qualitative information of paragraph of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk of the Notes to consolidated accounts.</p> <p>Information on “Credit spread risk” and “Stress test” are incorporated by reference to the relevant paragraphs in Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk of the Notes to consolidated accounts.</p>
Part E - Information on risks and hedging policies - Section 4 - Liquidity risks	Qualitative information is incorporated by reference to qualitative information of paragraph of Part E Information on risks and hedging policies Section 2 - Risk of the prudential consolidated perimeter - 2.4 Liquidity risk of the Notes to consolidated accounts.



# Incorporations of qualitative information by reference

Part E - Information on risks and hedging policies - Section 5 - Operational risk - Qualitative information	<p>The paragraph "A. General aspects, operational processes and methods for measuring operational risk" is incorporated by reference paragraph "A. General aspects, operational processes and methods for measuring operational risk" of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts.</p> <p>The paragraph "B. Risks arising from legal disputes" is incorporated by reference to paragraph "B. Risks arising from legal disputes" of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts.</p> <p>The paragraph "C. Risks arising from employment law cases" is incorporated by reference to paragraph "Risks arising from employment law cases" of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts.</p> <p>The paragraph "D. Risks arising from tax disputes" is incorporated by reference to paragraph "D. Risks arising from tax disputes" of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts.</p>
Part E - Information on risks and hedging policies - Section 5 - Operational risk - Quantitative information	Quantitative information are incorporated by reference to the relevant paragraph in Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts.
Part E - Information on risks and hedging policies - Section 6 - Other risk	Qualitative information of paragraphs "Other risks included in Economic Capital", "Reputational risk" and "Top and emerging risk" is incorporated by reference to qualitative information in different paragraph of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.6 Other risks of the Notes to consolidated accounts.
Part F - Shareholders' equity	The paragraph "A. Qualitative information" is incorporated by reference to paragraph "A. Qualitative information" of Part F - Consolidated shareholders' equity of the Notes to consolidated accounts.
Part H - Related-party transactions	The paragraph "Introduction" and the qualitative information of paragraph "2. Related-party transactions" are incorporated by reference paragraphs "Introduction" and "2. Related-party transactions" of Part H - Related-party transactions of the Notes to consolidated accounts.
Part I - Share-based payments	The paragraph "A. Qualitative information" and paragraph "B. Quantitative information -1. Annual changes" are incorporated by reference to paragraphs "A. Qualitative information" and "1 B. Quantitative information -1. Annual changes" of Part I - Share-based payments of the Notes to consolidated accounts.
Annex 4 - Securitisations - qualitative tables	Information is incorporated by reference to information in Annex 3 - Securitisations - qualitative tables of the consolidated financial statements.
Annex 5 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative tables	Information is incorporated by reference to information in Annex 4 - Sales of financial assets to investment funds, receiving as consideration units issued by the same funds - qualitative tables of the consolidated financial statements.





# Glossary

## **ABB Accelerated Bookbuild**

An accelerated bookbuild is a form of offering in the equity capital markets of material stake of a company's share to institutional investors.

## **ABCP Conduits - Asset Backed Commercial Paper Conduits**

Asset Backed Commercial Paper Conduits are a type of "SPV - Special Purpose Vehicle" (see item) set up to securitise various types of assets and financed by Commercial Paper (see item).

Commercial Paper generally matures in 270 days, with payment of principal and interest depending on the cash flow generated by the underlying assets.

ABCP Conduits may be single-sellers or multi-sellers according to the number of issues they make. Conduits generally require several SPVs.

The first-level vehicles issue the Commercial Paper and finance one or more second-level vehicles or Purchase Companies (see item) which purchase the assets to be securitised.

An ABCP Conduit will have the following:

- issues of short-term paper creating a maturity mismatch between the assets held and the paper issued;
- liquidity lines covering the maturity mismatch; and
- security covering default risk in respect of both specific assets and the entire programme.

## **ABS - Asset Backed Securities**

Debt securities, generally issued by an "SPV - Special Purpose Vehicle" (see item) guaranteed by assets of various types such as mortgage loans, consumer credits, credit card receivables, etc. Principal and interest payments are subject to the performance of the securitised assets and the existence of any further security guaranteeing the bond. ABSs are divided into tranches (senior, mezzanine and junior) according to the priority with which principal and interest will be paid.

