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

Growth engines

Customer experience

Disciplined risk management

"Go-to" bank for SMEs

"Do the right thing!"

Consolidated First Half Financial Report as at 30 June 2020

Banking that matters. | UniCredit

Contents

Board of Directors, Board of Statutory Auditors and External Auditors	**5**
Preliminary notes	**7**
CONSOLIDATED FIRST HALF FINANCIAL REPORT AS AT 30 JUNE 2020	**9**
Glossary	**237**
Contacts	**251**

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 discrepancy between data disclosed in this report 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 €21,059,536,950.48 fully paid in
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1
Cod. ABI 02008.1
Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi: 00348170101
Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund
Stamp duty paid virtually, if due - Auth. Agenzia delle Entrate, Ufficio di Roma 1, No.143106/07 of 12.21.2007

Board of Directors, Board of Statutory Auditors and External Auditors as at 30 June 2020

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

Notes:
(*) Ms. Isabelle de Wismes has resigned from his office with effect from 4 March 2020.
(**) Mr. Diego De Giorgi has been coopted starting from 9 March 2020.
(***) Ms. Beatriz Lara Bartolomé has been coopted starting from 9 March 2020.

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

General aspects

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

The Consolidated first half financial report includes:

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

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

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

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.

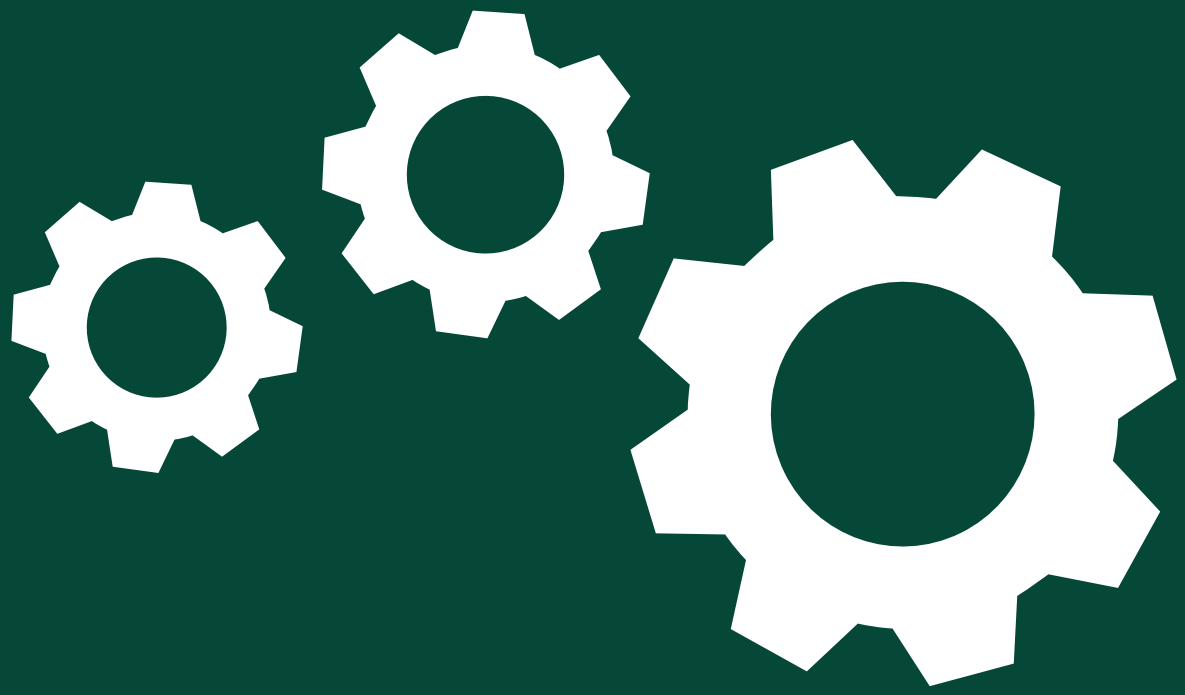
Consolidated first half financial report as at 30 June 2020

Consolidated interim report on operations **13**
Introduction and Group highlights 13
Introduction to the Consolidated interim report on operations of UniCredit group 13
Group highlights, alternative performance indicators and other measures 13
Reclassified consolidated accounts 16
Summary results by business segments 23
Group and UniCredit share historical data series 24
Group results 26
Macroeconomic situation, banking and financial markets 26
Main results and performance for the period 28
Capital and value management 35
Principles of value creation and capital allocation 35
Own Funds 36
Capital strengthening 46
Shareholders' equity attributable to the Group 46
Contribution of the sector of activity to the results of the Group 47
Other information 50
Group activities development operations and other corporate transactions 50
Organisational model 55
Conversion of DTAs into tax credits 56
Certifications and other communications 57
Subsequent events and outlook 58
Subsequent events 58
Outlook 59
Condensed interim consolidated financial statements **61**
Consolidated accounts 61
Consolidated balance sheet 61
Consolidated income statement 62
Consolidated statement of other comprehensive income 63
Statement of changes in the consolidated shareholders' equity 64
Consolidated cash flow statement 66
Explanatory notes 69
Part A - Accounting policies 69
A.1 - General 69
Section 1 - Statement of compliance with IFRS 69
Section 2 - General preparation criteria 69
Section 3 - Consolidation scope and methods 71
Section 4 - Events subsequent to the reference date 97
Section 5 - Other matters 97
A.2 - Main items of the accounts 101
A.3 - Information on transfers between portfolios of financial assets 101
A.4 - Information on fair value 102
Part B - Consolidated balance sheet 112
Assets 112
Section 2 - Financial assets at fair value through profit or loss - Item 20 112
Information about the units of Atlante Fund and Italian Recovery Fund 113
Information about the investments in the "Schema Volontario" (Voluntary Scheme) 114
Section 3 - Financial assets at fair value through other comprehensive income - Item 30 115
Information about the shareholding in Banca d'Italia 115
Section 4 - Financial assets at amortised cost - Item 40 116
Section 10 - Intangible assets - Item 100 117

Section 12 - Non-current assets and disposal groups classified as held for sale - Item 120 (Assets) and Item 70 (Liabilities) 120
Liabilities 122
Section 1 - Financial liabilities at amortised cost - Item 10 122
Section 2 - Financial liabilities held for trading - Item 20 123
Section 3 - Financial liabilities designated at fair value - Item 30 124
Section 7 - Liabilities associated with assets classified as held for sale - Item 70 124
Section 10 - Provisions for risks and charges - Item 100 125
Section 13 - Group shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180 127
Part C - Consolidated income statement 130
Section 1 - Interest - Items 10 and 20 130
Section 2 - Fees and commissions - Items 40 and 50 131
Section 3 - Dividend income and similar revenues - Item 70 132
Section 4 - Net gains (losses) on trading - Item 80 133
Section 5 - Net gains (losses) on hedge accounting - Item 90 133
Section 6 - Gains (Losses) on disposal/repurchase - Item 100 134
Section 7 - Net gains (losses) on other financial assets/liabilities at fair value through profit or loss - Item 110 135
Section 8 - Net losses/recoveries on credit impairment - Item 130 136
Section 12 - Administrative expenses - Item 190 137
Contributions to Resolution and Guarantee Funds 138
Guarantee fees for DTA conversion 140
Section 13 - Net provisions for risks and charges - Item 200 141
Section 16 - Other operating expenses/income - Item 230 142
Section 25 - Earnings per share 143
Part E - Information on risks and hedging policies 144
Introduction 144
Section 1 - Risks of the accounting consolidated perimeter 151
Quantitative information 151
A. Credit quality 151
A.1 Non-performing and performing credit exposures: amounts, write-downs, changes, distribution by business activity 151
Section 2 - Risks of the prudential consolidated perimeter 152
2.1 Credit risk 152
Qualitative information 152
1. General aspects 152
2. Credit risk management policies 155
3. Non-performing credit exposures 163
4. Commercial renegotiation financial assets and forborne exposures 166
Quantitative information 167
Credit quality 167
Distribution and concentration of credit exposures 169
Credit risk measurement models 173
2.2 Market risk 174
Risk management strategies and processes 174
Structure and organisation 177
Risk measurement and reporting systems 178
Hedging policies and risk mitigation 179
Internal model for price, interest rate and exchange rate risk of the regulatory trading book 179
2.2.1 Interest rate risk and price risk - Regulatory trading book 184
Qualitative information 184
Quantitative information 185

2.2.2 Interest rate risk and price risk - Banking book 186
Qualitative information 186
2.2.3 Exchange rate risk 187
Qualitative information 187
Credit spread risk 188
Stress test 189
2.4 Liquidity risk 191
Qualitative information 191
2.5 Operational risks 198
Qualitative information 198
A. General aspects, operational processes and methods for measuring operational risk 198
B. Legal risks 201
C. Risks arising from employment law cases 207
D. Risks arising from tax disputes 207
E. Other claims by customers 208
Quantitative information 209
2.6 Other risks 210
Other risks included in Economic Capital 210
1. Business risk 210
2. Real estate risk 210
3. Financial investments risk 210
Reputational risk 211
Top and emerging risks 212
1. The Covid-19 pandemic outbreak 212
2. Macroeconomic and (geo-)political risks 212
3. Risks related to the UK's exit from the European Union (Brexit) 213
4. The climate-related and environmental risks 213
5. Cyber Security Risk 213
6. Developments in the Regulatory environment 213
Part F - Consolidated shareholders' equity 216
Section 1 - Consolidated shareholders' equity 216
A. Qualitative information 216
Part H - Related-party transactions 217
Introduction 217
Related-party transactions 218
Part L - Segment reporting 221
Organisational structure 221
A - Primary segment 223
Certification **227**
Report of the External Auditors **229**
Annexes **231**
Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedule 231

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.

Introduction and Group highlights

Introduction to the Consolidated interim report on operations of UniCredit group

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

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

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

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

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

Group highlights, alternative performance indicators and other measures

Income statement

(€ million)

	H1		
	2020	2019	% CHANGE
Operating income	8,548	9,285	- 7.9%
of which:			
- net interest	*4,887*	*5,044*	*- 3.1%*
- dividends and other income from equity investments	*164*	*321*	*- 49.0%*
- net fees and commissions	*3,001*	*3,106*	*- 3.4%*
Operating costs	(4,937)	(4,958)	- 0.4%
Operating profit (loss)	3,610	4,328	- 16.6%
Net write-downs on loans and provisions for guarantees and commitments	(2,198)	(1,175)	+ 87.1%
Net operating profit (loss)	1,412	3,153	- 55.2%
Profit (Loss) before tax	(2,007)	2,478	n.m.
Group net profit (loss)	(2,286)	3,028	n.m.

The figures reported in this table refer to the reclassified income statement. The amounts related to the fiscal year 2019 differ from those published as at that date. For further details, it shall be referred to the "Reconciliation principles followed for the reclassified income statement". Annex 1 includes the reconciliation between the reclassified accounts and the mandatory reporting schedules.

Introduction and Group highlights

Balance sheet

(€ million)

	AMOUNTS AS AT		
	06.30.2020	12.31.2019	% CHANGE
Total assets	892,735	855,647	+ 4.3%
Financial assets held for trading	67,236	63,280	+ 6.3%
Loans and receivables with customers	479,253	482,574	- 0.7%
Financial liabilities held for trading	45,551	41,483	+ 9.8%
Deposits from customers and debt securities issue	564,217	566,871	- 0.5%
of which:			
- deposits from customers	*468,315*	*470,570*	*- 0.5%*
- debt securities issue	*95,902*	*96,301*	*- 0.4%*
Group shareholders' equity	60,748	61,416	- 1.1%

The figures reported in this table refer to the reclassified balance sheet.
For further details, it shall be referred to the "Reconciliation principles followed for the reclassified balance sheet". Annex 1 includes the reconciliation between the reclassified accounts and the mandatory reporting schedules.

Profitability ratios

	H1		
	2020	2019	CHANGE
EPS(1) (€)	(2.109)	2.669	-4.778
Cost/Income ratio(2)	57.8%	53.4%	+ 4.4%
EVA(3) (€ million)	(2,016)	(95)	- 1,921
ROTE(4)	-8.9%	12.3%	- 21.1%
ROA(5)	-0.5%	0.8%	- 1.3%

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

The amounts relating to 2019 differ from the ones published as at that date. For further details, it shall be referred to the "Reconciliation principles followed for the reclassified income statement".

Risk ratios

	AS AT		
	06.30.2020	12.31.2019	% CHANGE
Net bad loans to customers/Loans to customers	0.6%	0.6%	- 0.0%
Net non-performing loans to customers/Loans to customers	1.8%	1.8%	+ 0.0%

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

Introduction and Group highlights

Staff and Branches

	AS AT		
	06.30.2020	12.31.2019	CHANGE
Employees(1)	83,685	84,245	-559
Branches(2)	3,639	3,717	-78
of which:			
- Italy	*2,328*	*2,387*	*-59*
- Other countries	*1,311*	*1,330*	*-19*

Notes:
(1) "Full time equivalent" data (FTE): number of employees counted for the rate of presence
(2) Retail branches only.

The figures as at 31 December 2019 are restated to increase comparability.

Transitional capital ratios

	AS AT		
	06.30.2020(*)	12.31.2019(*)	CHANGE
Total Own Funds (€ million)	68,169	66,982	+ 1,187
Total risk-weighted assets (€ million)	350,670	378,718	- 28,048
Common Equity Tier 1 Capital Ratio	**14.54%**	**13.22%**	**+ 1.3%**
Total Capital Ratio	**19.44%**	**17.69%**	**+ 1.8%**

Note:
(*) Transitional Own Funds and capital ratios including transitional adjustments according to the applicable percentages.
Furthermore, starting from 30 June 2020, UniCredit group has decided to apply the IFRS9 transitional approach as reported in article 473a of the Regulation (UE) No.873/2020 that amends the Regulation (EU) No.575/2013 and Regulation (EU) No.876/2019. Therefore the values here reported reflect the impact of the transitional arrangements provisioned in such Regulation.

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

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Fitch Ratings	F3	BBB-	stable	bbb-
Moody's Investors Service	P-2	Baa1	stable	baa3
Standard & Poor's	A-2	BBB	negative	bbb

Ratings updated as at 29 July 2020.

Reclassified consolidated accounts

Changes occurred in the scope of consolidation

During the first half of 2020, the following changes have been recorded with reference to the consolidation perimeter:

- the number of fully consolidated companies, including those ones classified as non-current assets and disposal groups based on accounting principle IFRS5, decreased by 7 (8 incoming and 15 exited) from 482 at the end of 2019 to 475 as at 30 June 2020;
- the number of companies consolidated though the equity method, including those ones classified as non-current assets and disposal groups, decreased by 15 (all exited) from 47 at the end of 2019 to 32 at June 2020.

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

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

As at 30 June 2020, the main reclassified assets, based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:

- regarding the individual asset and liabilities held for sale and the groups of assets held for sale and associated liabilities which do not satisfy IFRS5 requirements for the classification as discontinued operations:
  - the subsidiaries General Logistic Solutions LLC, RSB Anlagevermietung Gesellschaft M.B.H. and UniCredit Leasing Fuhrparkmanagement GmbH, the companies of Card Complete Service Bank AG, SIA UniCredit Leasing and Capital Dev S.p.A. groups and the associated company Torre SGR S.p.A.;
  - the non-performing loans related to sale initiatives of portfolios;
  - the real estate properties held by certain companies in the Group;
- regarding the data relating to the discontinued operations, the companies of the Immobilien Holding group (Austria).

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

Reconciliation principles followed for the reclassified consolidated balance sheet

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

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

Data of Reclassified consolidated balance sheet related to 2019 were restated, as indicated in year-end 2019 consolidated financial statements, 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 2019 Consolidated financial statements, Notes to the consolidated accounts - Part A - Accounting policies - A.1 - General, Section 5 - Other matters.

Reclassified consolidated accounts

Reclassified consolidated balance sheet

(€ million)

	AMOUNTS AS AT		CHANGE	
ASSETS	**06.30.2020**	**12.31.2019**	**AMOUNT**	**%**
Cash and cash balances	17,342	17,305	+ 37	+ 0.2%
Financial assets held for trading	67,236	63,280	+ 3,956	+ 6.3%
Loans to banks	126,541	97,888	+ 28,654	+ 29.3%
Loans to customers	479,253	482,574	- 3,320	- 0.7%
Other financial assets	155,884	149,091	+ 6,793	+ 4.6%
Hedging instruments	11,445	9,230	+ 2,215	+ 24.0%
Property, plant and equipment	10,242	11,097	- 854	- 7.7%
Goodwill	878	886	- 8	- 0.9%
Other intangible assets	1,957	1,914	+ 44	+ 2.3%
Tax assets	12,978	12,922	+ 56	+ 0.4%
Non-current assets and disposal groups classified as held for sale	1,984	2,512	- 527	- 21.0%
Other assets	6,994	6,949	+ 45	+ 0.6%
Total assets	**892,735**	**855,647**	**+ 37,088**	**+ 4.3%**

(€ million)

	AMOUNTS AS AT		CHANGE	
LIABILITIES AND SHAREHOLDERS' EQUITY	**06.30.2020**	**12.31.2019**	**AMOUNT**	**%**
Deposits from banks	164,843	135,563	+ 29,279	+ 21.6%
Deposits from customers	468,315	470,570	- 2,255	- 0.5%
Debt securities issued	95,902	96,301	- 399	- 0.4%
Financial liabilities held for trading	45,551	41,483	+ 4,068	+ 9.8%
Other financial liabilities	12,656	12,083	+ 573	+ 4.7%
Hedging instruments	15,029	12,150	+ 2,879	+ 23.7%
Tax liabilities	1,454	1,378	+ 76	+ 5.5%
Liabilities included in disposal groups classified as held for sale	615	725	- 110	- 15.2%
Other liabilities	27,186	23,608	+ 3,577	+ 15.2%
Minorities	437	369	+ 68	+ 18.3%
Group shareholders' equity	60,748	61,416	- 667	- 1.1%
of which:				
- capital and reserves	*63,034*	*58,042*	*+ 4,992*	*+ 8.6%*
- net profit (loss)	*(2,286)*	*3,373*	*- 5,660*	*n.m.*
Total liabilities and shareholders' equity	**892,735**	**855,647**	**+ 37,088**	**+ 4.3%**

Reclassified consolidated accounts

Reclassified consolidated balance sheet - Quarterly figures

(€ million)

	AMOUNTS AS AT		AMOUNTS AS AT			
ASSETS	**06.30.2020**	**03.31.2020**	**12.31.2019**	**09.30.2019**	**06.30.2019**	**03.31.2019**
Cash and cash balances	17,342	20,726	17,305	30,997	32,578	31,991
Financial assets held for trading	67,236	69,756	63,280	74,871	67,344	67,135
Loans to banks	126,541	94,525	97,888	81,483	77,911	83,655
Loans to customers	479,253	489,973	482,574	480,997	469,298	471,653
Other financial assets	155,884	151,907	149,091	146,292	138,438	148,061
Hedging instruments	11,445	11,051	9,230	11,573	9,801	8,516
Property, plant and equipment	10,242	10,519	11,097	9,276	9,549	11,162
Goodwill	878	886	886	886	886	1,484
Other intangible assets	1,957	1,865	1,914	1,952	1,915	1,996
Tax assets	12,978	12,955	12,922	12,673	12,780	13,019
Non-current assets and disposal groups classified as held for sale	1,984	2,045	2,512	4,535	3,286	1,764
Other assets	6,994	6,542	6,949	8,008	8,824	7,692
Total assets	**892,735**	**872,753**	**855,647**	**863,544**	**832,611**	**848,128**

(€ million)

	AMOUNTS AS AT		AMOUNTS AS AT			
LIABILITIES AND SHAREHOLDERS' EQUITY	**06.30.2020**	**03.31.2020**	**12.31.2019**	**09.30.2019**	**06.30.2019**	**03.31.2019**
Deposits from banks	164,843	161,497	135,563	143,213	132,695	136,882
Deposits from customers	468,315	454,956	470,570	455,473	453,019	473,514
Debt securities issued	95,902	95,197	96,301	97,575	92,434	84,283
Financial liabilities held for trading	45,551	46,785	41,483	46,102	40,410	41,879
Other financial liabilities	12,656	11,094	12,083	13,401	13,689	13,815
Hedging instruments	15,029	14,236	12,150	16,023	13,848	11,440
Tax liabilities	1,454	1,509	1,378	1,079	1,020	1,295
Liabilities included in disposal groups classified as held for sale	615	559	725	626	632	547
Other liabilities	27,186	25,669	23,608	29,137	24,948	25,267
Minorities	437	430	369	462	445	1,018
Group shareholders' equity	60,748	60,820	61,416	60,454	59,471	58,188
of which:						
- capital and reserves	*63,034*	*63,526*	*58,042*	*56,245*	*56,443*	*57,012*
- net profit (loss)	*(2,286)*	*(2,706)*	*3,373*	*4,208*	*3,028*	*1,175*
Total liabilities and shareholders' equity	**892,735**	**872,753**	**855,647**	**863,544**	**832,611**	**848,128**

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 in the "Net other operating expenses/income", excluding "Recovery of expenses" which is classified under its own item, the exclusion of the costs for "Write-downs on leasehold improvements" classified among "Other administrative expenses" and inclusion of result of industrial companies;
- presentation of "Payroll costs", "Other administrative expenses", "Amortisation, depreciation and impairment losses on tangible and intangible assets" and "Other charges and Provisions" net of any "Integration costs" relating to the reorganisation operations, classified as a separate item;
- the exclusion from the "Other administrative expenses" of the Contributions to the Resolution Funds (SRF), the Deposit Guarantee Schemes (DGS), the Bank Levies and the Guarantee fees for DTA reclassified in item "Other charges and provision";
- the exclusion from "Amortisation, depreciation and impairment losses on intangible and tangible assets" of property owned for investment and those related to operating lease assets, which are reclassified respectively among "Net income from investments" and "Net other expenses/income";
- in "Net write-downs on loans and provisions for guarantees and commitments", the inclusion of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income net of debt securities and the gains (losses) on disposal and repurchase of non-performing financial assets at amortised cost net of debt securities and of the "Net provisions for risks and chare" related to commitments and financial guarantees given;
- 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";
- the inclusion among "Net trading income" (i) of the net gains (losses) on trading, (ii) of the net gains (losses) on hedge accounting, (iii) of the net gains/losses on the financial assets/liabilities at fair value through profit or loss, (iv) of the gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income and (v) of the interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions.

Figures of Reclassified consolidated income statement of 2019 have been restated, as indicated in year-end 2019 consolidated financial statements:

- with reference to first quarter, to reflect "loss of control" on FinecoBank S.p.A. following the completion on 8 May 2019 of the accelerated bookbuilding (ABB) of No.103.5 million ordinary shares of the company, settled on 10 May 2019;
- 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".

Moreover, starting from June 2020, with reference 2019 quarters and first quarter 2020, interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions, have been classified to the item "Net trading income".

Reclassified consolidated accounts

Reclassified consolidated income statement

(€ million)

	H1		CHANGE		
	2020	2019	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	4,887	5,044	- 157	- 3.1%	- 2.6%
Dividends and other income from equity investments	164	321	- 157	- 49.0%	- 50.0%
Net fees and commissions	3,001	3,106	- 105	- 3.4%	- 3.1%
Net trading income	530	784	- 254	- 32.4%	- 31.8%
Net other expenses/income	(34)	31	- 65	n.m.	n.m.
OPERATING INCOME	**8,548**	**9,285**	**- 738**	**- 7.9%**	**- 7.6%**
Payroll costs	(3,034)	(3,075)	+ 41	- 1.3%	- 1.1%
Other administrative expenses	(1,608)	(1,635)	+ 27	- 1.7%	- 1.3%
Recovery of expenses	253	301	- 48	- 15.9%	- 15.4%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(548)	(549)	+ 0	- 0.0%	+ 0.3%
Operating costs	**(4,937)**	**(4,958)**	**+ 20**	**- 0.4%**	**- 0.1%**
OPERATING PROFIT (LOSS)	**3,610**	**4,328**	**- 717**	**- 16.6%**	**- 16.2%**
Net write-downs on loans and provisions for guarantees and commitments	(2,198)	(1,175)	- 1,023	+ 87.1%	+ 88.1%
NET OPERATING PROFIT (LOSS)	**1,412**	**3,153**	**- 1,740**	**- 55.2%**	**- 54.9%**
Other charges and provisions	(713)	(450)	- 263	+ 58.5%	+ 59.2%
of which: systemic charges	*(703)*	*(656)*	*- 47*	*+ 7.2%*	*+ 7.8%*
Integration costs	(1,352)	(5)	- 1,348	n.m.	n.m.
Net income from investments	(1,353)	(221)	- 1,133	n.m.	n.m.
PROFIT (LOSS) BEFORE TAX	**(2,007)**	**2,478**	**- 4,484**	**n.m.**	**n.m.**
Income tax for the period	(213)	(670)	+ 457	- 68.2%	- 68.0%
NET PROFIT (LOSS)	**(2,219)**	**1,808**	**- 4,027**	**n.m.**	**n.m.**
Profit (Loss) from non-current assets held for sale after tax	1	1,372	- 1,371	- 99.9%	- 99.9%
PROFIT (LOSS) FOR THE PERIOD	**(2,219)**	**3,180**	**- 5,398**	**n.m.**	**n.m.**
Minorities	(10)	(88)	+ 78	- 88.5%	- 88.3%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**(2,229)**	**3,092**	**- 5,321**	**n.m.**	**n.m.**
Purchase Price Allocation effect	(50)	(64)	+ 15	- 22.6%	- 22.6%
Goodwill impairment	(8)	-	- 8	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**(2,286)**	**3,028**	**- 5,314**	**n.m.**	**n.m.**

Note:
(*) Foreign Exchange.

Reclassified consolidated accounts

Reclassified consolidated income statement - Quarterly figures

(€ million)

	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,393	2,494	2,508	2,520	2,507	2,537
Dividends and other income from equity investments	62	102	133	183	154	167
Net fees and commissions	1,380	1,620	1,629	1,569	1,565	1,541
Net trading income	357	173	472	413	300	484
Net other expenses/income	(22)	(11)	108	17	(8)	39
OPERATING INCOME	**4,170**	**4,378**	**4,850**	**4,703**	**4,518**	**4,768**
Payroll costs	(1,492)	(1,542)	(1,549)	(1,522)	(1,519)	(1,555)
Other administrative expenses	(797)	(812)	(858)	(786)	(803)	(832)
Recovery of expenses	128	125	150	142	151	150
Amortisation, depreciation and impairment losses on intangible and tangible assets	(284)	(265)	(267)	(281)	(276)	(272)
Operating costs	**(2,444)**	**(2,493)**	**(2,525)**	**(2,447)**	**(2,448)**	**(2,510)**
OPERATING PROFIT (LOSS)	**1,726**	**1,885**	**2,325**	**2,256**	**2,070**	**2,258**
Net write-downs on loans and provisions for guarantees and commitments	(937)	(1,261)	(1,645)	(563)	(707)	(467)
NET OPERATING PROFIT (LOSS)	**788**	**624**	**681**	**1,694**	**1,362**	**1,791**
Other charges and provisions	(185)	(528)	(316)	(187)	(236)	(214)
of which: systemic charges	*(166)*	*(538)*	*(82)*	*(148)*	*(118)*	*(538)*
Integration costs	(6)	(1,347)	(657)	(2)	(2)	(3)
Net income from investments	(92)	(1,261)	(665)	41	(311)	90
PROFIT (LOSS) BEFORE TAX	**505**	**(2,512)**	**(958)**	**1,545**	**814**	**1,664**
Income tax for the period	(73)	(140)	119	(338)	(176)	(494)
NET PROFIT (LOSS)	**432**	**(2,652)**	**(839)**	**1,207**	**637**	**1,171**
Profit (Loss) from non-current assets held for sale after tax	1	(0)	11	0	1,307	65
PROFIT (LOSS) FOR THE PERIOD	**433**	**(2,652)**	**(828)**	**1,207**	**1,944**	**1,235**
Minorities	(6)	(5)	(4)	(26)	(29)	(59)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**428**	**(2,656)**	**(832)**	**1,181**	**1,916**	**1,176**
Purchase Price Allocation effect	(0)	(50)	(3)	(1)	(63)	(1)
Goodwill impairment	(8)	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**420**	**(2,706)**	**(835)**	**1,180**	**1,853**	**1,175**

Reclassified consolidated accounts

Reclassified consolidated income statement - Comparison of Q2 2020/Q2 2019

(€ million)

	Q2		CHANGE		
	2020	2019	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	2,393	2,507	- 113	- 4.5%	- 3.6%
Dividends and other income from equity investments	62	154	- 92	- 59.8%	- 61.3%
Net fees and commissions	1,380	1,565	- 184	- 11.8%	- 11.4%
Net trading income	357	300	+ 56	+ 18.7%	+ 20.6%
Net other expenses/income	(22)	(8)	- 14	n.m.	n.m.
OPERATING INCOME	**4,170**	**4,518**	**- 348**	**- 7.7%**	**- 7.1%**
Payroll costs	(1,492)	(1,519)	+ 27	- 1.8%	- 1.3%
Other administrative expenses	(797)	(803)	+ 7	- 0.8%	- 0.3%
Recovery of expenses	128	151	- 23	- 15.0%	- 14.4%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(284)	(276)	- 8	+ 2.7%	+ 3.4%
Operating costs	**(2,444)**	**(2,448)**	**+ 4**	**- 0.2%**	**+ 0.3%**
OPERATING PROFIT (LOSS)	**1,726**	**2,070**	**- 344**	**- 16.6%**	**- 15.8%**
Net write-downs on loans and provisions for guarantees and commitments	(937)	(707)	- 230	+ 32.5%	+ 33.3%
NET OPERATING PROFIT (LOSS)	**788**	**1,362**	**- 574**	**- 42.1%**	**- 41.2%**
Other charges and provisions	(185)	(236)	+ 51	- 21.6%	- 21.0%
of which: systemic charges	*(166)*	*(118)*	*- 48*	*+ 40.3%*	*+ 41.8%*
Integration costs	(6)	(2)	- 4	n.m.	n.m.
Net income from investments	(92)	(311)	+ 218	- 70.3%	- 70.3%
PROFIT (LOSS) BEFORE TAX	**505**	**814**	**- 308**	**- 37.9%**	**- 36.6%**
Income tax for the period	(73)	(176)	+ 104	- 58.8%	- 57.5%
NET PROFIT (LOSS)	**432**	**637**	**- 205**	**- 32.1%**	**- 30.8%**
Profit (Loss) from non-current assets held for sale after tax	1	1,307	- 1,306	- 99.9%	- 99.9%
PROFIT (LOSS) FOR THE PERIOD	**433**	**1,944**	**- 1,511**	**- 77.7%**	**- 77.3%**
Minorities	(6)	(29)	+ 23	- 80.5%	- 80.2%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**428**	**1,916**	**- 1,488**	**- 77.7%**	**- 77.2%**
Purchase Price Allocation effect	(0)	(63)	+ 63	- 99.9%	- 99.9%
Goodwill impairment	(8)	-	- 8	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**420**	**1,853**	**- 1,433**	**- 77.4%**	**- 76.9%**

Note:
(*) Foreign Exchange.

Summary results by business segments

Key figures by business segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CEE DIVISION	CIB	GROUP CORPORATE CENTRE[1]	NON CORE	CONSOLIDATED GROUP TOTAL
Income statement								
OPERATING INCOME								
H1 2020	3,246	1,205	645	1,809	1,783	(114)	(27)	**8,548**
H1 2019	*3,563*	*1,185*	*741*	*1,991*	*1,926*	*(115)*	*(6)*	***9,285***
OPERATING COSTS								
H1 2020	(1,856)	(835)	(495)	(753)	(763)	(172)	(62)	**(4,937)**
H1 2019	*(1,905)*	*(813)*	*(479)*	*(750)*	*(778)*	*(149)*	*(84)*	***(4,958)***
OPERATING PROFIT								
H1 2020	295	145	66	560	620	(272)	(1)	**1,412**
H1 2019	*1,136*	*347*	*271*	*1,056*	*998*	*(267)*	*(387)*	***3,153***
PROFIT BEFORE TAX								
H1 2020	(834)	91	(68)	393	358	(1,815)	(132)	**(2,007)**
H1 2019	*902*	*461*	*221*	*907*	*927*	*(421)*	*(518)*	***2,478***
Balance sheet								
CUSTOMERS LOANS[2]								
as at 30 June 2020	132,998	89,542	44,164	64,974	95,700	1,988	1,626	**430,992**
as at 31 December 2019	*134,974*	*87,172*	*44,521*	*67,534*	*85,970*	*2,295*	*1,886*	***424,352***
CUSTOMERS DEPOS[2]								
as at 30 June 2020	159,581	95,128	49,957	71,756	54,351	2,070	440	**433,283**
as at 31 December 2019	*153,283*	*89,798*	*48,454*	*70,745*	*55,349*	*2,332*	*488*	***420,449***
TOTAL RISK WEIGHTED ASSETS								
as at 30 June 2020	90,253	37,673	23,615	58,423	91,083	40,437	9,187	**350,670**
as at 31 December 2019	*96,067*	*36,171*	*23,141*	*67,560*	*85,081*	*59,733*	*10,966*	***378,718***
EVA								
H1 2020	(442)	(82)	(188)	(144)	(352)	(772)	(35)	**(2,016)**
H1 2019	*136*	*75*	*94*	*301*	*284*	*(525)*	*(459)*	***(95)***
Cost/income ratio								
H1 2020	57.2%	69.3%	76.7%	41.6%	42.8%	n.M.	n.M.	**57.8%**
H1 2019	*53.5%*	*68.6%*	*64.7%*	*37.7%*	*40.4%*	*n.M.*	*n.M.*	***53.4%***
Employees								
as at 30 June 2020	27,941	8,967	4,754	24,238	3,494	14,012	280	**83,685**
as at 31 December 2019	*28,379*	*9,096*	*4,798*	*24,142*	*3,494*	*14,042*	*295*	***84,245***

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

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

Group and UniCredit share historical data series

Group figures 2010 - 2020

	IAS/IFRS										
	H1 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Reclassified income statement (€ million)											
Operating income	8,548	18,839	19,723	19,619	18,801	22,405	22,513	23,973	25,049	25,200	26,347
Operating costs	(4,937)	(9,929)	(10,698)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)	(15,483)
Operating profit (loss)	3,610	8,910	9,025	8,268	6,348	8,787	8,675	9,172	10,070	9,740	10,864
Profit (loss) before income tax	(2,007)	3,065	3,619	4,148	(10,978)	2,671	4,091	(4,888)	317	2,060	2,517
Net profit (loss) for the period	(2,219)	3,559	4,112	5,790	(11,061)	2,239	2,669	(3,920)	1,687	644	1,876
Net profit (loss) attributable to the Group	(2,286)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323
Reclassified balance sheet (€ million)											
Total assets	892,735	855,647	831,469	836,790	859,533	860,433	844,217	845,838	926,827	926,769	929,488
Loans and receivables with customers	479,253	482,574	471,839	447,727	444,607	473,999	470,569	503,142	547,144	559,553	555,653
of which: bad exposures	*2,669*	*2,956*	*5,787*	*9,499*	*10,945*	*19,924*	*19,701*	*18,058*	*19,360*	*18,118*	*16,344*
Deposits from customers and debt securities issued	564,217	566,871	560,141	561,498	567,855	584,268	560,688	571,024	579,965	561,370	583,239
Group shareholders' equity	60,748	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224
Profitability ratios (%)											
Operating profit (loss)/Total assets	0.40	1.04	1.09	0.99	0.74	1.02	1.03	1.08	1.09	1.05	1.17
Cost/Income ratio	57.8	52.7	54.2	57.9	66.2	60.8	61.5	61.7	59.8	61.4	58.8

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

Share information

	H1 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Share price (€)(*)											
- maximum	14.174	13.494	18.212	18.350	25.733	32.824	34.427	28.213	22.440	65.912	76.243
- minimum	6.213	9.190	9.596	12.160	8.785	24.605	25.583	16.227	11.456	21.157	49.212
- average	9.449	11.193	14.635	15.801	13.820	29.509	30.015	22.067	16.520	42.923	63.702
- end of period	8.188	13.020	9.894	15.580	13.701	25.733	26.735	26.961	18.572	21.190	51.093
Number of outstanding shares (million)											
- at period end(1)	2,237	2,233	2,230	2,226	6,180	5,970	5,866	5,792	5,789	1,930	19,297.6
- shares cum dividend	2,228	2,224	2,220	2,216	6,084	5,873	5,769	5,695	5,693	1,833	18,330.5
of which: savings shares	-	-	-	*0.25*	*2.52*	*2.48*	*2.45*	*2.42*	*2.42*	*2.42*	*24.2*
- average(1)	2,235	2,233	2,229	1,957	6,110	5,927	5,837	5,791	5,473	1,930	19,101.8
Dividend											
- total dividends (€ million)	-	-	601	726	-	706	697	570	512	-	550
- dividend per ordinary share	-	-	0.270	0.320	-	0.120	0.120	0.100	0.090	-	0.030
- dividend per savings share	-	-	-	-	-	0.120	1.065	0.100	0.090	-	0.045

Notes:
(1) The number of shares, existing at the end of the reference period, is net of treasury shares and included 9.676 million of shares held under a contract of usufruct signed with Mediobanca S.p.A.
(*) Due to extraordinary corporate operations (such as shares' grouping, demergers, distribution of extraordinary dividends, etc.) share prices might change being no longer comparable from one financial year to another. The historical series of share prices, starting from 2011, have been therefore adjusted to allow a better comparison.

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

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

On 27 March 2020 was registered with the Company Register the resolution to increase the share capital for €64,736,988.67 by issuing No.3,884,961 ordinary free shares for the execution of Group Incentive System. On 29 March 2020 UniCredit S.p.A. Board of Directors, following ECB's recommendation issued on 27 March 2020 on dividends distribution and share buybacks, resolved to withdraw the proposed resolutions to be submitted to Shareholders' Meeting convened on 9 April 2020, related to the distribution of a dividend for the year 2019 of €0.63 per share from profit reserves and authorization for a share buyback up to €467 million and subsequent cancellation of treasury shares purchased with no reduction of share capital.

On 29 July 2020, following the ECB's recommendation on 28 July 2020, UniCredit S.p.A. confirmed it will not pay dividends nor do share buybacks in 2020. This is neutral for coupon payments on AT1 bond and Cashes instruments. Further information on dividend policy is reported in paragraph "Subsequent events" of the present Consolidated interim report on operations.

Group and UniCredit share historical data series

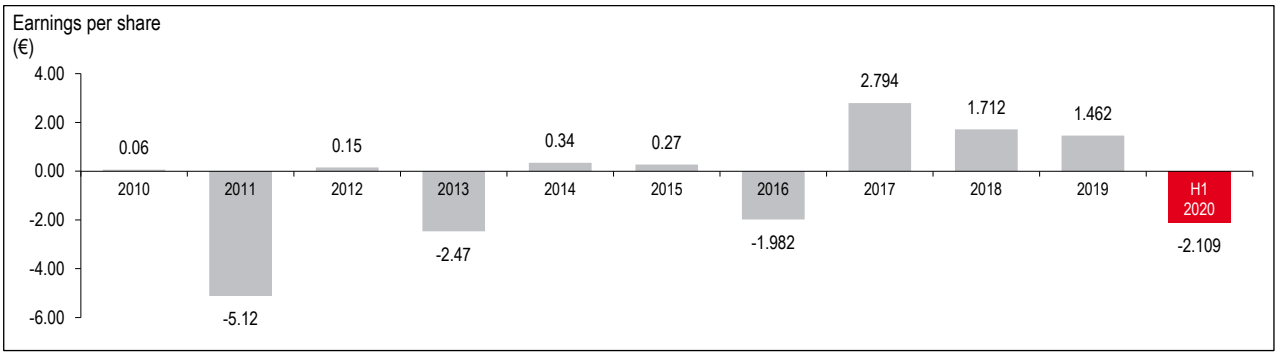
Earnings ratios

	IAS/IFRS										
	H1 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Shareholders' equity (€ million)	60,748	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224
Net profit (loss) attribuible to the Group (€ million)	(2,286)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323
Shareholders' equity per share (€)	27.15	27.50	25.04	26.65	6.36	8.39	8.42	8.09	10.85	26.67	3.33
Price/Book value	0.30	0.47	0.40	0.58	4.30	0.61	0.63	0.67	0.34	0.16	3.06
Earnings per share(1) (€)	(2.109)	1.462	1.712	2.794	(1.982)	0.27	0.34	(2.47)	0.15	(5.12)	0.06
Payout ratio (%)	-	-	15.4	13.3	-	41.7	34.7	-4.1	59.2	-	41.6
Dividend yield on average price per ordinary share (%)	-	-	1.84	2.03	-	2.04	2.00	2.27	2.73	-	1.55

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

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

From 2009 net profit for the period used to calculate EPS has been reduced for the following amounts related to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated “Cashes”: €131 million for 2009, €156 million for 2010, €172 million for 2011, €46 million for 2012, €105 million for 2013, €35 million for 2014, €100 million for 2015, €128 million for 2016, €32 million for 2017, €93 million for 2018, €124 million for 2019 and €61 million for the first half 2020.



Group results

Macroeconomic situation, banking and financial markets

International situation

In the first half of 2020, the world economy underwent an unprecedented economic contraction, which was triggered by the Covid-19 pandemic. The spread of the virus, which started in China, gradually passed from country to country in the first quarter 2020, forcing governments to adopt draconian containment measures to flatten the epidemiological curves, which has resulted in a severe economic recession. April was the month of the Great Lockdown when global economic activity was halted, with services sectors such as retail trade, transport and hospitality being hit hardest. Most economies recorded double-digit quarterly GDP contractions in the first half 2020, with the prospect of a rebound in the second semester if there is no second wave of contagion. In order to contain the economic losses, governments have adopted ambitious fiscal responses aimed at curbing unemployment and supporting the most vulnerable sectors. Expansionary fiscal policies were coupled with the introduction of government-guaranteed bank lending to allow firms to stay afloat during the most challenging months. Large budget deficits and high public debts will represent the legacy of the current crisis. Furthermore, central banks intervened with the adoption of unconventional monetary policies on a massive scale.

The synchronised nature of the downturn has already led to a contraction in global trade by close to -3.0% yoy in the first quarter 2020, and a further deterioration in April and May, reflecting weak demand, the collapse in cross-border tourism and supply dislocations related to shutdowns. Country-wise, China, which was the first country to adopt a nationwide lockdown already in February, was also the first economy to experience a sharp recovery in GDP growth in the second quarter 2020, albeit economic activity in June was still below the pre-crisis levels. Fear of contagion, rising unemployment and a drop in disposable income have prevented Chinese consumers from returning to their old spending habits, with retail sales that lagged behind industrial production on the recovery path. The Japanese economy, which was already faced with an adverse domestic outlook at the end of 2019, slipped into a technical recession at the end of first quarter 2020. Even if the US and the UK had more time to prepare to Covid-19 than other countries given the evolution of their epidemiological curves, they have seen a sharp contraction in economic activity, in line with the other advanced economies, due to a poor handling of the health crisis in its different stages.

Eurozone's GDP contracted by 12.1%, on a quarterly basis, in the second quarter 2020, following a 3.6% qoq decline in the first quarter, as a result of Covid-19 containment measures and the associated extreme uncertainty. Among the largest eurozone economies, Spain, France and Italy experienced deeper contractions than Germany. Despite the sharp decline in economic activity, employment losses were rather contained thanks to the introduction of short-time work schemes and a complementary policy package aimed at preventing redundancies and supporting self-employed workers. Private consumption contracted sharply, as shown by large drops in retail sales. While employment protection schemes have shielded the income of millions of workers, the uncertainty generated by the crisis has likely coincided with a rise in precautionary savings.

On the price front, the consumer price index in the Eurozone slowed to 0.3% in June, mainly reflecting weak energy prices as a result of the price war between Saudi Arabia and Russia and the collapse in global economic activity. Core inflation, instead, remained close at 0.8% in June.

The ECB has adopted an ambitious monetary package to support the eurozone economy. It expanded its existing Quantitative Easing ("QE") program by €120 billion until end-2020 and introduced more favorable conditions for its TLTRO-III between June 2020 and June 2021, with interest rates that can go as low as 50bp below the deposit facility rate. Moreover, the ECB introduced a new liquidity facility Pandemic Emergency Longer-Term Refinancing Operations ("PELTRO"), along with an additional EUR 750bn asset purchase program of private and public sector securities called Pandemic Emergency Purchase Program ("PEPP"). On 4 June, the weaker inflation outlook in the ECB's June projections prompted the governing council to expand the size of the PEPP by €600 billion to €1,350 billion. The program will run until at least June 2021, and the ECB will reinvest maturing securities until at least the end of 2022.

In the US, economic activity real GDP declined by 5.0% qoq on an annualised basis in the first quarter, and the pace of contraction accelerated in the second quarter (-32.9% qoq annualized). From late April, US states started to gradually ease the containment measures, but many had to close their economies when a second wave of contagion started to materialize. The unemployment rate reached 11.1% in June. The federal government has adopted a number of policy measures, including the CARES Act - a USD 2.3 trillion package to support household income and avoid bankruptcies. The Fed has intervened by lowering the federal funds rate by 150bp to 0-0.25bp, reducing the cost of discount window lending, introducing facilities to support the flow of credit and decreasing existing cost of swap lines with major central banks, and extending the maturity of FX operations.