## **Acquisition Finance**

Finance for business acquisition operations. The most common form of Acquisition Finance is the leveraged buy-out (see Leveraged Finance).

## **Affluent**

Banking customer segment whose available assets for investment are regarded as moderate to high.

## **Allocated capital**

It represents the amount of capital absorbed by the Group and the Divisions to perform their business activities and to cover all the types of related risks. It is measured by Regulatory Capital obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio, plus certain regulatory deductions (e.g. shortfall, securitisations, equity exposures). If calculated as actual figure it can be also titled Absorbed Capital.

## **ALM - Asset & Liability Management**

Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimise the risk/return ratio.

## **AMA (Advanced Measurement Approach)**

Applying this methodology the operational risk requirement is obtained with calculation models based on operational loss data and other evaluation elements collected and processed by the bank. Admittance threshold and specific suitability requirements have been provided for the use of the standardised and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.

## **Asset allocation**

Decisions to invest in markets, geographical areas, sectors or products.

## **Asset management**

Activities of management of the financial investments of third parties.

# Glossary

## **ATM - Automated Teller Machine**

Automated machine that allows customers to carry out operations such as withdrawing cash, paying in cash or checks, requesting account information, paying utility bills, topping up mobile phone credits, etc.

The customer activates the terminal by inserting a smart card and entering his/her Personal Identification Number.

## **Audit**

Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

## **Back-testing**

Statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.

## **Bad Loans ("Sofferenza")**

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any, secured or personal, guarantees covering the exposures).

## **Banking Book**

Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

## **Bank Levy**

Charges applied at national level specifically to financial institutions, mainly based on Balance Sheet figures, or parts of it.

## **Basel 2**

New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.

The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- **Pillar 1:** while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- **Pillar 2:** this requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures;
- **Pillar 3:** this introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

## **Basel 3**

As a consequence of the crisis that, since 2008 has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as at 1 January 2014. These rules have been implemented at the European level through the CRDIV "Package".

## **Best practice**

Behaviour commensurated with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

## **CBO - Collateralised Bond Obligations**

CDO - Collateralised Debt Obligations (see item) with bonds as underlyings.

# Glossary

## **CCF - Credit Conversion Factor**

Ratio between (a) the unused portion of the line of credit that it is estimated may be used in the event of default and (b) the portion currently unused.

## **CDO - Collateralised Debt Obligations**

Bonds issued by a vehicle with loans, bonds, ABS - Asset Backed Securities (see item) or other CDOs as underlyings. CDOs make it possible to derecognise assets in the bank's balance sheet and also to arbitrage the differences in yield between the securitised assets and the bonds issued by the vehicle.

CDOs may be funded if the vehicle legally acquires title to the assets or unfunded if the vehicle acquires the underlying risk by means of a CDS - Credit Default Swap (see item) or similar security.

These bonds may be further subdivided as follows:

- CDOs of ABSs, which in turn have tranches of ABSs as underlyings;
- Commercial Real Estate CDOs (CRE CDOs), with commercial property loans as underlyings;
- Balance Sheet CDOs which enable the Originator (see item), usually a bank, to transfer its credit risk to third 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.

## **CIU - Collective Investment Undertakings**

Collective Investment Undertaking means an UCITS "Undertakings for Collective Investments in Transferable Securities" that may be constituted in accordance with contract law (as common funds managed by management companies), trust law (as unit trusts), or statute (as investment companies), an AIF (Alternative Investments Fund) or a non-EU AIF.

## **CLO**

Chief Lending Officer.

## **CLO - Collateralised Loan Obligations**

CDO - Collateralised Debt Obligations (see item) with loans made by authorised lenders such as commercial banks as underlyings.

## **CMBS - Commercial Mortgage Backed Securities**

ABS - Asset Backed Securities (see item) with commercial mortgages as underlyings.

## **Commercial Paper**

Short-term securities issued to raise funds from third-party subscribers as an alternative to other forms of debt.

## **Commodity risk**

The risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

## **Corporate**

Customer segment consisting of medium to large businesses.

# Glossary

**Cost/Income Ratio**

The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

**Cost of risk**

The annualised ratio between loan loss provisions and average net volumes of loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.

**Counterparty Credit Risk**

The risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.