Group results

Banking and financial markets

During the first half of 2020, loans to the private sector in the eurozone showed an accelerating trend starting in March, with the annual growth rate of loans hitting 5.0%, compared to a rate of 3.7% yoy at the end of 2019. The acceleration of loans to the private sector was driven by an increase in loans to non-financial corporations (+7.1% yoy in June). In contrast, loans to households showed a stabilization of their growth rate at slightly above 3%, mainly due to weakness in loans other than loans for house purchase. Given a context of severe weakness in economic activity, due to the negative effects of the restrictions introduced to contain the spread of Covid-19, and marked deterioration in investment prospects, the acceleration of loans to non-financial corporations was mainly driven by the increasing recourse to government-guaranteed credit offered by national governments to stem the liquidity squeeze that affected the corporate sector in the Euro area.

The dynamic of loans to the private sector has therefore followed a broad homogeneous trend among UniCredit's three reference countries (Austria, Germany and Italy), which have all seen an increase in loans to non-financial corporations. Loan development remained positive in Germany, with the annual growth of corporate lending, in particular, reaching around 6% yoy in June 2020, although expectations were probably geared towards faster expansion given the considerable size of the package approved by the German government to support businesses. In the case of loans to households, the growth rate slowed towards 4.0%, after peaking at 4.7% yoy in February. A similar pace of growth characterised credit aggregates in Austria. In Italy, the yearly growth rate of lending to non-financial corporations accelerated to 3.5% yoy in June, its fastest pace of growth since November 2011, and this occurred after eleven consecutive months of decline amid weakening economic activity and the availability of ample liquidity and internal financing in the months preceding the outbreak of the Covid-19 crisis. Loans to households in Italy slowed during the first half of the year, with a growth rate of just over 1.5% yoy in June 2020.

As regards banks' funding, deposits from both households and non-financial corporations showed an acceleration in the rate of expansion and in all of the three reference countries of the UniCredit group. The expansion in deposits, and particularly in sight deposits, followed the strong increase in savings, especially household savings, as a consequence of the pandemic and the requirement to stay at home, which led to a collapse in sales of goods and services, in a context of interest rates remaining low.

The European Central Bank has provided rapid and effective response to the crisis with measures aimed at countering the effects of the pandemic, supporting the economy and guaranteeing the availability of credit to households and firms. As a result, bank interest rates remained on a downward trend in all of the three reference countries during the first half of 2020. Bank interest rates on overnight deposits remained almost stable and even closer to zero. Consequently, the bank interest-rate spread (i.e. the difference between the average interest rate on loans and the average interest rate on deposits) ended up showing a substantial stabilization/a slight reduction during the first six months of the year.

The evolution of the pandemic was also the main factor that characterised the performance of financial markets in the first half of 2020. After a good start to the year, the intensification of uncertainty related to the adoption of restrictions to contain the spread of Covid-19 characterized the performance of financial markets, with the extent of the deterioration closely related to the intensification of the restrictions, and their negative impact on economic activity. Stock markets, in particular, recorded the most significant deterioration in early March, then started a slow recovery, without, however, achieving a full recovery, probably due to fears related to a potential second wave of contagion. The Italian stock exchange closed the first half of the year with a loss of about 18%, compared to December 2019, while the recovery from March was somewhat faster for the German stock exchange, which exhibited a 7% loss, and more uncertain for the Austrian stock exchange, which showed a 30% drop at the end of June compared to the end of last year.

CEE (Central and Eastern Europe) countries

Growth in CEE countries in the first half of the 2020 was affected by the lockdowns introduced to contain the Covid-19 epidemic and by the related deterioration of the economic environment in most of the key trading partners. GDP growth slowed already in the first quarter of 2020 in all CEE countries. The deterioration compared to the previous quarter was particularly pronounced in the more open EU-CEE economies such as Czech Republic, Slovakia, Slovenia and Hungary, with the first three experiencing a contraction on a year-on-year basis. The deterioration was less pronounced in Russia and Turkey, reflecting a lower reliance on external demand, the later breakout of the epidemic, and, in the case of Turkey, a significant credit impulse. Growth in Serbia remained solid mainly reflecting a high carryover effect.

Group results

With the lockdowns introduced starting from mid-March and April in most countries, the main economic impact of Covid-19 materialised in the second quarter of 2020. High frequency indicators (such as, for example, industrial production, retail sales) point to double digit contractions in most CEE countries on a year-on-year basis. In particular, industrial production contracted between 10% yoy and 38% yoy in the majority of the countries, while retail sales fell between 10% yoy to 35% yoy in April. Both indicators started to improve in most countries in May as activity rebounded following the easing of the lockdowns.

The unemployment rate started to increase already in March in most countries, especially in the sectors which were affected more severely by the lockdowns, although the cyclical increase was mitigated by the various government support measures and, in some cases, by a decline of the labour force. The latter, probably reflected that fact some people did not register as unemployed, despite losing their jobs, and some countries do not register some categories of unemployed.

The authorities reacted with significant monetary and fiscal stimulus to mitigate the economic impact of Covid-19. The fiscal packages announced by the governments amounted to between 4% and 24% of GDP. Direct support included measures to support: 1) the health sector; 2) companies, in particular micro, small and medium enterprises, for example direct payments, tax exemptions and tax holidays as well as moratoria on loan repayments; and 3) households, for example payments to redundant workers, tax breaks, and moratoria on mortgage loan repayments. Indirect support included state guarantees and loans. Central banks cut interest rates in all countries and, in some cases (Croatia, Hungary, Poland, Romania and Turkey), introduced asset purchases programs.

Main results and performance for the period

Introduction

The last months were marked by the spread of the Covid-19 pandemic, which had a major impact on the community, the employees and the customers. Already from the first quarter of the year, the first negative consequences on the international and domestic economic activity, related to the spreading of the virus, started to be known, with un-avoidable impacts on the Group profit.
From the main effects of Covid-19 observed, important to be noticed are the following: smaller sales volumes starting with the second half of March (AuM - Assets under Management/AuC - Assets under Custody, Insurance sales), mainly in Western Europe, decrease of the retail volumes (mainly in CEE - Central Eastern Europe), strong demand for loans from the corporate customers (mainly in Germany).

The current picture strongly influenced also by the consequences of the restriction's measures, continues to be characterized by highly uncertain environment, related to the general situation and, as well, to the market of the non-performing exposures. In this context, it is particularly relevant the possibility that the slowdown of the economy generates a worsening of the loan portfolio quality, followed by an increase of the non-performing loans and the necessity to increase the provisions that will be charged to the income statement. In the face of this situation, generated by the Covid-19 crisis, the Group has therefore recorded in the semester loan loss provisions on performing loans for €1.2 billion, referred on the one hand to the macro-scenario IFRS9 updating and, on the other, to worsening of the staging, related to deterioration of ratings and probability of default (PD) of the customers.

In the light of the cost of risk reviewed estimates, the financial objectives of Team 23 can no longer be considered as valid referring to 2020 and 2021, while confirming the strategic priorities communicated last December 2019. It has to be considered however that the current picture of strong uncertainty and volatility, does not allow yet to pursue an overall final valuation of the impacts on the medium-long term objectives of the Plan, to determine whether also these ones are still valid or not. In this context the needed analysis will be carried out during next months. Therefore, an update of the strategic plan Team 23 reflecting the current conditions will be presented at the Capital Markets Day, that will be held near this year end or early next one.

As stated, however, the strategic priorities of the plan **Team 23** and the clear commitment to maximize the value creation for the shareholders are completely confirmed.

In detail, the 4 main strategic pillars of "Team 23" are:
- **Grow and strengthen client franchise;**
- **Transform and maximise productivity;**
- **Disciplined risk management & controls;**
- **Capital and balance sheet management.**

Also as a consequence of a financial-economic context deteriorated by the Covid-19 crisis, the Group realised in the first semester of 2020 a net loss of €2,286 million, compared with the €3,028 million of net profit achieved in the first half of 2019.

Group results

The net loss of the Group of the first half of 2020 was also impacted by the accounting of some non-recurring items, amounting to €2.7 billion net of taxes, particularly were recorded:

- with negative impact €1,272 million due to severance for the personnel in Italy, as planned by "Team 23"; €1,576 million for charges related to the sales of 21% of Yapi ve Kredi Bankasi A.Ş. and resulting unwinding of Joint Venture agreements; €87 million for negative profits on investment stemmed out from impairment of real estate assets of the Non-Core division; additional €16 million for other write-downs;
- with positive impact €296 million connected with Real estate disposal in Germany.

Similarly, on the first semester of 2019, the following non-recurring items, amounting to a total of approximately +€0,9 billion, had an effect:

- with negative impact €178 million for changes related to disposal of Ocean Breeze Group; €173 million for other provisions and loss related to various extraordinary activity;
- with positive effect €1,176 million from disposal of FinecoBank S.p.A. (million including impacts arising from deconsolidation, valuation of the trademark and pledges provided) and €45 million for adoption of fair value model and revaluation model for the measurement of Group Real Estate portfolio respectively held for investment and used in business.

Net of the non-recurring items, the Group recorded an underlying net profit, used for dividend calculation, of €368 million, compared with €2,158 million of underlying net profit of the first half of 2019.
As already mentioned before, the underlying net profit for the first half of 2020, was also negatively impacted by additional loans loss provisions posted to the semester considering the possible negative effects generated by Covid-19 effects.

Operating income

In the first half of 2020 Group's revenues were €8,548 million, decreasing by 7.9% (down by 7.6% at constant exchange rates) compared to the same period of the last year. Net of the extraordinary items recorded in the first half 2019, the change would have been down by 8.4%.
The decrease was widespread among all the revenues items, mainly because of the different economical-financial conditions, resulted from the Covid-19 crisis and lockdown measures.

Net interest was equal to €4,887 million, decreasing by 3.1% compared to the first half 2019 (down by 2.6% at constant exchange rates). During the first half of 2020 net interest was characterized by a drop of the interest income on lending to customers, as well as by the reduction of the time value component and of the interest on the non-performing loans as a consequence of the rundown of Non-Core portfolio.
The Covid-19 crisis generated, in general terms, a growing loans demand in various countries of the Group, simultaneous with a widespread reduction of the loans interest rates, particularly obvious in the CEE countries and in CIB division. The rates of the latter, in particular, have been affected by the decrease of the Libor rate, but the higher loans volumes allowed in any case to achieve an overall growth of the net interest of the division.
The loan spreads have been negatively affected by the situation, with the decrease of customer loans interest rates being only minimally mitigated by the decrease of deposit interest rates.

Customer loans volumes have carried on their growing dynamic (€479.3 billion as at 30 June 2020, up by €+10.0 billion or up by 2.1% over the first half of last year), more than offsetting the €3.7 billion reduction of the Non-Core component, subject of the continuation of the initiatives aimed to reduce the Non-Performing Exposure (NPE).
The customer loans excluding the repos component, showed a contraction in the first semester of 2020 of €1.2 billion, or down by -0.3% compared to the first half of the last year (but up by 0.4% at constant exchange rates), or up by 0.6%, equal to €2.5 billion, net of the Non-Core component.
The decrease of the customers loans net of repos was driven by Italy, with the Commercial Banking Division decreasing by 2.9% compared with the first half of the last year and the Non-Core division dropping 69.5% driven by portfolio rundown actions. Also, CEE division decreased compared with the first semester of 2019, down by 3.0%, but increased at constant exchange rates by 1.0%. Particularly noticeable are the decreases in Russia (down by 15.8%, or down by 6.3% at constant exchange rates), Hungary (down by 3.9%, but up by 6.0% at constant exchange rates) and Bosnia (down by 4.9%), while increases are seen in Czech Republic (up by 4.7%, or up by 9.9% at constant exchange rates), Serbia (up by 8.6%, or up by 7.9% at constant exchange rates), Romania (up by 1.4%, or up by 3.7% at constant exchange rates) and Bulgaria (up by 1.1%).
In the first half, customer loans excluding the repos component, reported growth in Commercial Banking Germany, up by 2.2% compared with the same period of last year, Austria up by 0.5% and CIB up by 8.9%, also as a consequence of the relevant liquidity needs of companies, induced by the lockdown restrictions adopted by the countries in order to reduce the spreading of Covid-19.

Group results

Deposits from customers, equal to €468.3 billion, have been growing by 3.4% (up by 4.2% at constant exchange rates) compared to the first half of 2019. The increase was also higher for the deposits from customers net of repos, up by 5.7% (up by 6.5% at constant exchange rates) in comparison to the same period of 2019. More specifically the deposits from customers net of repos grew in all divisions of the Group, with Commercial Banking Italy Division up by 5.4%, Commercial Banking Germany Division up by 9.0%, Commercial Banking Austria Division up by 5.2% and CIB Division up by 8.6%. The CEE Division recorded a growth of 1.6% (up by 6.3% at constant exchange rates) compared to the first half of 2019, mainly driven by Bulgaria (up by 12%), Romania (up by 9.7%, or up by 12.2% at constant exchange rates), Croatia, (up by 9.3%, or up by 11.8% at constant exchange rates), Serbia (up by 19.1% or up by 18.4% at constant exchange rates), while decreases are seen in Czech Republic (down by 10.1%, or down by 5.5% at constant exchange rates) and Russia (down by 2.4%, but up by 8.6% at constant exchange rates).

Dividends and other income from equity investments (which include the profits of the companies accounted at equity method) in the first half of 2020 amounted to €164 million, decreasing by €157 million, or down by 49.0% (down by 50.0% at constant exchange rates) compared with the first half of 2019. The drop is substantially due to the lower contribution of Yapi Kredi, with a remaining share quota, after the disposal, finalised in the first quarter 2020, reduced from 41% to 20% and in the absence of the contribution of Mediobanca, compared to the first half of 2019, following the sale of the partecipation in the fourth quarter of 2019.

The net fees and commissions in the first half of 2020 amounted to €3,001 million, decreasing by 3.4% (down by 3.1% at constant exchange rates) compared to the same period of the previous year.
In particular, the investment services recorded a decline of €23 million, or down by 2.0% in comparison to the first half of 2019 (down by 1.9% at constant exchange rates), mainly due to the assets under management diminished sales.
Financing services are decreasing too by-€8 million, or down by 1.0% compared to the first half of 2019 (down by 0.6% at constant exchange rates), mainly as an effect of the lower credit protection insurance commissions.
The transactional services fees suffered the largest decrease, -€74 million (down by 6.6% in comparison to the first half of 2019; down by 6.2% at constant exchange rates), mainly due to the lower performance of debit and credit cards fees and of damage insurance products fees. Debit and credit cards commissions were particularly impacted by the effects of Covid-19, that provoked a general decreasing of number of transactions and the implementation of temporary penalizing measures from some of the National Banks (for example ATM withdrawals without commission, in Croatia).
In the first half of 2020 also the net trading income decreased, moving from €784 million in the first half of 2019 to €530 million in the first half of the current year (down by 32.4%, or down by 31.8% at constant exchange rate). The drop is mainly derived from client's activity, which decreased on *Equity & Commodities* and *Fixed Income and Currencies (FIC)* results, to which is added the negative contribution of XVA (that includes valuations on Debt-Credit merit and on the result of the related Hedging desk).

Finally, in the first half of 2020, the net other expenses/income were in a negative amount of €34 million, compared with the positive results of €31 million the first half of 2019 (or €61 million net of the non-recurring components).

Operating income

(€ million)

	H1		%	2020	% CHANGE
	2020	2019	CHANGE	Q2	ON Q1 2020
Net interest	4,887	5,044	- 3.1%	2,393	- 4.0%
Dividends and other income from equity	164	321	- 49.0%	62	- 39.0%
Net fees and commissions	3,001	3,106	- 3.4%	1,380	- 14.8%
Net trading income	530	784	- 32.4%	357	n.m.
Net other expenses/income	(34)	31	n.m.	(22)	+ 99.5%
Operating income	**8,548**	**9,285**	**- 7.9%**	**4,170**	**- 4.8%**

Group results

Operating costs

Group's operating costs of the first half of 2020 were equal to €4,937 million, decreasing by 0.4%, or €20 million compared to the same period of 2019 (down by 0.1% at constant exchange rates), thanks to the continuation of the staff resizing initiatives and the administrative expenses control actions. The semester was impacted by approximate €69 million of extraordinary costs connected to Covid-19, net of which the decreasing compared to the same period of the prior year would have been 1.8%.

In detail, the staff expenses of the first half of 2020 were €3,034 million, decreasing by 1.3% over the same period of 2019 (down by 1.1% at constant exchange rates).
This result was achieved mainly thanks to approximate €60 million savings on the variable component, jointly with the persistent dynamic of employee's reduction, characterized by a drop of 1,151 FTEs (equivalent to -1,226 FTEs average) compared to the first half of 2019, equal to a decrease of 1.4%.
The other administrative expenses, in the first half of 2020 amounted to €1,608 million, decreasing by 1.7% in comparison to the first half of 2019 (down by 1.3% at constant exchange rates). Lower costs have been recorded mainly among the expenses related to personnel (in particular on the travel expenses thanks to the restrictive policies for the contrast of Covid-19 adopted by the Group) and communication and marketing expenses, that more than mitigated the extraordinary protection expenses from Codiv-19 that the Group had to account for in this period, particularly expenses for the acquisition of sanitary protection equipment, building disinfection, interventions on the IT infrastructure and security systems, donations.
The expenses recovery in the first half of 2020 amounted to €253 million, decreasing in comparison to €301 million of the first half of the last year (down by 15.9%). In particular, the drop was mainly related to the credit inquiries of the Non-Core Division, as a consequence of the *rundown* actions that have diminished the non-performing exposures and that, consequently, implied the drop of the correspondent expense recoveries.

Finally, in the first half of 2020 were posted write-downs on tangible and intangible assets for €548 million, substantially aligned in comparison to the €549 million posted in the first half of last year.

Operating costs

(€ million)

	H1		%	2020	% CHANGE
	2020	2019	CHANGE	Q2	ON Q1 2020
Payroll costs	(3,034)	(3,075)	- 1.3%	(1,492)	- 3.2%
Other administrative expenses	(1,608)	(1,635)	- 1.7%	(797)	- 1.8%
Recovery of expenses	253	301	- 15.9%	128	+ 2.4%
Write downs of tangible and intangible assets	(548)	(549)	- 0.0%	(284)	+ 7.2%
Operating costs	**(4,937)**	**(4,958)**	**- 0.4%**	**(2,444)**	**- 2.0%**

Due to the decline of the revenues, the Group gross operating profit of €3,610 million, showed a decrease of 16.6% compared to the first half of 2019 (down by 16.2% at constant exchange rates). The decrease would have been of 17.3% net of the non-recurring components which impacted the first half of 2019, mainly those related to the FinecoBank S.p.A. disposal for pledge and trademark valuations.

The cost income ratio of the first half of 2030 amounted to 57.8%, worsening by 4.4 percentage points over the same period of the previous year.

Group results

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

Net write-downs on loans and provisions for guarantees and commitments of the Group in the first half of 2020 were €2,198 million, compared to €1,175 million of the first half of 2019 (up by 87.1% or up by 88.1% at constant exchange rates). The growth is due to the additional loan loss provisions on performing loans for €1.2 billion, recorded in the semester in the face of the Covid-19 crisis and referred on the one hand to the macro-scenario IFRS9 updating and, on the other, to worsening of the staging, related to deterioration of ratings and probability of default (PD) of the customers.

Because of the higher provisions recorded in the semester, the cost of risk was equal to 91 basis points, in comparison to 50 basis points of the first half of 2019.
In particular, the Commercial Banking Italy Division recorded a cost of risk of 164 basis points, worsening by 88 basis points in comparison to the first half of 2019. The Commercial Banking Germany Division recorded 51 basis points, worsening by 45 basis points over the same period of last year and the Commercial Banking Austria Division accounted 38 basis points, worsening by 42 basis points over the first half of 2019. The CIB Division showed a cost of risk of 53 basis points, worsening by 30 basis points in comparison to the first half 2019.Finally, the CEE Division highlighted a cost of risk of 149 basis points, worsening by 93 basis points in comparison to the first half of 2019.

The Group gross impaired loans at 30 June 2020 decreased to €23.7 billion, lower by €1.6 billion compared to 31 December 2019, thanks to the continuous proactive risk reduction measures.
Thanks to this decrease, the gross non-performing loans on total loans ratio improved, moving from 5.04% of December 2019 to 4.76% of June 2020. Gross bad exposure stock was at €10.8 billion, decreasing by €1.7 billion over December 2019 (€12.5 billion).
The Group coverage ratio of the gross non-performing loans as at 30 June 2020 was 62.72%, decreasing (-2.5 basis points) in comparison to 65.24% of December 2019, also as an effect of the risk's reduction actions taken.

Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL NON-PERFORMING	PERFORMING	TOTAL LOANS
As at 06.30.2020(*)						
Gross exposure	10,767	11,956	948	**23,671**	474,040	**497,711**
as a percentage of total loans	*2.16%*	*2.40%*	*0.19%*	***4.76%***	*95.24%*	
Writedowns	8,098	6,407	341	**14,846**	3,611	**18,457**
as a percentage of gross value	*75.21%*	*53.59%*	*35.96%*	***62.72%***	*0.76%*	
Carrying value	2,669	5,549	607	**8,825**	470,429	**479,253**
as a percentage of total loans	*0.56%*	*1.16%*	*0.13%*	***1.84%***	*98.16%*	
As at 12.31.2019(*)						
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%*	

Note:
(*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16.

Group results

From net operating profit to profit before tax

The worsening of the gross operating profit (€3,610 million in the first half of 2020) and the increase of the net write-downs on loans and provisions for guarantees and commitments (-€2,198 million in the first half of 2020) have resulted in a Group's net operating profit of €1,412 million, decreasing by €1,740 million compared to the first half of 2019 (down by 55.2% or down by 54.9% at constant exchange rates).
Net of the non-recurring components, the Group's net operating profit underlying is €1,434million, compared to the €3,189 million of first half of 2019.

Group's provisions for risk and charges were -€713 million, compared to -€450 million of the first half of 2019 which included the releases of provisions following the conclusion of the settlements with the U.S. and New York Authorities.
This item includes legal cases and estimated liabilities of various nature totaling -€10 million, in addition to the systemic charges, amounting to -€703 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.

Integration costs in the first half of 2020 were -€1,352 million, in comparison to -€5 million recorded in the first half of 2019. In the first half 2020 have been accounted -€1,347 million for severance for the personnel of the Italian perimeter related to Team 23 plan.

In the end, net income from investments in the first half of 2020 was -€1,353 million, in comparison to -€221 million recorded in the first half of 2019. The first half 2020 figure was affected by non-recurring components for -€1,143 million, mainly due to the Yapi Kredi sale and resulting unwinding of Joint Venture agreements, partly balanced by gains from real estate sale in Germany. Into the first half 2019, non-recurring items for -€295 million have been posted, mainly related to the Ocean Breeze group disposal.

As an effect of the items mentioned above, in the first half of 2020 the Group registered a loss before tax of -€2,007 million, compared to a profit of €2,478 million of the first half of 2019. Excluding the non-recurring items, a profit before tax underlying of €505 million has recorded, in comparison to an underlying of €2,913 million of the first half of 2019.

Profit before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE-DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX H1 2020	PROFIT BEFORE TAX H1 2019
Commercial Banking Italy	3,246	(1,856)	(1,096)	295	(834)	902
Commercial Banking Germany	1,205	(835)	(225)	145	91	461
Commercial Banking Austria	645	(495)	(84)	66	(68)	221
Central Eastern Europe	1,809	(753)	(495)	560	393	907
Corporate & Investment Banking	1,783	(763)	(400)	620	358	927
Group Corporate Centre	(114)	(172)	14	(272)	(1,815)	(421)
Non Core	(27)	(62)	89	(1)	(132)	(518)
Group Total	**8,548**	**(4,937)**	**(2,198)**	**1,412**	**(2,007)**	**2,478**

Group results

Profit (Loss) attributable to the Group

In the first half of 2020, the Group's income taxes line was recording -€213 million, in comparison to -€670 million of the first half of 2019.

Profit from discontinued operations net of taxes in the first half of 2020 was €1 million, in comparison to €1,372 million of the same period of last year. The first half of 2019 figure included the capital gain stemming out from the FinecoBank S.p.A. sale and related deconsolidation for €1,287 million.

The loss for the period of the first half of 2020 was -€2,219 million, in comparison to €3,180 million of the first half of 2019. Net of the non-recurring items, the underlying result of the period for the of the first half of 2020 is positive for €386 million in comparison to an underlying result of €2,247 million of the same period of last year.

Minorities, conventionally exposed with negative sign, were €10 million against €88 million of the first half of 2019.

Purchase price allocation was -€50 million, compared to -€64 million of the first half of 2019. -€49 million are related to the real estate sale in Germany, while -€62 million of the first half 2019 were referred to extraordinary component of the FinecoBank S.p.A. trademark devaluation.

Consequently, in the first half of 2020 the net loss attributable to the Group amounted to -€2,286 million, compared to the profit of €3,028 million of the first half of 2019. Net of non-recurring items, the Group achieved a profit underlying of €368 million, compared to €2,158 million of the first half 2019.

Profit (Loss) attributable to the Group

(€ million)

	H1		%	2020	% CHANGE
	2020	2019	CHANGE	Q2	ON Q1 2020
Operating income	8,548	9,285	- 7.9%	4,170	- 4.8%
Operating costs	(4,937)	(4,958)	- 0.4%	(2,444)	- 2.0%
Operating profit (loss)	**3,610**	**4,328**	**- 16.6%**	**1,726**	**- 8.4%**
Net write-downs on loans and provisions for guarantees and commitments	(2,198)	(1,175)	+ 87.1%	(937)	- 25.7%
Net operating profit (loss)	**1,412**	**3,153**	**- 55.2%**	**788**	**+ 26.3%**
Other charges and provisions	(713)	(450)	+ 58.5%	(185)	- 64.9%
Integration costs	(1,352)	(5)	n.m.	(6)	- 99.6%
Net income from investment	(1,353)	(221)	n.m.	(92)	- 92.7%
Profit (Loss) before tax	**(2,007)**	**2,478**	**n.m.**	**505**	**n.m.**
Income tax for the period	(213)	(670)	- 68.2%	(73)	- 48.1%
Profit (Loss) from non-current assets held for sale, after tax	1	1,372	- 99.9%	1	n.m.
Profit (Loss) for the period	**(2,219)**	**3,180**	**n.m.**	**433**	**n.m.**
Minorities	(10)	(88)	- 88.5%	(6)	+ 23.1%
Net profit (loss) attributable to the Group before PPA	**(2,229)**	**3,092**	**n.m.**	**428**	**n.m.**
Purchase Price Allocation effects	(50)	(64)	- 22.6%	(0)	- 99.9%
Goodwill impairment	(8)	-	n.m.	(8)	n.m.
Net profit (loss) attributable to the Group	**(2,286)**	**3,028**	**n.m.**	**420**	**n.m.**

Group results

Capital and value management

Principles of value creation and capital allocation

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

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;
- assignment of risk adjusted performance targets;
- analysis of the impact on the Group's value and of the creation of value for shareholders;
- drafting and proposal of the financial plan, capital plan and dividend policy.

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

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

On 18 June 2020, the European Parliament approved the so-called CRR "quick fix" to Regulation (EU) 575/2013 (Capital Requirement Regulation - CRR) and Regulation 2019/876 (Capital Requirement Regulation 2 - CRR2) to mitigate the economic consequences of Covid-19. The temporary measures are intended to encourage banks to make full use of the flexibility embedded in the EU's prudential and accounting framework, so that banks can fully support citizens and companies during this pandemic by providing funding.
This regulation is part of a series of measures taken by the European Commission to mitigate the economic impact of the Coronavirus pandemic across the European Union.

Group results

Own Funds

Starting from 1 January 2014, the calculation of capital requirements takes into account the regulatory framework known as "Basel 3", adopted as a result of the EU Regulation No.575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - "CRR"), updated in the Regulation No. 876/2019 ("CRR2") and subsequently amended in the Regulation 873/2020, and in the EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV - "CRDIV"), also according to their adoption by Italian Laws.
Such regulation foresees the following breakdown of Own Funds:

- Tier 1 Capital (T1), made by:
  - Common Equity Tier 1 Capital (CET1) and
  - Additional Tier 1 Capital (AT1);
- Tier 2 Capital (T2).

The sum of Tier 1 Capital and Tier 2 Capital generates the Total Own Funds (Total Capital).
It is worth mentioning that in the update to the EU Regulation No.575/2013 transposed in the Regulation No.876/2019 (CRR2), the main impacts on Group Own Funds calculation, applicable starting from 30 June 2019, derive from the modification to the computability rules of the Additional Tier 1 and Tier 2 instruments. In particular, considering the new conditions provisioned by the CRR2 Articles 52 and 63, an additional grandfathering framework has been introduced to the instruments issued before 27 June 2019 and valid till 28 June 2025 for those instruments that do not comply with the new computability conditions presented (ref.CRR2 Article 494b): such grandfathering framework is in addition to the one provisioned by CRR Articles 484 - 491.

Capital requirements[1] and buffers for UniCredit group

The minimum capital requirements applicable to the Group as of 30 June 2020 in coherence with CRR Article 92 are the following (Pillar 1):

- CET1: **4.50%**
- T1: **6.00%**
- Total Capital: **8.00%**

In addition to such requirements, for 2020 the Group shall also meet the following additional requirements:

- **1.75%**, as Pillar 2 Requirements in coherence with SREP results; the anticipation of Article 104a.4 of CRD V applies the following extraordinary measures issued by ECB in reaction to the emergency of Covid-19: in particular the Pillar 2 requirement can be satisfied also through Additional Tier 1 and Tier 2 instruments (i.e. at least 75% with Tier 1 Capital and at least 56.25% with Common Equity Tier 1 Capital).
- **2.50%**, as Capital Conservation buffer (CCB) according to CRDIV Article129;
- **1.00%**, as Global Systemically Important Institutions ("G-SII") buffer[2];
- **0.06%**, as Countercyclical Capital buffer[3] (CCyB) according to the CRDIV Article 130, to be calculated on a quarterly basis.

As at 30 June 2020, the Group shall meet the following overall capital requirements:

- CET1: **9.04%**
- T1: **10.87%**
- Total Capital: **13.31%**

1 CET1 Systemic risk buffer (aimed at preventing and mitigating long-term, non-cyclical, systemic or macro-prudential risks that are not provided for by the CRR) is not applicable as at 30 June 2020 in Italy.
2 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 0.75% in 2020 and will reach 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 2020.
3 Amount rounded to two decimal numbers. With reference to 30 June 2020: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: Czech Republic (1.00%); Hong Kong (1.00%); Norway (1.00%); Slovakia (1.50%); Luxemburg (0.25%); Bulgaria (0,50%) (II) with reference to the exposures towards Italian counterparties, Banca d'Italia has set the rate equal to 0%.

Group results

Find below a scheme of the UniCredit group capital requirements and buffers which also provides evidences of the "Total SREP Capital Requirement" (TSCR) and the "Overall Capital Requirement" (OCR) related to the outcome of the SREP process held in 2019 and applicable for 2020.
The scheme reflects the anticipation of Article 104a.4 of CRD V application, as mentioned above.

2020 Capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
A) Pillar 1 Requirement	**4.50%**	**6.00%**	**8.00%**
B) Pillar 2 Requirement	**0.98%**	**1.31%**	**1.75%**
C) TSCR (A+B)	**5.48%**	**7.31%**	**9.75%**
D) Combined capital buffer requirement, of which:	**3.56%**	**3.56%**	**3.56%**
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)	*0.06%*	*0.06%*	*0.06%*
E) OCR (C+D)	**9.04%**	**10.87%**	**13.31%**

Note referred to Pillar 2 requirements:

- CET1: this amount represents the minimum coverage of the SREP requirement by CET1 capital, in the assumption, verified for the second quarter of 2020, that the amount of AT1 Capital exceeds the regulatory minimum of 1.50% (i.e. being 2.09%).
- T1: this amount represents the minimum coverage of the SREP requirement by T1 Capital, in the assumption, verified for the second quarter of 2020, that the amount of T2 Capital exceeds the regulatory minimum of 2.00% (i.e. being 2.81%).

The following table shows **UniCredit group transitional[4] capital ratios as at 30 June 2020** compared with previous periods:

UNICREDIT GROUP CONSOLIDATED CAPITAL RATIOS TRANSITIONAL	2Q20			1Q20	4Q19	3Q19	2Q19
	RATIOS	*Delta Q/Q*	*Delta Y/Y*				
CET1 Capital ratio	14.54%	1.09%	2.46%	13.44%	13.22%	12.60%	12.08%
Tier 1 Capital ratio	16.63%	1.15%	3.00%	15.48%	14.90%	14.23%	13.63%
Total Capital ratio	19.44%	1.43%	3.23%	18.01%	17.69%	17.11%	16.21%

Transitional Capital ratios of UniCredit S.p.A.
The following table shows the transitional[5] Capital Ratios of UniCredit S.p.A. as of 30 June 2020 compared with previous periods.

UNICREDIT S.P.A. CAPITAL RATIOS TRANSITIONAL	2Q20			1Q20	4Q19	3Q19	2Q19
	RATIOS	*Delta Q/Q*	*Delta Y/Y*				
CET1 Capital ratio	21.61%	0.67%	0.45%	20.95%	21.11%	21.84%	21.17%
Tier 1 Capital ratio	25.14%	0.74%	1.41%	24.40%	24.04%	24.59%	23.73%
Total Capital ratio	29.78%	1.31%	2.03%	28.47%	28.86%	29.23%	27.75%

Consolidated profit/ loss eligible for Own Funds purposes
On 29 July 2020, following the ECB's recommendation[6] on 28 July 2020, UniCredit confirmed it will not pay dividends nor do share buybacks in 2020.Considering that the ECB communication of 28 July 2020 has not extended its recommendation for 2021 and beyond[7], UniCredit has re-instated the Team 23 capital distribution policy in 2021 for financial year 2020 and following years. This means UniCredit will plan, as announced, to distribute 50% of underlying net profit to shareholders, targeting a 30% cash dividend payout of the underlying net profit and 20% for share buyback. Based on the market environment, the Group could review the split between cash dividend and share buyback. Therefore, as at 30 June 2020 the Group has deducted from the Own Funds an amount related to the foreseeable dividend related to the first half 2020 equal to €110 million. Such amount is equal to the 30% of the underlying net income at consolidated level, equal to €368 million, in line with the re-instated dividend policy, calculated after the exclusion from the consolidated loss (equal to -€2,286 million) of the extraordinary events occurred in the first half 2020 mainly related to: (i) -€1,576 million (net of taxes) related to the conclusion of the joint venture with Yapi ve Kredi Bankasi A.Ş, and of the consequent booking in the
Profit & Loss of the proportional quote of the Evaluation reserve (mainly connected to the reserve on exchange rate) (ii) -€1,272 million (net of taxes) related to Integration Costs in Italy.

4 The transitional adjustments as at 30 June 2020 are (i) grandfathering of Additional Tier 1 and Tier 2 instruments and (ii) IFRS9 transitional arrangements starting from 30 June 2020.
5 The transitional adjustments as at 30 June 2020 refer to the grandfathering of Additional Tier 1 and Tier 2 instruments.
6 ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers.
7 A new ECB communication is expected in December 2020.

Group results

Transitional consolidated Own Funds

Regarding the transitional adjustments as at 30 June 2020, these are:

- grandfathering of Additional Tier 1 and Tier 2 instruments: the transitional adjustment applicable is 20% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to grandfathering in coherence with CRR Article 486 (30% for 2019). In addition, (till 2025) the new grandfathering framework is applicable (till 2025) according to the CRR2 Article 494 b, applicable to the Additional T1 and T2 instruments issued before 27 June 2019 that do not comply with the CRR2 Articles 52 and 63.
- IFRS9 transitional arrangements: starting from June 2020, UniCredit Group has received from the competent Authority the approval to apply the transitional arrangements on IFRS9 as per CRR article 473a. The methodological approach is reported in the paragraph below.

Transitional arrangements related to the application of IFRS9

Starting from 1 January 2018, the IFRS9 accounting standard entered into force, envisaging a new framework for provisioning computation based on expected credit losses rather than on incurred losses. As of first-time adoption date, UniCredit group decided not to apply for the transitional arrangements provisioned in CRR for IFRS9.

Being UniCredit group still in the position to benefit of the IFRS9 transitional arrangements from the possibility allowed by the Regulation to reverse once during the transitional period the choice made at the inception, and also in light of the ECB Recommendation issued on 20 March 2020 for institutions that had not already implemented the transitional IFRS9 arrangements, UniCredit Group asked to the Competent Authority the approval to apply the transitional adjustment according to the revised framework introduced by the amended CRR2 both for the static component (i.e. first time adoption effects accounted as of 1 January 2018) and for the dynamic component (i.e. considering separately (i) the increase of LLP between 1 January 2020 and 1 January 2018 and (ii) the increase of LLP accounted after 1 January 2020). The Competent Authority granted the permission to fully apply the transitional arrangements set out in article 473a of CRR starting from the second quarter 2020.

From a methodological standpoint, it is worth mentioning that the IFRS9 transitional adjustment represents a “one-off” positive adjustment to be recognized in the calculation of CET1 capital, which does not originate indirect impacts on the calculation of other CET1 elements apart from the amount of DTA arising from temporary difference to be deducted. In this respect, considering article 473a (7) of the amended CRR2, the portion of DTA arising from temporary differences which is related to the transitional amount added back to CET1 shall be excluded from the amount of DTA to be deducted from CET1 following the regulatory netting.

Specifically, with reference to each component of the adjustment, it is worth mentioning the following interpretations of the regulation:

- The static component of the adjustment to be considered (ref. to elements A2,SA and A2,IRB in Article 473a) is the entire amount of LLPs, both referred to performing and impaired assets, considering separately Standard (STD) and IRB exposures, booked in IFRS9 First Time adoption. According to Article 473a of the amended CRR2, the transitional adjustment corresponding to the static component is calculated by applying the following percentage factors: 70% for 2020, 50% for 2021, 25% for 2022, 0% starting from 2023.
- The dynamic component of the adjustment includes only LLPs referred to performing assets (i.e. sum of LLPs under IFRS9 Stage1 and Stage2) according to Article 473a (3).
  Furthermore, the dynamic component is composed of the following two elements:
  - **element 1**: the increase of LLP between 1 January 2020 and 1 January 2018; in case of IRB exposures the amount of LLPs is reduced by the regulatory expected losses (EL) at both dates. Such element 1 is subject to the following transitional percentages (i.e. the same applied to the static component): 70% for 2020, 50% for 2021, 25% for 2022, 0% starting from 2023;
  - **element 2**: the increase of LLP accounted after 1 January 2020. In case of IRB exposures, the amount of LLPs is reduced by the regulatory expected losses (EL) at both 1 January 2020 and subsequent reference dates. Such element 2 is subject to the following transitional percentages: 100% for 2020 and 2021, 75% for 2022, 50% for 2023, 25% for 2024, 0% starting from 2025.
- Lastly, according to 473a (7) of the amended CRR2, the transitional adjustment applied to CET1 and related to STD exposures (i.e. ABSA) has to be reflected in RWA when calculating the transitional RWA, in order to consider the increase in the exposure value determined in accordance with CRR Article 111(1) due to the minor amount of LLPs reducing CET1.
- In quantitative terms, the transitional IFRS9 adjustment has a positive effect on CET1 capital equal to €2,4 bn, hence the Transitional CET1 ratio is equal to 14.54% while the Fully Loaded CET1 ratio is equal to 13.85%. Moreover, the IFRS9 arrangements has a negative impact on T2 equal to -€0.2bn originated from the updated amount of the excess of LLP on IRB portfolio computable in T2.

Group results

Capital requirements to be held, as a result of the measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities

Within the measures issued by ECB during the first half 2020 given the economic effects of the Covid-19 emergency, here below the main updates in terms of capital requirements are reported:

- banks can operate temporarily below the Pillar II Guidance (P2G) and, Capital conservation buffer (CCB);
- banks are allowed to partially use capital instruments that do not qualify as CET1 capital (e.g. Additional Tier 1 or Tier 2 instruments) to meet the Pillar 2 Requirements (P2R), anticipating a measure initially scheduled to come into effect in January 2021, as part of the revision of the Capital Requirements Directive (CRD V), article 104a.4. As consequence, in line with Pillar 2 Requirements, required in coherence with SREP results and equal to 1.75%, UniCredit Group shall meet through Common Equity Tier 1 Capital at least the 0.98% of such requirement and through Tier 1 capital at least the 1.31%, coherently with the details contained in the table "Requirements and capital reserves for the UniCredit group in 2020", reported in this section.
- banks should not pay dividends and not buy back shares until January 2021, following the ECB's recommendation on 28 July 2020 on dividend distributions during the Covid-19 pandemic.

Countercyclical Capital buffer (CCyB), as a result of the measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities

The Countercyclical Capital buffer (CCyB) according to the CRDIV Article 130, has to be calculated on a quarterly basis.
During the second quarter 2020, in reaction to the Covid-19 emergency and further to some releases already applied in the first quarter 2020, some National Authorities have reviewed the countercyclical capital buffer rate applicable to the states, with the aim of reducing the capital requirement to be held for the countercyclical capital buffer (CCyB).
The rates lowering in Czech Republic (from 1.75% to 1.00%), Ireland (from 1.00% to 0%), France (from 0,25% to 0%) and Lithuania (from 1.00% to 0%) lead to a decrease of UniCredit group's countercyclical capital buffer reserve from 0.10% as of the first quarter 2020 to 0.06% as of the second quarter 2020.

Change in the consolidation method of Yapi Ve Kredi Bankasi A.Ş

During the last quarter of 2019, the Group started deleveraging its presence in Turkey; the execution envisaged two transactions, which led the Group to decrease its stake in Yapi Kredi Bank (YKB) from the initial 40.95% to the current 20%:

- on 25 November 2019, UniCredit S.p.A. Board of Directors approved the disposal of 9.02% (out of 40.95% held at that date) of UniCredit's shareholding in YKB and its subsidiaries to Koç Group. Such transaction was closed during the first quarter 2020
- on 5 February 2020, UniCredit S.p.A. announced the launch of a placement of ordinary shares in YKB listed on the Istanbul stock exchange, representing 11.93% of the Company's existing share capital. The accelerated book building (ABB) was successfully completed on 6 February 2020, by transferring shares representing 11.93% of the Company's issued share capital to institutional investors.

Consequently, during the first quarter 2020, the 9.02% and 11.93% stakes in YKB were derecognised under an accounting perspective, leading UniCredit S.p.A. to hold a 20% stake in YKB as of 30 June 2020.
With reference to such 20% stake, from a regulatory perspective (see also the press release published on 11 March 2020), on 10 March 2020 the European Central Bank notified UniCredit its decision to allow the application of the equity method; hence, starting from first quarter 2020: (i) UniCredit's consolidated RWAs no longer include YKB's proportional contribution (40.95% till fourth quarter 2020), thus leading to the release of approximately €20 billion RWA in the first quarter 2020; (ii) the 20% stake is subject to the deduction mechanism applicable to the significant investments in financial sector entities; (iii) UniCredit's consolidated regulatory liquidity ratios no longer include YKB (100% till fourth quarter 2020).

Deductions connected to investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences

With reference to 30 June 2020, UniCredit exceeds the thresholds related to significant investments in CET1 instruments issued by financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, generating a capital deduction from Common Equity Tier 1 Capital of €215 million.
In particular, the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit in financial sector entities in which UniCredit has a significant investment exceed the threshold of 17.65% of the residual amount of Common Equity Tier 1 items after applying the adjustments and deductions in CRR Articles 32 to 36 in full.
It is worth mentioning that the amount above mentioned does not consider the effects related to the transitional adjustments referred to IFRS9.

Atlante Fund and Italian Recovery Fund (ex Atlante Fund II)

As at 30 June 2020, the investment held by UniCredit in the quotes of Atlante Fund and Italian Recovery Fund (ex Atlante Fund II), for approximately €350 million, is primarily referred to investments in securitization notes related to non-performing loans: the regulatory treatment of the Fund's

Group results

quotes recognized in the UniCredit balance sheet foresees the application of the CRR Article 128 (Items associated with particular high risk). With reference to the residual commitments, for €9 million, the regulatory treatment foresees the application of a credit conversion factor equal to 100% ("full risk" according to the Annex I of the CRR), for the calculation of the related Risk Weighted Assets.

Financial conglomerate

As at 30 June 2020 reporting date, the UniCredit group is allowed to not be subject to the supplementary supervision, although it is recognised as a financial conglomerate by the Joint Committee (ref. communication JC 2019 72).

1. Common Equity Tier 1 Capital - CET1

Common Equity Tier 1 Capital mainly includes the following elements:

- Main Common Equity Tier 1 Capital items, recognised as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur: (I) capital instruments, provided the conditions laid down in CRR Article 28 or, where applicable, Article 29 are met; (II) share premium accounts related to the instruments referred to in point (I); (III) retained earnings; (IV) accumulated other comprehensive income; (V) other reserves; Common Equity Tier 1 Capital items also include minority interests for the computable amount recognised by the CRR.
- Prudential filters of Common Equity Tier 1 Capital: (I) filter related to increase in equity under the applicable accounting framework that results from securitized assets; (II) filter related to the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value; (III) filter related to gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution; (IV) filter related to all fair value gains and losses arising from the institution's own credit risk related to derivative liabilities; (V) filter related to additional value adjustments (prudent valuation).
- Deductions from Common Equity Tier 1 items: (I) intangible assets; (II) deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences; (III) negative amounts resulting from the calculation of expected loss amounts when compared with credit risk adjustments (shortfall) for those positions evaluated according to IRB methods; (IV) defined benefit pension fund assets on the balance sheet of the institution; (V) direct, indirect and synthetic holdings by an institution of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is to purchase under an actual or contingent obligation by virtue of an existing contractual obligation; (VI) exposures deducted from CET1 as an alternative to the application of 1,250% risk weight; (VII) the applicable amount of direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation); (VIII) deferred tax assets (DTA) that rely on future profitability and arise from temporary differences, and the applicable amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation).