**Covenant**

A loan agreement clause whereby the lender is entitled to restructure or call in the loan on occurrence of the events specified in the clause, which ties changes in the borrower's profits and financial situation to events of default or restructuring (modifying e.g. the repayment schedule or the interest rate charged).

**Covered bond**

A bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV - Special Purpose Vehicle (see item).

**CRD (Capital Requirement Directive)**

EU directives No.2006/48 and 2006/49, incorporated into Banca d'Italia Circular No.263/2006 of 27 December 2006 as amended.

The CRDIV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into Banca d'Italia Circular 285 of 17 December 2013 as amended.

**CRDV**

Amendment to the CRDIV "Package".

**Credit risk**

The risk that an unexpected change in the creditworthiness of a counterparty, the value of the guarantees provided by it or the margins used by it in the event of insolvency might produce an unexpected change in the value of the bank's credit position.

**Credit Valuation Adjustment (CVA)**

It 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, and subsequently amendment in Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2"), on prudential requirements for credit institutions and investment firms and that amending Regulation (EU) No 648/2012.

**Currency risk**

The risk that the value of the instrument decreases due to foreign exchange rates changes.

**Daily VaR**

It reflects the Value at Risk risk measures calibrated to a 1-day holding period to compare with the 99% confidence level with its trading outcomes.

# Glossary

**Default**

A party's declared inability to honor its debts and/or the payment of the associated interest.

**Duration**

This is generally calculated as the weighted average of the maturities for payment of the interest and capital associated with a bond, and represents an indicator of the interest rate risk to which a security or a bond portfolio is subject.

**EAD - Exposure at Default**

With reference 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.

**Earnings at risk perspective**

The focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between the revenues generated by interest sensitive assets and the cost relating to interest sensitive liabilities.

**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.

**ECAI**

External Credit Assessment Institution.

**ECB**

The European Central Bank is the central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the Euro area.

**Economic capital**

Capital level that is required to cover the bank's losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

**Economic value perspective**

Variation in interest rates can affect the economic value of assets and liabilities.

**EL**

Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).

**EPS - Earnings Per Share**

An indicator of a company's profitability calculated as: Net Profit divided by Average total outstanding shares (excluding treasury shares).

**Equity risk**

The risk that the value of the instrument decreases due to stock or index prices changes.

**Expected Shortfall**

Risk measure representing the expected loss of a portfolio or a counterparty calculated in the scenarios of loss exceeding the VaR.

**EVA - Economic Value Added**

EVA is equal to the difference between the Net Operating Profit After Tax ("NOPAT" Net Operating Profit After Tax - see item) and the cost of the allocated capital. It expresses the ability to create value in monetary terms.



# Glossary

## **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. It 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 relating 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 the 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.

## **FTE - Full Time Equivalent**

The number of a company's full-time employees. Part-time employees are considered on a pro-rata temporis basis.

## **Full Revaluation Approach**

It is a methodology behind the historical simulation approach for VaR calculation, when the value of a portfolio is estimated by the complete revaluation of its value according to the simulation results.

## **Funding**

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

## **Futures**

Standardised contracts whereby the parties undertake to exchange money, transferable securities or goods at a preset price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

## **GDP (Gross Domestic Product)**

The total market value of the products and services produced by Country residents in a given time frame.

## **GIV**

Group Internal Validation.

## **GLO**

Group Lending Office.

## **Goodwill**

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

## **GW BANKS**

IRB calculation model - Group Wide model Financial Institution & Banks.

# Glossary

**GW MNC**

IRB calculation model - Group Wide Multinational Corporate.

**Hedge Fund**

Speculative mutual investment fund adopting hedging techniques which generally are not used by ordinary mutual funds, in order to deliver a constant performance, which is only hardly linked to reference markets. Hedge Funds are distinguished by a limited number of partners and require a high minimum level of investment.

**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).

**ICAAP - Internal Capital Adequacy Assessment Process**

See "Basel 2 - Pillar 2".

**ILC**

IRB calculation model - Italian Large Corporate.

**Impaired loans**

Loans are subjected to periodic examination in order to identify those which, following events occurring after their entry in the accounts (at the market value, normally equal to the disbursed amount including the transaction costs and revenues directly attributable to the disbursement of the loan), show objective signs of a possible loss of value. This category includes loans that have been classed as bad, doubtful, restructured or overdue, in accordance with Banca d'Italia rules consistent with IAS/IFRS (see item).