As at 30 June 2020, CET1 Capital includes ordinary shares issued by UniCredit S.p.A, equal to €20,437 million; among the other elements, such item does not include €609 million related to the ordinary shares underlying the Usufruct contract (Cashes) which are reclassified - as resulting from the phase-out according to CRR1 grandfathering rules - under Additional Tier 1 Capital for €517million and under Tier 2 for €92 million.

2. Additional Tier 1 Capital - AT

The AT1 positive elements are represented by the following items: (I) capital instruments, where the conditions laid down in CRR2 Article 52 are met; (II) the share premium accounts related to the instruments referred to in point (I); (III) capital instruments for the amount computable in Own Funds according to the transitional provisions foreseen by the CRR and CRR2 (grandfathering). Furthermore, the Additional Tier 1 Capital includes also the minority interests for the computable amount not already recognised in the Common Equity Tier 1 Capital.

Tier 2 Capital - T2

The T2 positive elements are represented by the following items: (I) capital instruments and subordinated loans where the conditions laid down in CRR2 Article 63 are met; (II) the share premium accounts related to instruments referred to in point (I); (III) possible surplus of credit risk adjustments with reference to expected losses for positions evaluated according to IRB methods; (IV) capital instruments and subordinated loans for the amount computable in Own funds according to the transitional provisions foreseen by the CRR and CRR2 (grandfathering). The Tier 2 Capital includes also the minority interests for the computable amount not already recognised in the Tier 1 Capital and the T2 instruments issued by the subsidiaries for the computable amount as defined by the CRR.

As at 30 June 2020, the Group Own Funds:

- do not include instruments with maturity of 7 years having a contractual amortization plan starting before the 5th year, issued after 31 December 2011;
- include, according to CRR Article 484(5) among grandfathered instruments, the amount of the instruments issued before 31 December 2011 and subject to the grandfathering provisions according to CRR;
- include the instruments issued before 27 June 2019, subject to grandfathering framework according to CRR2 Article 494b.

Group results

Own Funds disclosure template(*)

(€ million)

		06.30.2020	12.31.2019
Common Equity Tier 1 capital (CET1): instruments and reserves			
1	Capital instruments and the related share premium accounts (A)	29,818	33,591
	of which: Ordinary shares	*29,818*	*33,591*
2	Retained earnings (B)	23,182	16,372
3	Accumulated other comprehensive income (and other reserves) (C)	2,457	1,852
5	Minority interests (amount allowed in consolidated CET1)	105	122
5a	Independently reviewed interim profits net of any fore-seeable charge or dividend	-	1,967
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustment**	**55,562**	**53,904**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	(219)	(184)
8	Intangible assets (net of related tax liability)	(2,797)	(2,815)
9	Transitional adjustment related to IFRS9 (D)	2,404	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (E)	(714)	(698)
11	Fair value reserves related to gains or losses on cash flow hedges	(94)	72
12	Negative amounts resulting from the calculation of expected loss amounts	(13)	(11)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(243)	(63)
15	Defined - benefit pension fund assets	(44)	(41)
16	Direct and indirect holdings by an institution of own CET1 instruments (F)	(291)	(8)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(74)	(102)
20c	*of which: Securitisation positions*	*(74)*	*(102)*
22	Amount exceeding the 17,65% threshold (G)	(215)	-
23	*of which: Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	*(121)*	-
25	*of which: Deferred tax assets arising from temporary differences*	*(94)*	-
25a	Losses for the current financial year (H)	(2,286)	-
28	**Total regulatory adjustment to Common Equity Tier 1 (CET1)**	**(4,586)**	**(3,850)**
29	**Common Equity Tier 1 (CET1) capital**	**50,976**	**50,054**
Additional Tier 1 (AT1) capital: Instruments			
30	Capital instruments (I)	4,953	3,713
33	Amount of qualifying items referred to in Article 484 (4) subject to phase out from AT1 (J)	2,402	2,658
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	21	20
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**7,376**	**6,392**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments	(34)	(29)
40	Direct, indirect or synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions)	(3)	(3)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(37)**	**(32)**
44	**Additional Tier 1 (AT1) capital**	**7,339**	**6,360**
45	**Tier 1 capital (T1= CET1+AT1)**	**58,315**	**56,414**

Group results

continued: Own Funds disclosure template

(€ million)

		06.30.2020	12.31.2019
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments (K)	9,492	9,656
47	Amount of qualifying items referred to in Article 484 (5) subject to phase out from T2 capital	304	68
48	Qualifying Own Funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	502	533
50	Credit risk adjustments	1,075	1,072
51	**Tier 2 (T2) capital before regulatory adjustments**	**11,373**	**11,330**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (L)	(387)	(193)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (M)	(897)	(570)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts) (N)	(235)	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(1,519)**	**(763)**
58	**Tier 2 (T2) capital**	**9,854**	**10,568**
59	**Total capital (TC=T1+T2)**	**68,169**	**66,982**
60	**Total risk weighted assets (O)**	**350,670**	**378,718**
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**14.54%**	**13.22%**
62	**Tier 1 (as a percentage of risk exposure amount)**	**16.63%**	**14.90%**
63	**Total capital (as a percentage of risk exposure amount)**	**19.44%**	**17.69%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) (P)	8.06%	8.09%
65	*of which: Capital conservation buffer requirement*	*2.50%*	*2.50%*
66	*of which: Countercyclical buffer requirement*	*0.06%*	*0.09%*
67a	*of which: Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*1.00%*	*1.00%*
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (Q)	6.48%	5.13%
Lower amounts in comparison with the thresholds for the deductions (before the weight of the risk)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,410	1,694
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4,215	3,924
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (R)	3,285	3,359
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) (R)	2,996	1,784
79	Cap for inclusion of credit risk adjustments in T2 under internal rating-based approach (R)	1,075	1,072
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	517	775
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	502	243
84	Current cap on T2 instruments subject to phase out arrangements	1,266	1,900

Note:
(*) Sub-amounts equal to zero or not applicable are not reported.

Group results

Notes to the table "Own Funds disclosure template (CRR Article 492, paragraph 3 and 4)"
Amounts included in the notes below refer to 30 June 2020 if not otherwise specified. Regarding the transitional adjustments as at 30 June 2020 it is worth mentioning that:

- the transitional adjustment applicable is 20% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR Article 486 (30% for 2019) - ref. item 33 and 47 of the template;
- in addition from 27 June 2019 it is valid the new grandfathering framework according to the CRR2 Article 494 b), applicable to the Additional T1 and T2 instruments issued before 27 June 2019 that do not comply with the CRR2 Articles 52 and 63;
- it is decided to apply the transitional regime due to the introduction of IFRS9 accounting principle according to Article 473a of EU Regulation 873/2020 that amends EU Regulation 876/2019.

A.
This item does not include €609 million related to the ordinary shares underlying the Usufruct contract (Cashes), reclassified as resulting from the phase-out according to CRR1 grandfathering rules under item "33. Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1" for €517 million and under item "47 Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2" for €92 million. The change compared to 31 December 2019 (negative for €3,773 million) mainly refers to the neutralization through share premium reserves of negative reserves connected to the IFRS9 First Time Adoption impact of UniCredit S.p.A. (negative for -€2,759 million) and other effects for €1,079 million related to the coupons payments and to cover the entire loss from the 2019 financial year of Unicredit S.p.A. in coherence with the authorization received from the Competent Authority.

B.
The change compared to 31 December 2019 (positive for €6,811 million) mainly refers to: i) the inclusion into reserves of the 2019 profit (€3,373 million also including dividends related to 2019 no more distributed in line with the recommendation published by European Central Bank), and ii) the positive effect stemming from the inclusion of the reserves connected to IFRS9 FTA (positive for €2,759 million), It is worth mentioning that as of 30 June 2020, such capital item includes the amount of dividend proposal related to 2020 (€110 million), equal to 30% of the underlying net profit referred to first half 2020 (€368 million).

C.
The change compared to 31 December 2019 (positive for €605 million) mainly refers to: positive change (equal to €1,170 million) related to the combined effect of a positive change on actuarial losses (equal to €57 million), on reserves related to financial liabilities at fair value (€114 million, subject to prudential filter for Own Funds calculation included in item "14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing"), on cash flow hedge reserve (€166 million, subject to prudential filter for Own Funds calculation included in item "11 Fair value reserves related to gains or losses on cash flow hedges") on exchange reserve (€833 million, of which +1,443 million due to the deconsolidation of Yapi ve Kredi Bankasi A.Ş whose the FX component has been recycled through P&L partially offset by the Ruble and Czech Koruna) partially offset by the negative effect (€505 million) related to reserve on capital and debt instruments valued at fair value.

D.
Starting from 30 June 2020 UniCredit decided to apply the transitional arrangements referred to the entry into force of IFRS9 accounting principles according to article 473a of EU Regulation 873/2020 published on 27 June 2020 that amends EU Regulation 876/2019. The amount included under this item (equal to 2,404 million) includes the following transitional adjustments: i) static component for €1,593 million (applicable percentage in 2020 equal to 70%); dynamic component for €575 million (applicable percentage in 2020 equal to 100%); iii) deferred tax assets that rely on future profitability and not arise from temporary differences for €22 million; iv) sterilization of the amount exceeding 17,65% CET1 threshold for €215 million related to the inclusion of the deferred tax assets that rely on future profitability and arise from temporary differences after the regulatory netting generated by the application of the IFRS9 accounting principle.

Group results

E.
The amount included in this item (equal to €714 million) does not consider the effects related to the transitional adjustments due to IFRS9 that are included in item 9 "Adjustments due to the transitional arrangement related to the IFRS9".

F.
The change compared to 31 December 2019 is related to authorization received from the competent authority for the repurchase of own shares connected to the delisting of UniCredit shares from Warsaw Stock Exchange. The resolution to proceed with the delisting is valid till 11 October 2020.

G.
With reference to 30 June 2020, the amount reports the excess with respect to the thresholds based to the CRR Article 48 "Threshold exemptions from deduction from Common Equity Tier 1 items". In particular, the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit S.p.A. in financial sector entities in which UniCredit S.p.A. has a significant investment, exceed the threshold of 17.65% of Common Equity Tier 1 Capital after applying the adjustments and deductions in CRR Articles 32 to 36 in full. It is worth mentioning that the amount included in this item does not consider the effects related to the transitional adjustments referred to IFRS9 that are included in item 9 "Adjustments due to the transitional arrangement related to the IFRS9".

H.
The consolidated loss of the period of 30 June 2020 (equal to €2,286 million) is entirely deducted from Common Equity Tier 1 according to CRR Article 36(1)(a).

I.
The change compared to 31 December 2019 (positive for €1,240 million) is fully related to the issue, in the first quarter of 2020, of the new instrument XS2121441856.

J.
The amount includes the ordinary shares underlying the Usufruct contract (Cashes) for €517 million (the residual €92 million are included under item 47 "Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2") and Additional Tier 1 capital instruments that do not comply with the new computability conditions provisioned by the CRR2 Article 52 and, hence, subject to the new grandfathering framework.

K.
The change compared to 31 December 2019 (negative for €165million) is mainly referred to:
- the issue of the two new instruments i) XS2101558307 on 15 January 2020 (computable amount equal to €1,244 million), ii) XS2196325331 on 30 June 2020 (computable amount equal to €1,327 million);
- authorization received by the competent authority to early redeem the instrument IT0005087116 (computable amount equal to €2,482 million), executed on 3 May 2020;
- decrease due to the amortisation effect equal to €260 million.

L.
The change compared to 31 December 2019 (negative for €194 million) is mainly related to the authorization received by the competent authority to early redeem the instrument XS0527624059 (computable amount equal to €211 million), executed on 21 July 2020.

M.
The change compared with 31 December 2019 is mainly related to the change of the consolidation method of Yapi ve Kredi Bankasi A.Ş. from proportional to equity. Consequently, the instruments issued by Yapi ve Kredi Bankasi A.Ş. and held by UniCredit S.p.A. are fully deducted from the Own Funds, being the issuer a significant financial sector entity for UniCredit S.p.A.

N.
The change compared with 31 December 2019 (negative for €235 million) takes into account the effects of IFRS9 transitional adjustments and it is referred to the calculation of the excess related to the credit risk adjustments in comparison with the expected loss computed in Tier 2 capital.

Group results

O.
The amount of risk weighted assets considers the effects of IFRS9 transitional adjustments and include:
- the increase of risk weighted assets related to the benefit on CET1 Capital deriving from the lower credit risk adjustment included in the standard portfolio and weighted at 100%;
- the decrease of risk weighted assets related to the reduction on deferred tax assets that rely on future profitability and arise from temporary differences subject to regulatory netting and weighted at 250%.

P.
The amount does not include the Pillar 2 requirement on CET1 equal to 0.98% in coherence with SREP results of 2019 and with the anticipation of Article 104a.4 of CRD V based on which the Pillar 2 requirement can be satisfied also through AT1 and T2 instruments (i.e. at least 75% with T1 capital and at least 56.25% with CET1 capital).

Q.
The amount as at 30 June 2020 is calculated by subtracting from the Common Equity Tier 1 capital ratio at the date (i.e. item 61: 14.54%) the minimum Common Equity Tier 1 requirement including the combined capital buffer (i.e. item 64: 8.06%). The increase compared to 31 December 2019 depends on the following items: (i) increase in Common Equity Tier 1 Capital for €2,447 million and ii) reduction in risk weighted assets for -€10,299 million.

R.
Amounts included in items 75, 78 e 79 do not consider the effects related to the transitional adjustments due to IFRS9 that are included in item 9 "Adjustments due to the transitional arrangement related to the IFRS9".

Capital Adequacy

(€ million)

	UNWEIGHTED ASSETS		WEIGHTED ASSETS/REQUIREMENTS	
ITEMS/VALUES	06.30.2020	12.31.2019	06.30.2020	12.31.2019
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**852,691**	**828,322**	**295,805**	**326,963**
1. Standardised approach(1)	346,923	352,833	111,089	145,014
2. IRB approaches(2)	487,750	462,559	179,214	178,710
2.1 Foundation	16,103	16,959	10,289	10,991
2.2 Advanced	471,646	445,601	168,926	167,719
3. Securitisations	18,018	12,929	5,502	3,238
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**23,664**	**26,157**
B.2 Credit valuation adjustment risk			**118**	**129**
B.3 Settlement risk			**3**	**3**
B.4 Market Risk			**1,077**	**745**
1. Standard approach			198	131
2. Internal Models			879	615
3. Concentration Risk			-	-
B.5 Operational Risk			**2,631**	**2,637**
1. Basic indicator approach			225	247
2. Traditional standardised approach			265	277
3. Advanced measurement approach			2,141	2,114
B.6 Other calculation elements			**561**	**626**
B.7 Total capital requirements			**28,054**	**30,297**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk Weighted Assets			**350,670**	**378,718**
C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)			**14.54%**	**13.22%**
C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)			**16.63%**	**14.90%**
C.4 Total Own Funds/Risk weighted assets (Total capital ratio)			**19.44%**	**17.69%**

Notes:
(1) The weighted amount includes the "Exposures with central counterparties as pre-funded contributions to the default fund".
(2) The unweighted amount and weighted amount include the "Equity Exposures".

Group results

Capital strengthening

On 12 February 2020 UniCredit S.p.A., taking advantage of the extremely positive market window, 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 €1.25 billion targeted to institutional investors.
The issue completes the 2020 UniCredit's Funding Plan for these instruments and contributes to improve the Tier 1 ratio.
The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and may be called by the Issuer on 3 June 2027 and, thereafter, on any interest payment date, subject to regulatory approval. Notes pay fixed rate coupons of 3.875% per annum up to June 2027 on a semi-annual basis; if not called, coupon will be reset every 5 years to the aggregate of the then 5-Years Mid-Swap rate plus 408.1bps, calculated on an annual basis and then converted to a semi-annual rate in accordance with market conventions. In line with the regulatory requirements, the coupon payments are fully discretionary.

Moreover with reference to share capital, on 5 February 2020 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 €65 million by issuing No.3,884,961 ordinary shares to be granted to the employees of UniCredit S.p.A. and of Group's banks and companies. The resolution to increase the share capital was registered with the Company Register on 27 March 2020 and the fully subscribed and paid-up share capital of UniCredit S.p.A. currently amounts to €21,060 million and it is divided into No.2,237,261,803 ordinary shares with no nominal value.

Shareholders' equity attributable to the Group

The Shareholders' equity of the Group, including the net result of the period equal to -€2,286 million, amounted to €60,748 million as at 30 June 2020, compared to €61,416 million as at 31 December 2019.

The following table shows the main changes occurred in 2020.

Shareholders' equity attributable to the Group

(€ million)

Shareholders' Equity as at 31 December 2019	**61,416**
Equity instruments	1,239
Change in reserve related coupon on AT1 instruments	(160)
Disbursements related to transaction denominated "Cashes"	(61)
Change in the valuation reserve of the companies accounted for using the equity method(1)	704
Change in the valuation reserve of non-current assets classified held-for-sale(1)	684
Change in the valuation of hedging for financial risks	124
Change in the valuation reserve relating to the financial assets and liabilities at fair value	(298)
Exchange differences reserve(2)	(599)
Other changes	(15)
Net profit (loss) for the period	(2,286)
Shareholders' Equity as at 30 June 2020	**60,748**

Notes:
(1) The change in the valuation reserve of the companies accounted for using the equity method for +€704 million and in the reserve of non-current assets classified held-for-sale for +€684 million is mainly due to the disposal of respectively 11.93% and 9.02% stake of Yapi Ve Kredi Bankasi AS with the consequent recycle mostly to profit or loss of reserves basically referred to exchange rate differences on Turkish Lira.
(2) This effect is mainly due to the impact of Russian Ruble for -€355 million, Czech Crown for -€127 million and Hungarian Forint for -€78 million.

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

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 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 Center 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.

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING ITALY	H1 2020	H1 2019	% CHANGE	2020 Q2	% CHANGE ON Q1 2020
Operating income	3,246	3,563	- 8.9%	1,545	- 9.2%
Operating costs	(1,856)	(1,905)	- 2.6%	(926)	- 0.5%
Net write-downs on loans and provisions for guarantees and commitments	(1,096)	(522)	n.M.	(446)	- 31.3%
Net operating profit	295	1,136	- 74.0%	173	+ 41.6%
Profit before tax	(834)	902	n.M.	140	n.M.
Customers loans (net Repos and IC)	132,998	137,035	- 2.9%	132,998	- 0.6%
Customers depos (net Repos and IC)	159,581	151,437	+ 5.4%	159,581	+ 3.1%
Total RWA Eop	90,253	98,247	- 8.1%	90,253	- 3.9%
EVA (€ million)	(442)	136	n.M.	(175)	- 34.6%
Absorbed Capital (€ million)	11,466	11,699	- 2.0%	11,285	- 3.1%
ROAC	- 10.7%	+ 10.6%	- 21.2 p.p.	+ 3.8%	+ 28.5 p.p.
Cost/Income	+ 57.2%	+ 53.5%	+ 3.7 p.p.	+ 59.9%	+ 5.3 p.p.
Cost of Risk	164 bps	76 bps	88 bps	134 bps	- 60 bps
Full Time Equivalent (eop)	27,941	28,836	- 3.1%	27,941	- 1.2%

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

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING GERMANY	H1 2020	H1 2019	% CHANGE	2020 Q2	% CHANGE ON Q1 2020
Operating income	1,205	1,185	+ 1.7%	584	- 6.1%
Operating costs	(835)	(813)	+ 2.8%	(411)	- 3.1%
Net write-downs on loans and provisions for guarantees and commitments	(225)	(26)	n.M.	(72)	- 52.7%
Net operating profit	145	347	- 58.2%	100	n.M.
Profit before tax	91	461	- 80.2%	83	n.M.
Customers loans (net Repos and IC)	89,542	87,596	+ 2.2%	89,542	+ 1.3%
Customers depos (net Repos and IC)	95,128	87,301	+ 9.0%	95,128	+ 4.0%
Total RWA Eop	37,673	36,041	+ 4.5%	37,673	+ 2.0%
EVA (€ million)	(82)	75	n.M.	(5)	- 92.9%
Absorbed Capital (€ million)	4,545	4,621	- 1.6%	4,585	+ 1.8%
ROAC	+ 4.3%	+ 12.8%	- 8.6 p.p.	+ 7.3%	+ 6.2 p.p.
Cost/Income	+ 69.3%	+ 68.6%	+ 0.7 p.p.	+ 70.4%	+ 2.2 p.p.
Cost of Risk	51 bps	6 bps	45 bps	32 bps	- 37 bps
Full Time Equivalent (eop)	8,967	9,023	- 0.6%	8,967	- 0.7%

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 factory Leasing and the Local Corporate Center.

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

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING AUSTRIA	H1 2020	H1 2019	% CHANGE	2020 Q2	% CHANGE ON Q1 2020
Operating income	645	741	- 12.9%	303	- 11.4%
Operating costs	(495)	(479)	+ 3.2%	(242)	- 3.8%
Net write-downs on loans and provisions for guarantees and commitments	(84)	10	n.M.	1	n.M.
Net operating profit	66	271	- 75.7%	61	n.M.
Profit before tax	(68)	221	n.M.	1	n.M.
Customers loans (net Repos and IC)	44,164	43,947	+ 0.5%	44,164	- 1.1%
Customers depos (net Repos and IC)	49,957	47,491	+ 5.2%	49,957	+ 3.5%
Total RWA Eop	23,615	22,793	+ 3.6%	23,615	+ 1.6%
EVA (€ million)	(188)	94	n.M.	(66)	- 46.1%
Absorbed Capital (€ million)	2,821	2,824	- 0.1%	2,837	+ 1.1%
ROAC	- 4.2%	+ 15.8%	- 20.0 p.p.	+ 0.0%	+ 8.6 p.p.
Cost/Income	+ 76.7%	+ 64.7%	+ 12.0 p.p.	+ 80.0%	+ 6.3 p.p.
Cost of Risk	38 bps	- 4 bps	42 bps	- 1 bps	- 76 bps
Full Time Equivalent (eop)	4,754	4,809	- 1.2%	4,754	- 0.7%

CEE Division

The Group, through the CEE business segment, offers a wide range of products and services to retail, corporate and institutional clients in 10 Central and Eastern Europe countries: Bosnia- Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia. 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.