**Impairment**

Within the framework of the IAS/IFRS (see item), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

**Index linked**

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

**Interest rate risk**

The risk that the value of the instrument decreases due to interest rates changes.

**Investor**

Any entity other than the Sponsor (see item) or Originator (see item) with exposure to a securitisation.

# Glossary

## **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 of Banca d'Italia.

## **IRC**

Incremental Risk Charge is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.

## **IRS - Interest Rate Swap**

See "Swap".

## **Joint venture**

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

## **Junior, Mezzanine and Senior exposures**

In a securitisation transaction, the exposures may be classified as follows:

- junior exposures are the last to be repaid, and consequently absorb the first loss produced by the securitisation transaction;
- mezzanine exposures are those with medium repayment priority, between senior and junior;
- senior exposures are the first to be repaid.

## **Ke**

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium/long term averages of market parameters.

## **KPI - "Key Performance Indicators"**

Set of indicators used to evaluate the performance of a business activity or process.

## **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.

## **Leasing**

Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the choice and on the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.

# Glossary

## **Leveraged finance**

Loans provided mainly to Private Equity funds in order to finance the acquisition of a company through a financial transaction based on the cash flow generation capacity of such target company. This can result in a higher level of debt and therefore a higher level of risk. Leveraged finance may be syndicated.

## **LGD - Loss Given Default**

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", see item).

## **Liquidity risk**

The risk of the company being unable to meet its payment commitments due to the inability to mobilise assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily liquidating positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

## **M - Maturity**

The average, for a given exposure, of the residual contractual maturities, each weighted for the relevant amount.

## **Market risk**

The effect that changes in market variables might have on the economic value of the Group's portfolio, where this includes both the assets held in the Trading Book and those entered in the Banking Book, or the operations connected with the characteristic management of the commercial bank and its strategic investment choices.

## **MDA**

Maximum Distributable Amount, i.e. a limit to the distributable profits in order to preserve the Combined Buffer Requirement.

## **Medium Term Note**

Bond with a maturity of 5 - 10 years.

## **Non-Performing Exposures**

According to EBA Implementing Technical Standards, Non-Performing Exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

## **NOPAT - Net Operating Profit After Tax**

Net Operating Profit after tax and minority interests, adjusted by elements that would not allow to assess the capability to create value through ordinary operations, such as extraordinary expenses and earnings.

It represents the share of Group Net Profit produced by typical business activities, gross of the costs of capital.

## **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.

# Glossary

## **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.

## **Past Due**

Problematic exposures that, at the reporting date, are more than 90 days past due on any material obligation, as required by the relevant prudential regulation. Past due can be determined either at individual debtor or at single transaction level according to the relevant local prudential regulation.

## **Payout ratio**

It indicates the percentage of net income that is distributed to shareholders. The percentage distributed is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

## **PD - Probability of Default**

Probability of a counterparty entering into a situation of "default" (see item) within a time horizon of one year.

## **Preference shares**

Capital instruments that associate forms of remuneration tied to market rates with particularly pronounced subordination conditions, such as non-recovery in subsequent years of the interest not paid by the bank and bearing a share of its losses in the event that these produce a significant reduction in the capital requirements. The regulatory authorities set the conditions under which preference shares may be counted among the core capital of banks and banking groups.

## **Private banking**

Financial services targeting the so-called "high-end" individual customers for the global management of financial needs.

## **Private equity**

Investments in the risk capital of companies, generally unlisted but with high growth potential and the ability to generate constant cash flows. Investments in private equity include a wide range of operations that vary according to both the development phase of the company concerned and the investment techniques used. These techniques include closed-end private equity funds.

## **Purchase companies**

Vehicle used by "ABCP Conduits - Asset Backed Commercial Paper Conduits" (see item) to purchase the assets to be securitised and subsequently financed by the Conduit vehicle by means of commercial paper.

## **Rating**

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

## **Retail**

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

## **RIC**

IRB calculation model - Integrated Corporate Rating.

# Glossary

**RIP**

IRB calculation model - Integrated Private Rating.

**RISB**

IRB calculation model - Integrated Private Rating.

**RMBS - Residential Mortgage Backed Securities**

Asset Backed Securities (see item) with residential mortgages as underlyings.