Income statement, key ratios and indicators

(€ million)

CEE DIVISION	H1 2020	H1 2019	% CHANGE	2020 Q2	% CHANGE ON Q1 2020
Operating income	1,809	1,991	- 9.2%	850	- 11.4%
Operating costs	(753)	(750)	+ 0.5%	(372)	- 2.5%
Net write-downs on loans and provisions for guarantees and commitments	(495)	(186)	n.M.	(199)	- 33.1%
Net operating profit	560	1,056	- 46.9%	279	- 0.6%
Profit before tax	393	907	- 56.6%	255	+ 84.9%
Customers loans (net Repos and IC)	64,974	67,009	- 3.0%	64,974	- 1.7%
Customers depos (net Repos and IC)	71,756	70,632	+ 1.6%	71,756	+ 1.8%
Total RWA Eop	58,423	67,455	- 13.4%	58,423	- 8.4%
EVA (€ million)	(144)	301	n.M.	(16)	- 87.2%
Absorbed Capital (€ million)	7,582	8,036	- 5.6%	7,326	- 6.5%
ROAC	+ 7.7%	+ 17.6%	- 9.9 p.p.	+ 10.7%	+ 5.9 p.p.
Cost/Income	+ 41.6%	+ 37.7%	+ 4.0 p.p.	+ 43.8%	+ 4.0 p.p.
Cost of Risk	149 bps	56 bps	93 bps	121 bps	- 56 bps
Full Time Equivalent (eop)	24,238	24,192	+ 0.2%	24,238	+ 0.5%

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	H1 2020	H1 2019	% CHANGE	2020 Q2	% CHANGE ON Q1 2020
Operating income	1,783	1,926	- 7.5%	974	+ 20.4%
Operating costs	(763)	(778)	- 1.8%	(364)	- 8.8%
Net write-downs on loans and provisions for guarantees and commitments	(400)	(151)	n.M.	(242)	+ 54.1%
Net operating profit	620	998	- 37.9%	367	+ 45.6%
Profit before tax	358	927	- 61.3%	351	n.M.
Customers loans (net Repos and IC)	95,700	87,846	+ 8.9%	95,700	- 1.4%
Customers depos (net Repos and IC)	54,351	50,025	+ 8.6%	54,351	- 1.8%
Total RWA Eop	91,083	89,065	+ 2.3%	91,083	- 0.2%
EVA (€ million)	(352)	284	n.M.	(74)	- 73.4%
Absorbed Capital (€ million)	11,097	10,895	+ 1.8%	11,287	+ 3.5%
ROAC	+ 3.4%	+ 11.2%	- 7.8 p.p.	+ 7.5%	+ 8.3 p.p.
Cost/Income	+ 42.8%	+ 40.4%	+ 2.4 p.p.	+ 37.4%	- 12.0 p.p.
Cost of Risk	53 bps	23 bps	30 bps	64 bps	23 bps
Full Time Equivalent (eop)	3,494	3,548	- 1.5%	3,494	- 0.1%

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. The final goal is to reduce the overall exposure in the course of time and to improve the risk profile. Specifically, the segment includes selected assets previously included in the segment 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	H1 2020	H1 2019	% CHANGE	2020 Q2	% CHANGE ON Q1 2020
Operating income	(27)	(6)	n.M.	(19)	n.M.
Operating costs	(62)	(84)	- 26.0%	(32)	+ 2.4%
Net write-downs on loans and provisions for guarantees and commitments	89	(297)	n.M.	12	- 84.5%
Net operating profit	(1)	(387)	- 99.9%	(39)	n.M.
Profit before tax	(132)	(518)	- 74.5%	(138)	n.M.
Customers loans (net Repos and IC)	1,626	5,333	- 69.5%	1,626	- 6.9%
Customers depos (net Repos and IC)	440	546	- 19.4%	440	- 14.6%
Net Impaired Loans (percentage of total net loans	100.00%	100.00%	-	100.00%	-
Total RWA Eop	9,187	15,240	- 39.7%	9,187	- 4.6%
EVA (€ million)	(35)	(459)	- 92.4%	(11)	- 53.8%
Absorbed Capital (€ million)	1,208	1,594	- 24.2%	1,153	- 8.8%
ROAC	- 13.6%	- 50.1%	+ 36.5 p.p.	- 27.7%	- 27.0 p.p.
Cost/Income	n.M.	n.M.	n.M.	n.M.	n.M.
Cost of Risk	n.M.	987 bps	n.M.	- 282 bps	n.M.
Full Time Equivalent (eop)	280	326	- 14.0%	280	- 3.6%

Other information

Group activities development operations and other corporate transactions

Transactions and initiatives involving shareholdings

Accelerated bookbuilding of 12% of Yapi Kredi Bank

On 5 February 2020, UniCredit S.p.A. announced the completion of the transactions entered with the Koç Group on 30 November 2019 regarding *inter alia* the termination of the shareholders agreement in Koç Finansal Hizmetleri A.S., the Turkish joint venture vehicle through which Koç Group and UniCredit have run a commercial banking operation in Turkey since 2002. On the same day, UniCredit S.p.A. announced the placement to institutional investors of approximately 100.7 billion existing ordinary shares in Yapı ve Kredi Bankası A.Ş. (approximately 12% of the company's issued share capital), at a price of TL2.88 per each lot of one hundred shares. The price represented a discount of 4% to the pre-announcement closing price of the company.
The settlement of the placement occurred on 13 February 2020 and the gross proceeds amounted to approximately TL2,901 million (equal to approximately 440 million of euro based on EUR/TL exchange rate as of 5 February 2020).
The new shareholding of UniCredit S.p.A. in Yapı ve Kredi Bankası A.Ş. is equal to 20.0%, after the completion of the transactions described above.
The total impact on the consolidated CET1 ratio of UniCredit of the disposals of the stakes in Yapı ve Kredi Bankası A.Ş. closed in the first quarter 2020, considering also the application of the equity method for the prudential consolidation of Yapı ve Kredi Bankası A.Ş., was equal to approximately +0.6% in the quarter.
For further details on Yapi Kredi transaction refer to the dedicated paragraph in Part A - A.1 General - Section 3 - Consolidation scope and methods of the Explanatory notes.

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 the second half of 2020.

Acquisition of a shareholding in La Villata S.p.A. Immobiliare di Investimento e Sviluppo

In April 2020, as part of the support for the reorganization of shareholding structure that controls Esselunga group (one of the largest players in the large-scale retail sector in Italy), UniCredit acquired, with an investment of €435 million a 32.5% stake in capital of "La Villata S.p.A. Immobiliare di Investimento e Sviluppo" (a real estate company controlled by Esselunga that owns most of the real estate properties that hosts the group's stores).
As part of the agreements signed, UniCredit has entered into a lock-up commitment of up to 5 years (starting from the date of purchase of the shares) and has granted Esselunga a call option for the purchase of 32.5% held in La Villata S.p.A., exercisable from the expiry of the lock-up until the end of 2027.

Sale initiatives of non-performing portfolios

Sale of a non-performing loans Residential Mortgage portfolio to PRISMA SPV ("Prisma transaction")

In relation to Prisma transaction, finalised in the fourth quarter 2019 and referring to the securitization of an NPL Residential Mortgage Portfolio of €4.1 billion Gross Book Value originated by UniCredit S.p.A. and transferred to the securitisation vehicle PRISMA SPV S.r.l., issuer of the Asset Backed Securities (named also ABS or Note), it should be noted that at 30 June 2020 UniCredit S.p.A. holds about 92% of Senior Note and 5% of Mezzanine and Junior Notes.
With reference to the Senior securities (supported by GACS - Garanzia Cartolarizzazioni Sofferenze, and which amounted to €1,215 million at 31 December 2019), in the first half 2020, in addition to the reimbursement received (equal to about €104 million), the Bank sold to third party Investors an amount of €100 million (8.3% of the value originally subscribed for €1,210 million), thus holding at the end of June 2020 an amount classified in item "30. Financial asset at fair value through other comprehensive income" for €1.007 million (which includes a negative change in fair value occurred in the period of approximately €3 million). Regarding the residual Mezzanine and Junior Notes, they are recognised in item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" for total €2 million, whose evaluation did not reveal any significant impacts on the income statement in the first half of 2020.
With reference to the regulatory treatment applied, UniCredit, following the notification to the European Central Bank, represents the related significant risk transfer when reporting the transaction above outlined.

Other information

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, among which, by size, it should be remembered the FINO securitisations (in 2017) and PRISMA transaction (in 2019).
As part of the initiatives for the reduction of NPE included in the 2020-2023 Strategic Plan (Team 23) and with the particular objective of achieving the runoff of the Non Core perimeter by 2021, the UniCredit Board of Directors on 2 December 2019 approved the strengthening of the rundown strategy of this perimeter. The executive lines provide for the management of the positions involved by specific actions, according to the characteristics and specificities of the portfolios dealt with. In this context, in addition to the internal recovery and restructuring of the positions, besides the recourse to restructuring platforms with specialized partners or, in case of UniCredit Leasing, to the contribution of ReoCo (UniCredit Leased Asset Management), the executive line deemed particularly effective is the disposal of portfolios and “single name”.
With reference to the disposal of credit portfolios, at 31 December 2019 the implementation of the strategy was 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, in line with the estimates on the portfolio’s sale expectations, incorporating the results in the Selling Scenario used, pursuant to accounting standard IFRS9, for the purpose of the evaluation of the same exposures. The gross book value of the Non Core exposures included into IFRS9 Selling Scenario amounted to approximately €4,8 billion.

During the first half 2020, the Covid-19 outbreak and the related lockdown measures strongly affected world markets, leading the investors to adopt an attitude of caution deriving from the extraordinary situation of global uncertainty, which has inevitably reflected in a more complex definition (and structuring) of new agreements and investments, also considering the greater difficulty in estimating the expected timeline and cash flows. Nonetheless, the plan for the sale of NPE also continued in the first half of 2020, making it possible to confirm the substantial rundown of the Non Core perimeter by 2021.
Therefore, also at 30 June 2020, the NPE falling within the Non Core perimeter were evaluated on the basis of the sales expectations of the related portfolios included in the IFRS9 Selling Scenario, coherently with what has already defined as at 31 December 2019. For the purpose of this measurement, the parameters resulting from the analyzes conducted at the end of 2019 (benchmark prices for each cluster; additional factors to better represent the specificity of the receivables falling within each cluster, such as vintage, any causes of illiquidity, recovery estimates no later than 2021, etc.) are substantially confirmed, considering these elements still representative of the characteristics of the portfolios themselves.
As at 30 June 2020, the gross book value of the NPE belonging to the Non Core perimeter included into the IFRS9 Selling Scenario amounts to approximately €3.4 billion.

Sale to Banca Ifis of an individual unsecured non performing credit portfolio

On 2 July 2020 UniCredit informed that, in June, it has reached an agreement with Banca Ifis ("IFIS") in relation to the disposal on a non-recourse basis (pro-soluto) of a non performing unsecured individual credit portfolio, in Italy.
The portfolio consists entirely of Italian unsecured individual credits, including Salary Backed Loans (CQS) with a claim value of approximately €155 million. The economic impact was reflected in the second quarter 2020.
UniCredit and Banca Ifis have also reached an agreement for the disposal of up to €180 million of Italian unsecured consumer loans, originated from first quarter 2020 to the end of the year of which 30 million already disposed in June.

Other information

Other information on Group activities

FINO Project

In relation to the FINO Project (started in 2016 and completed in 2018), as at 30 June 2020, following the redemptions made, the Notes (Asset Backed Securities) owned by UniCredit S.p.A. amount totally about €177 million (about €129 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 €48 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 the first half 2020 to a negative impact of about €3 million, while the Notes classified among financial assets at fair value through other comprehensive income an impairment has been recognised for approximately €10 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 the first half 2020, according to the contractual provisions, there were no reimbursements.

As at 30 June 2020 the DSP/DPP remain to approximately €187 million, and include, among others, for around €3 million, the positive effect (recognised in item "10. Interest income and similar revenues" of the income statement as at 30 June 2020) connected with the reversal of the time value in respect to 31 December 2019.

Issue of a 12 year subordinated Tier 2 bond with a 2.731% coupon for an amount of €1.25 billion

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.

Issue of a dual tranche Senior Non-Preferred Notes for a total amount of €2 billion

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 Markets 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.

Violation of customers' personal data

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 presented its statement of defence on the matter and requested 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 Explanatory notes - Part E - Information on risks and hedging policies - Section 2 - Risks on the prudential consolidated perimeter - 2.6 Other risks - Top and emerging risks - 5. Cyber security risk.

Other information

Issue of Additional Tier 1 PerpNC 6/2027 Notes (AT1) for €1.25 billion

UniCredit S.p.A. issued on 12 February 2020 Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1, for a total amount of €1.25 billion targeted to institutional investors.
The Additional Tier 1 notes, included in the 2020 Funding Plan, are completing UniCredit's AT1 issuance needs for the year and will contribute to improve the Tier 1 ratio.
The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and may be called by the Issuer on 3 June 2027 and thereafter on any interest payment date, subject to Regulatory approval. Notes pay fixed rate coupons of 3.875% per annum up to June 2027 on a semi-annual basis; if not called, coupon will be reset every 5 years to the aggregate of the then 5-Years Mid-Swap rate plus 408.1bps, calculated on an annual basis and then converted to a semi-annual rate in accordance with market conventions. In line with the regulatory requirements, the coupon payments are fully discretionary.

Fitch affirmed UniCredit S.p.A.'s ratings and outlook and afterwards aligned them with the Italian sovereign

On 24 March 2020 UniCredit informed that the rating agency Fitch Ratings has affirmed the 'BBB' Long-Term Issuer Default Rating ('IDR'), 'F2' Short-Term Rating and 'bbb' Viability (i.e. standalone). The outlook has been affirmed at negative.
Ratings for SNP, Tier2 and AT1 which have been under criteria observation ('UCO') due to update in Banking Rating Methodology, have been resolved. SNP will be rated 'BBB-', Tier 2 'BB+' and AT1 'BB-'.

Last 12 May 2020 UniCredit informed that the same rating agency has changed UniCredit S.p.A.'s 'Long-Term Issuer Default Rating ('IDR') to 'BBB-' (from 'BBB'), the Short-Term Rating to 'F3' (from 'F2') and the Viability Rating (i.e. standalone rating) to 'bbb-' (from 'bbb'). The outlook has been placed at 'stable'.
UniCredit S.p.A.'s rating is aligned with the Italy sovereign rating at 'BBB-/stable/F-3'. SNP, Tier 2 and AT1 ratings have been changed respectively to 'BB+' (from 'BBB-'), 'BB' (from 'BB+) and to 'B+' ('BB-').

Moody's affirmed UniCredit S.p.A.'s ratings and outlook

On 26 March 2020 UniCredit informed that the rating agency Moody's has affirmed UniCredit S.p.A.'s deposit and senior debt ratings at 'Baa1/P-2'. The outlook remains stable. The BCA/ stand-alone rating of UniCredit S.p.A. was affirmed at 'baa3'.

Postponement of resolutions on FY19 dividend and share buyback following ECB recommendation

On 29 March 2020 the Board of Directors of UniCredit S.p.A. resolved to withdraw, without modifying the Agenda of the Shareholders' Meeting convened on 9 April 2020, the proposed resolutions to: (i) distribute a FY19 dividend of €0.63 per share from profit reserves, (ii) authorise a share buyback up to €467 million (not exceeding €67 million UniCredit shares), and (iii) cancel the treasury shares that may be purchased under the above mentioned authorisation.
This decision was taken following the ECB's recommendation on 27 March 2020 to not pay dividends until at least October 2020. As a consequence, the Group has also formally withdrawn its ECB application for the FY19 €467 million share buyback.
Consequently, the Group does not deduct the FY19 dividend from consolidated Own Funds.
These decisions are neutral for coupon payments of AT1 bonds and for Cashes instruments.

Offering to shareholder Foundations of dedicated interest free loans up to the amount of dividends

Following the withdrawn of the proposed AGM resolutions on the distribution of a 2019 dividend and authorisation of a share buyback, UniCredit, in order to support and ensure the territorial Foundations that are shareholders of UniCredit, to continue to carry out their vital work, decided to offer them interest free loans up to the amount of dividends.

UniCredit top management decides to waive its entire 2020 bonus

On 31 March 2020 the UniCredit Remuneration Committee acknowledged the decision of UniCredit top management to waive their entire bonus for the year 2020.
The equivalent amount will be contributed to UniCredit Foundation to support social initiatives. The Committee welcomed and appreciated the responsible managerial decision, considering the uncertain impact on the European economy of the current Covid-19 epidemic and its evolution over the next months.

Other information

Agreement with Italian Trade Unions related to Team 23 strategic plan

On 31 March 2020, UniCredit and Italian Trade Unions reached an agreement on the implementation of the "Team 23" strategic plan in Italy.
In the next four years, 5,200 FTEs is offered a voluntary pre-retirement plan with access to the financial sector solidary fund. In line with the development of the multichannel offer of the Group, 800 FTEs will be requalified and reskilled for new professional roles.
As part of the agreement the Group commits to hiring 2,600 people over the next four years to ensure a positive generational turnover and digital upskilling of the workforce. In addition, UniCredit will convert 900 apprenticeships into standard employment contract.

Anticipation of IFRS9 Covid-19 macroeconomic scenario update

To provide relevant guidance to all market participants, last 22 April 2020 UniCredit announced that it was anticipating the update of macroeconomic assumptions underlying the IFRS9 calculation of generic Loan Loss Provisions (LLPs).
These assumptions include the expected Covid-19 impact as well as the announced government and ECB mitigating actions and are aligned with those published by UniCredit Economics Research on 2 April 2020 and also track closely, if somewhat more conservatively, those published by the IMF on 14 April 2020.
As a result, in first quarter 2020 UniCredit booked an additional €0.9 billion generic LLPs and confirmed the outcomes for 30 June 2020 having observed no significant changes in macroeconomic data used.

S&P changed outlook to negative from stable

On 29 April 2020 the rating agency S&P Global Ratings ("S&P") has changed UniCredit S.p.A.'s outlook to negative (from stable).
The “BBB” long- and “A-2” short-term credit ratings of UniCredit S.p.A. have been affirmed. The instrument ratings have been affirmed as well.

First EU-wide Transparency Exercise

On 8 June 2020 UniCredit noted the announcements on EU-wide Transparency Exercise.
At its meetings in April 2020, the EBA Board of Supervisors approved the package for the 2020 Spring EU-wide Transparency Exercise. The annual transparency exercise will be based solely on COREP/FINREP data on the form and scope to assure a sufficient and appropriate level of information to market participants.
The templates were centrally filled in by the EBA and sent afterwards for verification by banks and supervisors. Banks had the chance to correct any errors detected and to resubmit correct data through the regular supervisory reporting channels.
The 2020 Spring EU-wide Transparency Exercise covers two reference dates: 30 September 2019 and 31 December 2019.

Issue of a callable Senior Preferred benchmark bond

On 9 June 2020 UniCredit launched its first Senior Preferred benchmark out of its 2020 Funding Plan, with a 6 year maturity and a call after 5 years for an amount of €1.25 billion.
The bond pays a fixed coupon of 1.25% during the first 5 years, and has an issue price of 99.563%, equivalent to a spread of 160 bps over the 5 year swap rate.
The bond has a one-time issuer's call at year 5, in order to optimize the regulatory efficiency. Should the call not being exercised after 5 years, the coupon for final year until maturity will reset to a floating rate equal to the 3-month Euribor plus the initial spread of 160 bps, paid quarterly.

ECB TLTRO III auction

On 18 June 2020 UniCredit confirmed borrowing via the ECB's latest TLTRO III operation €94.3 billion at Group level, in line with the maximum allowance, of which: €51.3 billion by UniCredit S.p.A., €25.7 billion by UniCredit Bank AG, €15.4 billion by UniCredit Bank Austria AG and €1.9 billion by CEE banks.
The outstanding TLTRO II borrowings have been repaid by the end of June.

Issue of Tier2 subordinated 15NC10 notes for USD 1.5 billion

On 24 June 2020 issued Tier 2 Notes targeted to institutional investors for a total amount of USD 1.5 billion
The securities have a 15 year tenor with a one-time call option after 10 years at par, subject to prior regulatory approval. The notes pay USD fixed rate coupons of 5.459 % per annum for the initial 10 years on a semi-annual basis, equivalent to 475bps over 10 year US Treasury rate
This transaction allowed UniCredit to complete the execution of the subordinated component of its 2020 TLAC Funding Plan, contributing to further strengthen the Total Capital Ratio.

Other information

Organisational model

Significant organisational changes in the first half of 2020

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) maintains 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** 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 rationalization 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, Business Operational Excellence, 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

Referring to financial year 2019, UniCredit S.p.A. and UniCredit Leasing S.p.A. registered a loss in their separate financial statements and in the second quarter 2020 they converted respectively €86.9 and €12.9 million of Deferred Tax Assets (DTA) into tax credits (pursuant to Art.2, paragraph 55, of Law Decree No.225/2010).

Following Covid-19 emergency, on 17 March 2020 was approved the Law Decree no.18 (so called "Cura Italia" L.D.) providing special measures to mitigate the effects of Covid-19 for taxpayers. In particular, the Art.55 gives the possibility to convert DTA's into tax credits, following the disposal of "non-performing" loans (to legal entities not belonging to the Group), by 31 December 2020. The conversion into tax credit applies to the DTA's on TLCF and on ACE surpluses and it works even if these DTA's are off Balance sheet. Following the art.55, €45.7 million of DTA's were converted into tax credits as of 30 June 2020.

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 (including those carried out pursuant to art.55 Law Decree no.18/2020 - so called "Cura Italia" L.D.);
- 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 2020 has been paid on 26 June 2020 for an overall amount of €111.7 million relating to the whole Italian Tax Group, of which €107.1 million for UniCredit S.p.A., €4.3 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A. As at 30 June 2020 the 50% of these amounts were accounted in the income statement.

Other information

Certifications and other communications

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

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

a) according to the Global Policy “Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA” adopted by the Board of Directors of UniCredit S.p.A. on 6 February 2019, and published on the website www.unicreditgroup.eu, in the first half 2020 the Bank’s Presidio Unico received no report of transaction of greater importance ended in the period;
b) in the first half of 2020, no transactions with related parties as defined by article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions and materially affecting the Group’s financial and economic situation;
c) in the first half of 2020, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group’s financial position or results during the reference period.

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

Subsequent events and outlook

Subsequent events[8]

On 15 July 2020 UniCredit has launched a Senior Non-Preferred benchmark, with a 7 year maturity and a call after year 6. The amount issued is equal to €1.25 billion and represents the third issuance since Covid-19 outbreak, reaffirming UniCredit's solid fixed income investors base and its market access in different formats.

On 16 July 2020 the Deposit Insurance Austria informed UniCredit Bank Austria ("UCBA") that the Financial Market Authority ("FMA") prohibited CommerzialBank Mattersburg to continue its businesses operations with immediate effect and appointed a Government Commissioner.
In detail, several accounting anomalies were identified in Commerzialbank Mattersburg, indeed certain interest payments had not actually taken place and large parts of the assets were fictitious (i.e. they were not actually existing assets). Nevertheless, any insolvency proceedings have yet been opened against Commezialbank Mattersburg.
Moreover, the Deposit Insurance Austria stated that this event could be considered as a security event, thus UCBA could be affected by higher contribution to the Austrian Deposit Protection Fund.
Considering that i) the fraud was performed by a company unrelated to UCBA; ii) information about the fraud was received after 30 June 2020; and iii) UCBA was not acknowledged about the event before 30 June 2020, the event has been deemed to be non-adjusting with reference to the first semester 2020 whose possible effects will be recognised in subsequent reporting periods as appropriate.

On 21 July 2020 UniCredit informed it has reached an agreement with a securitisation vehicle managed by illimity S.p.A. ("illimity") and GAIA SPV ("GAIA"), a securitisation vehicle with noteholders Guber Banca S.p.A. ("Guber") and Barclays Bank PLC (Barclays), managed by Guber. The agreement concerns the disposal of an Italian Small and Medium Enterprise non-performing unsecured loans portfolio, on a non-recourse basis (pro-soluto).
The portfolio consists entirely of Italian large-ticket exposures with a total gross claim value ("Claim Value") of €702 million and a gross book value at 30 June 2020 of €436 million.
illimity has bought a portion of the portfolio with a Claim Value of €477 million and GAIA has bought €225 million.
The impact was already accounted in the second quarter 2020.

On 22 July 2020 UniCredit announced an agreement with Ifis NPL (Banca Ifis Group) and GAIA SPV (GAIA), a securitisation vehicle with noteholders Guber Banca S.p.A. ("Guber") and Barclays Bank PLC (Barclays), managed by Guber. The agreement concerns the disposal of a Small and Medium Enterprise non-performing unsecured loans portfolio, on a non-recourse basis (pro-soluto).
The portfolio consists entirely of Italian exposures with a total claim value ("Claim Value") of approximately €840 million, and a gross book value at 30 June 2020 of approximately €710 million.
Ifis NPL has bought a portion of the portfolio with a claim value of approximately €486 million and GAIA has bought approximately €354 million.
The impact was already accounted in the second quarter 2020.

On 29 July 2020, following the ECB's recommendation on 28 July 2020, UniCredit confirmed it will not pay dividends nor do share buybacks in 2020. This is neutral for coupon payments on AT1 bond and Cashes instruments.
Considering that the ECB communication of 28 July 2020 has not extended its recommendation to 2021 and beyond[9], UniCredit has re-instated the Team 23 capital distribution policy in 2021 for financial year 2020 and following years. This means UniCredit will plan, as announced, to distribute 50% of underlying net profit to shareholders, targeting a 30% cash dividend payout of the underlying net profit and 20% for share buyback. Based on the market environment, the Group could review the split between cash dividend and share buyback. Therefore, as at 30 June 2020 the Group has deducted from the Own Funds an amount related to the foreseeable dividend related to the first half 2020 equal to €110 million. Such amount is equal to the 30% of the underlying net income at consolidated level, equal to €368 million, in line with the re-instated dividend policy. It is also highlighted that the Group remains committed to gradually returning excess capital to shareholders, above the upper end of its 200-250bps target CET1 MDA buffer. As of 2021 and for the remainder of Team 23, any extraordinary capital distributions will be based on the projected sustained CET1 MDA buffer excess[10].

8 Up to the date of approval by the Board of Directors' Meeting of 5 August 2020 which, on the same date, authorised the publication also in accordance with IAS10.
9 A new ECB communication is expected in December 2020.
10 The approval of share buyback is subject to regulatory approval and the related deduction from CET1 capital for prudential purposes will be done immediately following such regulatory approval.

Subsequent events and outlook

Outlook

Global GDP is expected to contract by about 5% this year, before rebounding by 6-7% next year. A recovery with relatively rapid growth in the third quarter and, to a lesser extent, in fourth quarter 2020, is expected. However, absent a widely available vaccine, precautionary behavior might persist, slowing the return to pre-crisis levels. In the US, a significantly weaker recovery might materialize amid the negative impact of growing numbers of new Covid-19 cases in some states.

In the eurozone, economy is on track for a sizeable technical rebound in 3Q20, following a 12.1% decline in the second quarter 2020. Following the GDP slump in first half 2020, we expect that the hardest-hit eurozone countries (Spain, France and Italy) might rebound more strongly than others (for example, Germany) in third quarter 2020. However, growth will probably slow in the final quarter of the year, especially if the risk of a second wave of infection continues to loom. The recovery we project for the second half 2020 and throughout 2021 is unlikely to bring activity back to pre-crisis levels over the forecast horizon.

I For Italy's GDP, the current encouraging news in terms of progress in the epidemiological curve is paving the way for a rebound in third quarter 2020, as domestic demand growth is expected to improve. The high uncertainty regarding the impact of the crisis on the labor market is likely to moderate the recovery in consumer confidence and private consumption.

The European Central Bank (ECB) increased the size of the pandemic emergency purchase program ("PEPP") by €600 billion to €1,350 billion, extended the program until at least the end of June 2021 and announced that it will reinvest maturing bonds until at least the end of 2022. Given that we expect weak underlying inflation and sizeable new debt issuance for the foreseeable future, the ECB will probably have to remain in the market for a long time, and the PEPP timeline is likely to be extended further.

The current market environment, characterised by uncertainties on the macro-economic trends and also on the financial markets as an effect of the Covid-19 crisis, doesn't allow yet the complete valuation of the possible impact on the Group profitability on the remaining part of the year, particularly in terms of revenues and cost of risk.
Nevertheless, except for possible fallouts from the Covid-19 crisis, the Group considers that no substantial negative changes occurred with regard to its perspectives.

Given the above, the new strategic plan "Team 23" execution will be definitely carried on, with the aim of generating sustainable profits leveraging on the pan-European customer basis and focusing on the constant optimization of costs and processes.
The Group will continue keeping a high level of capital delivering recurring growth of tangible equity.

Anyhow, as stated on the occasion of March 2020 results presentation, towards the end of this year or early next one, a new Capital Markets Day will be held, in which an update of the plan will be proposed, reflecting the current changed conditions.

Finally, in this difficult environment the Group will keep the priority to protect the health of its employees and to support its customers and communities in which it operates, in order to best serve its shareholders.

Milan, 5 August 2020

THE BOARD OF DIRECTORS

CHAIRMAN
CESARE BISONI

CEO
JEAN PIERRE MUSTIER

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.

Consolidated accounts

Notes to consolidated accounts

The values reported for comparative purposes have been restated, with respect to what is contained in the "Consolidated first half financial report as at 30 June 2019", as a result of the change in investment properties evaluation criterion, implemented by the Group starting from the consolidated financial statements as at 31 December 2019 with retrospective application from 1 January 2018 pursuant to IAS8 par.19-b).

Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
ASSETS	**06.30.2020**	**12.31.2019**
10. Cash and cash balances	17,342	17,305
20. Financial assets at fair value through profit or loss:	85,468	81,880
a) financial assets held for trading	67,236	63,280
b) financial assets designated at fair value	-	-
c) other financial assets mandatorily at fair value	18,232	18,600
30. Financial assets at fair value through other comprehensive income	76,184	79,702
40. Financial assets at amortised cost:	663,115	626,463
a) loans and advances to banks	131,749	101,669
b) loans and advances to customers	531,366	524,794
50. Hedging derivatives	7,297	5,934
60. Changes in fair value of portfolio hedged items (+/-)	4,148	3,296
70. Equity investments	4,147	4,787
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	10,242	11,097
100. Intangible assets	2,836	2,800
of which: goodwill	*878*	*886*
110. Tax assets:	12,978	12,922
a) current	1,665	793
b) deferred	11,313	12,129
120. Non-current assets and disposal groups classified as held for sale	1,984	2,512
130. Other assets	6,994	6,949
Total assets	**892,735**	**855,647**

(€ million)

	AMOUNTS AS AT	
LIABILITIES AND SHAREHOLDERS' EQUITY	**06.30.2020**	**12.31.2019**
10. Financial liabilities at amortised cost:	731,461	704,840
a) deposits from banks	164,851	135,572
b) deposits from customers	470,708	472,967
c) debt securities in issue	95,902	96,301
20. Financial liabilities held for trading	45,551	41,483
30. Financial liabilities designated at fair value	10,255	9,678
40. Hedging derivatives	8,290	7,186
50. Value adjustment of hedged financial liabilities (+/-)	6,739	4,964
60. Tax liabilities:	1,455	1,378
a) current	893	685
b) deferred	562	693
70. Liabilities associated with assets classified as held for sale	615	725
80. Other liabilities	16,612	12,549
90. Provision for employee severance pay	619	661
100. Provisions for risks and charges:	9,953	10,398
a) committments and guarantees given	1,189	1,089
b) post-retirement benefit obligations	5,457	5,619
c) other provisions for risks and charges	3,307	3,690
110. Technical reserves	-	-
120. Valuation reserves	(5,473)	(6,120)
130. Redeemable shares	-	-
140. Equity instruments	6,841	5,602
150. Reserves	31,223	24,344
160. Share premium	9,386	13,225
170. Share capital	21,060	20,995
180. Treasury shares (-)	(3)	(3)
190. Minority shareholders' equity (+/-)	437	369
200. Profit (Loss) for the period (+/-)	(2,286)	3,373
Total liabilities and shareholders' equity	**892,735**	**855,647**

Consolidated accounts

Consolidated income statement

(€ million)

ITEMS	AS AT 06.30.2020	06.30.2019
10. Interest income and similar revenues	6,880	7,407
of which: interest income calculated with the effective interest method	*5,888*	*6,549*
20. Interest expenses and similar charges	(1,956)	(2,224)
30. Net interest margin	**4,924**	**5,183**
40. Fees and commissions income	3,587	3,711
50. Fees and commissions expenses	(580)	(599)
60. Net fees and commissions	**3,007**	**3,112**
70. Dividend income and similar revenues	132	177
80. Net gains (losses) on trading	(364)	465
90. Net gains (losses) on hedge accounting	(18)	22
100. Gains (Losses) on disposal and repurchase of:	247	145
a) financial assets at amortised cost	110	48
b) financial assets at fair value through other comprehensive income	127	103
c) financial liabilities	10	(6)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	457	(136)
a) financial assets/liabilities designated at fair value	491	(394)
b) other financial assets mandatorily at fair value	(34)	258
120. Operating income	**8,385**	**8,968**
130. Net losses/recoveries on credit impairment relating to:	(2,196)	(1,187)
a) financial assets at amortised cost	(2,160)	(1,179)
b) financial assets at fair value through other comprehensive income	(36)	(8)
140. Gains/Losses from contractual changes with no cancellations	(10)	(3)
150. Net profit from financial activities	**6,179**	**7,778**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**6,179**	**7,778**
190. Administrative expenses:	(6,641)	(5,319)
a) staff costs	(4,386)	(3,078)
b) other administrative expenses	(2,255)	(2,241)
200. Net provisions for risks and charges:	(167)	164
a) commitments and financial guarantees given	(114)	(2)
b) other net provisions	(53)	166
210. Net value adjustments/write-backs on property, plant and equipment	(523)	(743)
220. Net value adjustments/write-backs on intangible assets	(202)	(316)
230. Other operating expenses/income	341	407
240. Operating costs	**(7,192)**	**(5,807)**
250. Gains (Losses) of equity investments	(1,521)	341
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(9)	45
270. Goodwill impairment	(8)	-
280. Gains (Losses) on disposals on investments	464	77
290. Profit (Loss) before tax from continuing operations	**(2,087)**	**2,434**
300. Tax expenses (income) for the period from continuing operations	(190)	(639)
310. Profit (Loss) after tax from continuing operations	**(2,277)**	**1,795**
320. Profit (Loss) after tax from discontinued operations	1	1,321
330. Profit (Loss) for the period	**(2,276)**	**3,116**
340. Minority profit (loss) for the period	(10)	(88)
350. Parent Company's profit (loss) for the period	**(2,286)**	**3,028**

Earnings per share (€)	(1.055)	1.334
Diluted earnings per share (€)	(1.049)	1.328

Consolidated accounts

Consolidated statement of other comprehensive income

(€ million)

ITEMS	AS AT 06.30.2020	06.30.2019
10. Profit (Loss) for the period	**(2,276)**	**3,116**
Other comprehensive income after tax not reclassified to profit or loss	**104**	**(600)**
20. Equity instruments designated at fair value through other comprehensive income	(36)	(21)
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	108	(79)
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	(13)	-
60. Intangible assets	-	-
70. Defined-benefit plans	48	(500)
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	(3)	-
Other comprehensive income after tax reclassified to profit or loss	**522**	**453**
100. Foreign investments hedging	-	-
110. Foreign exchange differences	(605)	283
120. Cash flow hedging	124	(41)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(375)	335
150. Non-current assets and disposal groups classified as held for sale	676	-
160. Part of valuation reserves from investments valued at equity method	702	(124)
170. Total other comprehensive income after tax	**626**	**(147)**
180. Other comprehensive income (Item 10+170)	**(1,650)**	**2,969**
190. Minority consolidated other comprehensive income	2	(95)
200. Parent Company's consolidated other comprehensive income	**(1,648)**	**2,874**

Consolidated accounts

Statement of changes in the consolidated shareholders' equity as at 30 June 2020

(€ million)

	BALANCE AS AT 12.31.2019	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2020	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE PERIOD												
							SHAREHOLDERS' EQUITY TRANSACTIONS											
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	OTHER COMPREHENSIVE INCOME FIRST HALF 2020	TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2020	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2020	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2020
Share capital:	21,166	-	21,166	-	-	-	65	-	-	-	-	-	-	-	-	21,231	21,060	171
- ordinary shares	*21,166*	-	*21,166*	-	-	-	*65*	-	-	-	-	-	-	-	-	*21,231*	*21,060*	*171*
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	13,311	-	13,311	(555)	-	(3,284)	-	-	-	-	-	-	-	-	-	9,472	9,386	86
Reserves:	24,327	-	24,327	4,043	-	3,063	(65)	-	-	-	-	-	27	-	-	31,395	31,223	172
- from profits	*16,694*	-	*16,694*	*4,043*	-	*2,668*	*(65)*	-	-	-	-	-	-	-	-	*23,340*	*23,295*	*45*
- other	*7,633*	-	*7,633*	-	-	*395*	-	-	-	-	-	-	*27*	-	-	*8,055*	*7,928*	*127*
Valuation reserves	(6,109)	-	(6,109)	-	-	8	-	-	-	-	-	-	-	-	626	(5,475)	(5,473)	(2)
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	5,602	-	5,602	-	-	-	-	-	-	-	1,239	-	-	-	-	6,841	6,841	-
Treasury shares	(3)	-	(3)	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	-
Profit (Loss) for the period	3,491	-	3,491	(3,488)	(3)	-	-	-	-	-	-	-	-	-	(2,276)	(2,276)	(2,286)	10
Total shareholders' equity	**61,785**	**-**	**61,785**	**-**	**(3)**	**(213)**	**-**	**-**	**-**	**-**	**1,239**	**-**	**27**	**-**	**(1,650)**	**61,185**	**60,748**	**437**
Group shareholders' equity	61,416	-	61,416	-	(2)	(284)	-	-	-	-	1,239	-	27	-	(1,648)	60,748		
Minority shareholders' equity	369	-	369	-	(1)	71	-	-	-	-	-	-	-	-	(2)	437		

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 valuation reserves includes the effect of the variation for:

- +€704 million of investments valued at net equity and +€684 million of non-current assets classified as held for sale, mainly due to the disposal of respectively 11.93% and 9.02% stake of Yapi Ve Kredi Bankasi AS with the consequent recycle mostly to profit or loss of reserves basically referred to exchange rate differences on Turkish Lira;
- +€124 million of cash-flow hedges;
- +€50 million of actuarial gain (losses) on defined-benefit plans;
- -€19 million of property, plant and equipment;
- -€304 million of financial asset and liabilities at fair value;
- -€605 million of exchange differences, mainly related to effect of Russian Ruble for -€355 million, Czech Crown for -€127 million and Hungarian Forint for -€78 million.

The change in Group share capital refers to the increase for +€65 million following the resolution of the Board of Directors of 5 February 2020 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 UniCredit S.p.A. of 9 April 2020 occurred: (i) coverage the entire loss from the 2019 financial year through the use of the Share Premium Reserve (€555 million); (ii) coverage of the negative reserves totaling €3,408 million, partly by use of Share premium reserve to eliminate the negative components related to the payment of AT1 coupons (€525 million) and to the first time adoption of the IFRS9 (€2,759 million) and partly by 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” (€124 million).
Moreover, the change of the other reserves includes the payment of coupons on AT1 equity instruments for -€160 million.
For further details about the Shareholders’ equity changes see Part B - Liabilities, Section 13 of the Explanatory notes.

Consolidated accounts

Statement of changes in the consolidated shareholders' equity as at 30 June 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 PERIOD										TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2019	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2019	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2019
							SHAREHOLDERS' EQUITY TRANSACTIONS								OTHER COMPREHENSIVE INCOME FIRST HALF 2019			
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS				
Share capital:	21,248	-	21,248	-	-	(133)	55	-	-	-	-	-	-	-	-	21,170	20,995	175
- ordinary shares	*21,248*	-	*21,248*	-	-	*(133)*	*55*	-	-	-	-	-	-	-	-	*21,170*	*20,995*	*175*
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	13,480	-	13,480	-	-	(169)	-	-	-	-	-	-	-	-	-	13,311	13,225	86
Reserves:	21,184	-	21,184	3,548	-	(353)	(55)	-	-	-	-	-	31	-	-	24,355	24,268	87
- from profits	*13,776*	-	*13,776*	*3,548*	-	*(389)*	*(55)*	-	-	-	-	-	-	-	-	*16,880*	*16,920*	*(40)*
- other	*7,408*	-	*7,408*	-	-	*36*	-	-	-	-	-	-	*31*	-	-	*7,475*	*7,348*	*127*
Valuation reserves	(7,494)	-	(7,494)	-	-	6	-	-	-	-	-	-	-	-	(147)	(7,635)	(7,644)	9
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	4,610	-	4,610	-	-	-	-	-	-	-	992	-	-	-	-	5,602	5,602	-
Treasury shares	(18)	-	(18)	-	-	15	-	-	-	-	-	-	-	-	-	(3)	(3)	-
Profit (Loss) for the period	4,340	-	4,340	(3,548)	(792)	-	-	-	-	-	-	-	-	-	3,116	3,116	3,028	88
Total shareholders' equity	**57,350**	**-**	**57,350**	**-**	**(792)**	**(634)**	**-**	**-**	**-**	**-**	**992**	**-**	**31**	**-**	**2,969**	**59,916**	**59,471**	**445**
Group shareholders' equity	56,389	-	56,389	-	(604)	(211)	-	-	-	-	992	-	31	-	2,874	59,471		
Minority shareholders' equity	961	-	961	-	(188)	(423)	-	-	-	-	-	-	-	-	95	445		

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 valuation reserves includes the effect of the variation mostly for:

- +€283 million of exchange differences, mainly related to effect of Russian Ruble for +€275 million;
- +€235 million of financial asset and liabilities at fair value;
- -€41 million of cash-flow hedges;
- -€126 million of investments valued at net equity, mainly due to the depreciation of the items in Turkish Lira for -€87 million;
- -€491 million of actuarial gain (losses) on defined-benefit plans.

The change in Group share capital refers to the increase of +€55 million following the resolution of the Board of Directors of 6 February 2019 of UniCredit S.p.A. executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.
Following the resolutions of the Shareholders' Meeting of 11 April 2019 of UniCredit S.p.A., the coverage of the negative other reserves for +€293 million was executed by using: i) the share premium reserve for the component related to the payment of AT1 coupons in 2017 for -€168 million; ii) the statutory reserve, included in reserves from profit, to cover the negative reserve arising from the payment of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated “Cashes” for -€125 million.
Moreover, the change of the other reserves includes the payment of coupons on AT1 equity instruments for -€135 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.

Consolidated accounts

Consolidated cash flow statement (indirect method)

(€ million)

	AS AT	
	06.30.2020	06.30.2019
A. OPERATING ACTIVITIES		
1. Operations:	**1,327**	**4,710**
- profit (loss) for the period (+/-)	(2,276)	3,116
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(3,065)	(874)
- gains (losses) on hedge accounting (-/+)	18	(22)
- net impairment losses/writebacks on impairment for credit risk (+/-)	3,172	2,525
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	735	1,014
- net provisions for risks and charges and other expenses/income (+/-)	1,018	(365)
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	72	536
- impairment/write-backs after tax on discontinued operations (+/-)	-	(1,238)
- other adjustments (+/-)	1,653	18
2. Liquidity generated/absorbed by financial assets:	**(40,798)**	**(14,646)**
- financial assets held for trading	(1,711)	(817)
- financial assets designated at fair value	-	-
- other financial assets mandatorily at fair value	336	596
- financial assets at fair value through other comprehensive income	2,712	10,119
- financial assets at amortised cost	(43,142)	(25,473)
- other assets	1,007	929
3. Liquidity generated/absorbed by financial liabilities:	**37,575**	**10,415**
- financial liabilities at amortised cost	30,685	14,493
- financial liabilities held for trading	4,394	(3,090)
- financial liabilities designated at fair value	1,217	1,599
- other liabilities	1,279	(2,587)
Net liquidity generated/absorbed by operating activities	**(1,896)**	**479**
B. INVESTMENT ACTIVITIES		
Liquidity generated/absorbed by:		
- equity investments	418	41
- collected dividends on equity investments	35	62
- property, plant and equipment	927	214
- intangible assets	(266)	(212)
- purchases/sales of subsidiaries and business units	(13)	1,018
Net liquidity generated/absorbed by investment activities	**1,101**	**1,123**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	1,239	992
- dividend distribution and other	(284)	(1,038)
- sale/purchase of minority control	-	-
Net liquidity generated/absorbed by funding activities	**955**	**(46)**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**160**	**1,556**

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

Consolidated accounts

Reconciliation

(€ million)

ITEMS	AS AT 06.30.2020	AS AT 06.30.2019
Cash and cash balances at the beginning of the period	**17,305**	**30,991**
Net liquidity generated/absorbed in the period	160	1,556
Cash and cash balances: foreign exchange effect	(123)	31
Cash and cash balances at the end of the period	**17,342**	**32,578**

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 No.262, 22 December 2005 and subsequent amendments).

Part A - Accounting policies

A.1 - General

Section 1 - Statement of compliance with IFRS

These Condensed interim consolidated financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to 30 June 2020, pursuant to EU Regulation No.1606/2002 which was incorporated into Italy's legislation through the Legislative Decree No.38 dated 28 February 2005 and as required by paragraph 154-ter 3 of the Single Finance Act (TUF, Legislative Decree No.58 dated 02/24/1998).