**ROA - Return On Asset**

Ratio between Net Profit/(Loss) of the year and Total Assets as per IFRS balance sheet.

**ROAC - Return On Allocated Capital**

Annualised ratio between the net profit and the average allocated capital. It shows in percentage terms the earning capacity for absorbed capital units. A corrective factor is applied to divisional net profit where capitalisation is substantially higher than Group's target.

**ROTE - Return on Tangible Equity**

Annualised ratio between the net profit and the average tangible equity. Tangible Equity is defined as Shareholders' equity (including Consolidated Profit of the period) less intangible assets (goodwill and other intangibles), less AT1 component. Dividend pay-out is accounted for on a cash basis.

**RWA - Risk Weighted Assets**

On-balance sheet assets and off-balance sheet assets (derivatives and guarantees) classified and weighted by different coefficients referring to risks, following banking rules issued by local Supervisors (i.e. Banca d'Italia, Bafin, etc.), to calculate solvency ratios.

**Securitisation**

Transfer of a portfolio of assets to an "SPV - Special Purpose Vehicle" (see item) and the issue of securities with various levels of seniority to meet any default by the underlying assets.

Securitisations can be:

- traditional: method of securitisation whereby transfer of the assets is by means of sale of the portfolio to the "SPV - Special Purpose Vehicle" (see item);
- synthetic: method of securitisation whereby the transfer of assets is by means of credit derivatives or similar security enabling the risk of the portfolio to be transferred.

**Sensitivity**

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

**SFA**

Supervisory Formula Approach.

**SME**

Small and Medium Enterprises.

**Sponsor**

An entity other than the Originator (see item) which sets up and manages an ABCP conduit or other securitisation scheme where assets are acquired from a third entity for securitisation.

# Glossary

## **SPV - Special Purpose Vehicles**

An entity, partnership, limited company or trust, set up to carry out a set object, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets.

SPV's operations are accordingly limited by a set of rules designed for this purpose.

In general SPVs' sponsors (see item) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (see item). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

## **Stress Test**

Risk measure complementary to the VaR, that allows a portfolio analysis with stress exercises by the application of simple and complex scenarios.

## **Subprime (Residential Mortgages)**

Although Subprime has no univocal definition, this category includes mortgages granted to borrowers who have had repayment difficulties in the past, e.g. delayed installments, insolvency or bankruptcy, or who are more likely to default than the average due to high loan-to-value and installment-to-income ratios.

## **SVaR - Stressed VaR**

Stressed VaR is a quantification of exposures to particular extreme losses that can be inflicted to a Bank during market tensions, by modeling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.

## **Swap**

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements.

In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, one counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate).

In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

## **Tangible Equity**

Shareholders' equity (including consolidated profit of the period) less intangible assets (goodwill and other intangibles), less AT1 component; dividend pay-out is accounted for on a cash basis.

## **TLAC - Total Loss Absorbing Capacity**

TLAC represents the indicator of the Total Loss Absorbing Capacity, a new Pillar I requirement established by the Regulation (EU) 2019/876 (CRR II), entered into force on 27 June 2019, for Global Systemically Important Banks (G-SIBs). The TLAC standard requires G-SIBs, to hold a sufficient amount of highly loss absorbing liabilities.

## **Tier 1 Capital**

The most reliable and liquid part of a bank's capital, as defined by regulatory rules.

## **Tier 1 Capital Ratio**

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA - Risk Weighted Assets" (see item).

## **TSR - Total Shareholder Return**

It is the full reward, in terms of capital gain and dividends, that a shareholder gets from holding one share.

## **UCITS - Undertakings for Collective Investment in Transferable Securities**

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

# Glossary

**UGRM**

The pool of software applications, IT structure and database used by The Group for the financial risk analysis.

**Underlying Net Profit**

The principle behind the “Underlying Net Profit” is to identify the relevant recurring and sustainable profit base of the bank, which is the base for capital distribution. It is quantified excluding the non-operating items impacting the “ordinary business” executed by the Bank, which is expected to be in-line with assumption behind the MYP. Among the main non-operating items, both positive and negative in terms of income statement, it is worth mentioning the disposal of real estate assets, the sale of companies, the restructuring costs, etc. This approach was considered appropriate by the Remuneration Committee for the subsequent proposal to the Board of Directors.

**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.





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