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

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

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

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

Section 2 - General preparation criteria

As mentioned above, these "Consolidated first half financial report as at 30 June 2020" have been prepared in accordance with the international accounting standards endorsed by the European Commission.

The following documents have been used to interpret and support the application of IFRS, even though they have not all been endorsed by the European Commission:

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB (including the communication of 27 March 2020 concerning "IFRS9 and Covid-19") or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRS;
- Interpretative documents on the application of the IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- ESMA (European Securities and Markets Authority), European Banking Authority, European Central Bank and Consob documents on the application of specific IFRS provisions also with specific reference to the accounting of the effects arising from Covid-19 pandemic. In particular, refer to the statement of ESMA dated 25 March 2020 and 20 May 2020, to the statement of European Central Bank dated 1 April 2020 and to the statement of European Banking Authority dated 2 April 2020. The content of these statements, when relevant, has been reported in the Explanatory notes - Part A - Accounting policies - Section 5 - Other matters, in the context of the description of the evaluation choices made by the Group as at 30 June 2020.

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

The schemes of Condensed interim consolidated financial statements as at 30 June 2020 are in line with Banca d'Italia templates as prescribed by Circular 262 dated 22 December 2005 (6th update of 30 November 2018), and they present comparative figures, as at 31 December 2019 for the Balance sheet and as at 30 June 2019 for the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity and the Cash flow statement.

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

Risk and uncertainty due to use of estimated figures

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

Part A - Accounting policies

Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognized 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 recognized accordingly in both current and future periods.
In particular, estimated figures have been used for the recognition and measurement of some of the largest items in in the Condensed interim consolidated financial statements as at 30 June 2020, as required by the accounting policies and regulations described above.

In the first half of 2020 Covid-19 pandemic has spread in the regions in which the Group operates. Such pandemic and the associated lockdown measures put in place by governments in order to limit its spreading have severely affected the economic activity and, as consequence, Group profitability.
This circumstance has requested, as of 30 June 2020, a careful evaluation of certain items of financial statements whose recoverability depends on future cash flows projections and a consequent update in the impairment test performed on goodwill, investment in associates and deferred tax assets, by re-estimating the cash flows so to incorporate assumptions on the effects of Covid-19 pandemic.

In addition to Goodwill, Deferred Tax Assets and investments in associates, the slow-down of economic activity determined by Covid-19 pandemic and related lockdown measures have affected the evaluations of the following items as a result of downturn in the estimation of financial and non-financial input used for their measurement:
- fair value of financial instruments not listed in active markets;
- loans and receivables and in general, any other financial assets/liabilities;
- severance pay (in Italy) and other employee's benefits;
- provisions for risks and charges;
- real estate.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 30 June 2020, the current scenario is affected by an high uncertainty whose outcome is not foreseeable at the moment and that may require changes evaluations performed in light of the evolution of the pandemic, the effect of relief measures put in place and the shape of economic recovery (e.g. V - shape versus U - shape). These factors will affect the Group profitability and, as a consequence, might require a revision in the cash flows projections, or other parameters, such as discount rates, used for assessing the recoverability of goodwill, investment in associates and deferred tax assets.
Furthermore, in light of the high uncertainty of current economic context, an update in the strategic plan Team 23, that reflects current conditions, will be presented by the end of 2020 or in the beginning of 2021. As a result, the evaluation made for Goodwill, Investments in associates and Deferred Tax Assets, whose recoverable amount depends on cash flows projections, might be subject to a change not foreseeable at the moment.

In addition the shape and extent of economic recovery, together with the macro-economic scenario which will be prevalent when relief measures put in place by governments and financial institutions will expire, might determine a change in the assessment of recoverability of loans and associated loan loss provisions potentially requiring an update in the input used for their evaluations.
Furthermore, with reference to the fair value of real estate and financial instruments not quoted in active market, uncertainty exists about how such fair value might develop in the future and about the possibility to sell the assets at the estimated prices.
Finally, the evolution, not foreseeable at the moment, in the markets of financial and non-financial assets might require an update of parameters used for the evaluation of real estate, financial instrument not quoted in active markets and provisions for risks and charges.

Further elements, in addition to Covid-19 pandemic, that determine uncertainty in the evaluations are (i) domestic and international socio-economic conditions and subsequent impact on the Group's profitability and customers' creditworthiness, (ii) financial markets which affect changes in interest rates, prices and actuarial assumptions and (iii) real estate market affecting the value of property owned by the Group or received as collateral.

Statement of going concern

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

The Directors observed that the emergence of Covid-19 pandemic during the first half of 2020 and the associated lock-down measures, have determined, as mentioned above, negative effects that are expected to be offset, only in part, by the economic relief measures put in place by the Governments.
The Directors have considered these circumstances in the assessments of significant items of the financial statements, and on the basis of these assessments, also acknowledging the current uncertainty surrounding the economic recovery and the long-term impact of the lock-down measures adopted, 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 document "Consolidated First Half Financial Report as at 30 June 2020" was prepared on a going concern basis.

Part A - Accounting policies

Based upon the aforementioned evaluations, the main regulatory ratios have been taken into account at 30 June 2020, in terms of: (i) the exact figures at 30 June 2020 (CET1 ratio equal to 14.54%; TLAC ratio equal to 24.90%; Liquidity Coverage Ratio at 148% based on monthly average on 12 months); (ii) the related buffer versus the minimum requirements at the same reference date (CET1 ratio: excess of 549 basis points; TLAC Ratio: excess of 534 basis points; Liquidity Coverage Ratio: excess of more than 48 percentage points); (iii) the expected evolution of the same ratios during 2020 ((for example, with reference to the CET1 ratio expected evolution during 2020, it is considered to be able to guarantee a margin above Overall Capital Requirements, so called “MDA buffer”, above the range of 200-250 basis points that the Group has set as its own target in the medium/long term).

The measurement criteria adopted are therefore consistent with this assumption and with the principles of accrual-based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form.
These criteria have not changed with respect to the previous year.

Section 3 - Consolidation scope and methods

The consolidation criteria and principles used to prepare the Consolidated first half financial report as at 30 June 2020 are described below.

Consolidated accounts

For the preparation of the Consolidated first half financial report as at 30 June 2020 the following sources have been used:

- UniCredit S.p.A. first half accounts as at 30 June 2020;
- the first half accounts duly reclassified and adjusted to take account of consolidation needs and, where necessary, to align them to the Group accounting principles;
- the sub-consolidated accounts of Nuova Compagnia di Partecipazioni group, including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italpetroli S.p.A.), and Capital Dev group, including Capital Dev S.p.A., and their direct and indirect subsidiaries.

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

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

Subsidiaries

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

Control over an entity entails:

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

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

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

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

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

Part A - Accounting policies

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.

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).

Part A - Accounting policies

Equity method

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

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

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

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

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

Part A - Accounting policies

Investments in subsidiaries and valued at equity

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]
	A. LINE BY LINE METHOD						
1	**UNICREDIT SPA** Issued capital EUR 21,059,536,950.48	**MILAN**	**MILAN**		**PARENT COMPANY**		
2	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG Issued capital EUR 613,550	MUNICH	MUNICH	1	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	100.00	
3	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG Issued capital EUR 26,000	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	ALLEGRO 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	
7	ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
8	ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
9	ALMS LEASING GMBH. Issued capital EUR 36,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
10	ALPINE CAYMAN ISLANDS LTD. Issued capital EUR 798	GRAND CAYMAN	GEORGE TOWN	1	UNICREDIT BANK AUSTRIA AG	100.00	
11	ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
12	ALV 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	
13	AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD Issued capital RSD 98,672,974	BELGRADE	BELGRADE	1	UCTAM D.O.O. BEOGRAD	100.00	
14	ANTARES 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	
15	ANTHEMIS EVO LLP Issued capital EUR 27,875,460	LONDON	LONDON	4	UNICREDIT SPA	..	(3)
16	AO UNICREDIT BANK Issued capital RUB 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT SPA	100.00	
17	ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
18	ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
19	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
20	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
21	ATLANTERRA IMMOBILIENVERWALTUNGS GMBH Issued capital EUR 1,023,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	90.00	
22	AUSTRIA LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.40 99.40 0.20	
23	BA ALPINE HOLDINGS, INC. Issued capital USD 74,435,918	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AUSTRIA AG	100.00	
24	BA BETRIEBSOBJEKTE GMBH Issued capital EUR 5,630,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]
25	BA CA SECUND LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
26	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 363,364	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
27	BA GEBAEUDEVERMIETUNGSGMBH	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH	89.00	
	Issued capital EUR 36,336				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
					PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
28	BA GVG-HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 18,168						
29	BA-CA ANDANTE LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						
30	BA-CA FINANCE (CAYMAN) II LIMITED	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
	Issued capital EUR 15,000						
31	BA-CA FINANCE (CAYMAN) LIMITED	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
	Issued capital EUR 15,000						
32	BA-CA LEASING DREI GARAGEN GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
33	BA-CA LEASING MAR IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
34	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. Issued capital EUR 127,177	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
35	BA-CA PRESTO LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
36	BA-CA WIEN MITTE HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 35,000						
37	BA/CA-LEASING BETEILIGUNGEN GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 454,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
38	BACA CENA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
39	BACA HYDRA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
40	BACA KOMMUNALLEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						
41	BACA LEASING ALFA S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
	Issued capital CZK 110,000						
42	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	98.80	
	Issued capital EUR 18,287				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
43	BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
	Issued capital HRK 20,000						
44	BAHBETA INGATLANHASZNOSÍTO KFT.	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
	Issued capital HUF 30,000,000						
45	BAL CARINA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
46	BAL HESTIA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
47	BAL HORUS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
48	BAL HYPNOS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
49	BAL LETO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
50	BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
51	BAL SOBEK IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	99.80	
52	BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
53	BANK AUSTRIA FINANZSERVICE GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 490,542						
54	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
55	BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
56	BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
57	BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
58	BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
59	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	
60	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
	Issued capital EUR 10,900,500						
61	BANK AUSTRIA WOHNBAUBANK AG	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 18,765,944						
62	BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
63	BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
64	BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	1.00	
	Issued capital EUR 0				CALG IMMOBILIEN LEASING GMBH	99.00	
65	BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA.	SAO PAULO	SAO PAULO	1	UNICREDIT SPA	100.00	
	Issued capital BRL 351,531				UNICREDIT U.S. FINANCE LLC	..	
66	BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
	Issued capital EUR 51,150						
67	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
68	BF NINE HOLDING GMBH	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
	Issued capital EUR 35,000						
69	BIL LEASING-FONDS GMBH & CO VELUM KG	GRUENWALD	GRUENWALD	1	BIL LEASING-FONDS VERWALTUNGS-GMBH	..	33.33
	Issued capital EUR 2,556				UNICREDIT BANK AG	100.00	33.33
70	BIL LEASING-FONDS VERWALTUNGS-GMBH	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
	Issued capital EUR 26,000						
71	BORGO DI PEROLLA SRL	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	
	Issued capital EUR 2,043,952						
72	BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
	Issued capital EUR 36,337						
73	BUITENGAATS HOLDING B.V.	EEMSHAVEN	EEMSHAVEN	4	BARD ENGINEERING GMBH	..	(3)
74	C.E.CO.S. COMPLETAMENTO EDILIZIO CORSO SICILIA SPA Issued capital EUR 103,300	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	100.00	
75	CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]
76	CA-LEASING SENIOREN PARK GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
77	CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
	Issued capital HUF 3,000,000						
78	CABET-HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 290,909						
79	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
	Issued capital EUR 35,000						
80	CALG 307 MOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
	Issued capital EUR 36,500						
81	CALG 443 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,336				CALG IMMOBILIEN LEASING GMBH	1.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
82	CALG 445 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.60	
	Issued capital EUR 18,168				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.40	
83	CALG 451 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
84	CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
85	CALG ANLAGEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
86	CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
	Issued capital EUR 2,326,378						
87	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
88	CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
89	CALG GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
90	CALG IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 254,355				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
91	CALG MINAL GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
92	CAPITAL DEV SPA	ROME	ROME	1	UNICREDIT SPA	100.00	
	Issued capital EUR 272,000						
93	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: BIPCA CORDUSIO RMBS)	VERONA	VERONA	4	UNICREDIT SPA	..	[3]
94	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: CAPITAL MORTGAGE 2007 - 1)	VERONA	VERONA	4	UNICREDIT SPA	..	[3]
95	CARD COMPLETE SERVICE BANK AG	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
	Issued capital EUR 6,000,000						
96	CASTELLANI LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 1,800,000				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
97	CHARADE LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
98	CHEFREN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
99	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	
100	COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
101	COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 103,400	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
102	CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
103	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	
104	CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VIENNA	4	UNICREDIT SPA	..	(3)
105	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
106	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
107	CORDUSIO SIM SPA Issued capital EUR 76,282,051	MILAN	MILAN	1	UNICREDIT SPA	97.12	(5)
108	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
109	CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
110	DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
111	DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	100.00	
112	DEBO LEASING SRL Issued capital RON 724,400	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A.	0.01	
					UNICREDIT LEASING CORPORATION IFN S.A.	99.99	
113	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
114	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
115	DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG	100.00	
116	DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG	100.00	
117	DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
118	DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT LEASING (AUSTRIA) GMBH	90.00	
119	DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
120	ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
121	ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
122	ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
123	ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
124	ELEKTRA PURCHASE NO. 34 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
125	ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
126	ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
127	ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]	
128	ELEKTRA PURCHASE NO. 39 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
129	ELEKTRA PURCHASE NO. 41 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
130	ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
131	ELEKTRA PURCHASE NO. 44 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
132	ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
133	ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
134	ELEKTRA PURCHASE NO. 55 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
135	ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
136	ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
137	ELEKTRA PURCHASE NO. 64 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
138	ELEKTRA PURCHASE NO. 69 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
139	ELEKTRA PURCHASE NO. 71 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
140	ELEKTRA PURCHASE NO. 718 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..		(3)
141	ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..		(3)
142	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		
143	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		
144	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		
145	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		
146	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		
147	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		
148	EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..		(3)
149	EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..		(3)
150	EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80		
151	F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..		(3)
152	F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..		(3)
153	FACTORBANK AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VERONA	1	UNICREDIT BANK AUSTRIA AG	100.00		
154	FINECO VERWALTUNG AG Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT SPA	100.00		
155	FINN ARSENAL LEASING GMBH 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	99.60 0.20 0.20		
156	FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING KFT	75.00		
157	FMZ SIGMA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80		
158	FOLIA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20		
159	FONDIARIA LASA SPA Issued capital EUR 3,102,000	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00		
160	FOOD & MORE GMBH Issued capital EUR 100,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00		
161	FUGATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00		

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
162	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 27,434				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
163	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
164	GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
165	GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	37.30	
	Issued capital EUR 18,333				CALG IMMOBILIEN LEASING GMBH	37.50	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
166	GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	..	(3)
167	GENERAL LOGISTIC SOLUTIONS LLC	MOSCOW	MOSCOW	1	UCTAM RU LIMITED LIABILITY COMPANY	100.00	
	Issued capital RUB 2,342,309,444						
168	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	MUNICH	MUNICH	1	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	98.24	
	Issued capital EUR 4,086,245						
169	GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAF	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
	Issued capital EUR 51,500						
170	GRUNDSTUECKSVERWALTUNG LINZ-MITTE GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
171	H.F.S. IMMOBILIENFONDS GMBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 25,565						
172	H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 97,755,806						
173	H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	99.41	
	Issued capital EUR 85,430,630						
174	H.F.S. LEASINGFONDS GMBH	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 26,000						
175	HAWA GRUNDSTUCKS GMBH & CO OHG IMMOBILIENVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
	Issued capital EUR 54,300				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
176	HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
	Issued capital EUR 276,200				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
177	HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
178	HERKU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
179	HONEU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
180	HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 18,168						
181	HVB CAPITAL LLC	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 10,000						

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS %[2]
182	HVB CAPITAL LLC II Issued capital USD 12	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
183	HVB CAPITAL LLC III Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
184	HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
185	HVB FUNDING TRUST II Issued capital USD 2,204	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
186	HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
187	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG Issued capital EUR 10,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
188	HVB HONG KONG LIMITED Issued capital USD 129	HONG KONG	HONG KONG	1	UNICREDIT BANK AG	100.00	
189	HVB IMMOBILIEN AG Issued capital EUR 520,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
190	HVB LEASING CZECH REPUBLIC S.R.O. Issued capital CZK 49,632,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
191	HVB PROJEKT GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 24,543,000				UNICREDIT BANK AG	6.00	
192	HVB SECUR GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
193	HVB TECTA GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 1,534,000				UNICREDIT BANK AG	6.00	
194	HVB VERWA 4 GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
195	HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
196	HVZ GMBH & CO. OBJEKT KG Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
197	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	
198	ICE CREEK POOL NO.1 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
199	ICE CREEK POOL NO.2 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
200	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	ROME	ROME	4	UNICREDIT SPA	..	(3)
201	IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
202	IMMOBILIEN RATING GMBH Issued capital EUR 50,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
203	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	
204	IMPRESA TWO SRL (CARTOLARIZZAZIONE: IMPRESA TWO)	CONEGLIANO	CONEGLIANO	4	UNICREDIT SPA	..	(3)
205	INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
	Issued capital EUR 26,000				UNICREDIT BANK AG	6.15	
206	INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
207	ISB UNIVERSALE BAU GMBH Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
208	ISTITUTO IMMOBILIARE DI CATANIA SPA	CATANIA	CATANIA	1	CAPITAL DEV SPA	93.92	
	Issued capital EUR 7,700,000				UNICREDIT SPA	1.12	
209	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	

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	HELD BY	HOLDING %	VOTING RIGHTS %[2]
210	JAUSERN-LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,336						
211	KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	99.80	0.00
	Issued capital EUR 36,336						
212	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
	Issued capital EUR 44,000						
213	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
214	LAGERMAX LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
215	LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
216	LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA	VIENNA	4	UNICREDIT SPA	..	[3]
217	LARGO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
					VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
218	LEASFINANZ ALPHA ASSETVERMIETUNG GMBH	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	
	Issued capital EUR 35,000						
219	LEASFINANZ BANK GMBH	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
	Issued capital EUR 36,500						
220	LEASFINANZ GMBH	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
	Issued capital EUR 218,019						
221	LEGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
222	LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
223	LINO HOTEL-LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
224	LIPARK LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
225	LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
226	LOCAT CROATIA DOO	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
	Issued capital HRK 39,000,000						
227	LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING SPA	..	[3]
228	M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO.OG.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96	
	Issued capital EUR 3,707				UNICREDIT LUNA LEASING GMBH	98.04	
229	MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
230	MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
231	MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 5,112,919						
232	MM OMEGA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
233	MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
234	MOEGRA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
235	MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
236	MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
237	NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
238	NF OBJEKT FFM GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 25,000						
239	NF OBJEKTE BERLIN GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 25,000						
240	NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
	Issued capital EUR 36,337						
241	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	ROME	ROME	1	UNICREDIT SPA	100.00	
	Issued capital EUR 200,000						
242	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
243	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
	Issued capital EUR 36,336						
244	OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 26,000				UNICREDIT BANK AG	6.00	
245	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	94.78	93.87
	Issued capital EUR 5,125,701				WEALTHCAP LEASING GMBH	5.22	5.14
246	OOO UNICREDIT GARANT	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	
	Issued capital RUB 106,998,000						
247	OOO UNICREDIT LEASING	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
	Issued capital RUB 149,160,248						
248	ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
249	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 10,149,150						
250	OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
	Issued capital EUR 51,129				T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
251	OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
	Issued capital EUR 51,129				T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
252	PAI (BERMUDA) LIMITED	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
	Issued capital USD 12,000						
253	PAI MANAGEMENT LTD	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
	Issued capital EUR 1,032,000						
254	PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
	Issued capital EUR 2,180,185						
255	PARCO DELLE ACACIE DUE S.P.A.	ROME	ROME	1	CAPITAL DEV SPA	100.00	
	Issued capital EUR 90,000						
256	PARSEC 6 SPA	ROME	ROME	1	CAPITAL DEV SPA	100.00	
	Issued capital EUR 85,090,000						
257	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 36,336						

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
258	PELOPS LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
259	PENSIONSKASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
260	PIANA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
261	PIRTA VERWALTUNGS GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
	Issued capital EUR 2,067,138						
262	POLLUX IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
263	POMINVEST DD	SPLIT	SPLIT	1	ZAGREBACKA BANKA D.D.	88.66	88.95
	Issued capital HRK 17,434,000						
264	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
	Issued capital EUR 500,013,550						
265	POSATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
266	PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
267	PRO WOHNBAU GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.31	
	Issued capital EUR 35,000				IMMOBILIEN HOLDING GMBH	99.69	
268	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
269	QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
270	QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
271	QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
272	RANA-LIEGENSCHAFTSVERWERTUNG GMBH	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
	Issued capital EUR 72,700						
273	REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
274	REAL INVEST IMMOBILIEN GMBH	VIENNA	VIENNA	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00	
	Issued capital EUR 36,400						
275	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
276	REAL-RENT LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 73,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
277	REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 726,728				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
278	ROLIN GRUNDSTUCKSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 30,677						
279	ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
280	ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]
281	RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
282	S. MARIA DELLA GUARDIA S.R.L. Issued capital EUR 210,000	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	51.00	
283	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
284	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	97.78	
	Issued capital EUR 2,300,850				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	2.22	
285	SAMAR SPA Issued capital EUR 50,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
286	SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA	99.60	
287	SCHOELLERBANK AKTIENGESELLSCHAFT	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.01	
	Issued capital EUR 20,000,000				UNICREDIT BANK AUSTRIA AG	99.99	
288	SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
289	SECA-LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
290	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	
291	SELFOSS BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	GRUENWALD	GRUENWALD	1	HVB PROJEKT GMBH	100.00	
292	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	
293	SIA UNICREDIT INSURANCE BROKER Issued capital EUR 15,080	RIGA	RIGA	1	SIA UNICREDIT LEASING	100.00	
294	SIA UNICREDIT LEASING Issued capital EUR 15,569,120	RIGA	RIGA	1	UNICREDIT SPA	100.00	
295	SIGMA LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.40	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.40	
296	SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L. Issued capital EUR 2,556,459	MUNICH	MUNICH	1	UNICREDIT BANK AG	99.98	
297	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	5.00	
	Issued capital EUR 30,000				SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	95.00	
298	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	
299	SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
300	SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 12,537,500	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
301	SONATA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	98.8	
302	SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
303	SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH Issued capital EUR 511,300	MUNICH	MUNICH	1	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	100.00	
304	STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	24.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	75.80	
305	STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
306	SUCCESS 2015 B.V.	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(3)
307	T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	100.00	
308	T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	87.50	
309	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
310	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	
311	TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
312	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	
313	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 365,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
314	TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG Issued capital EUR 6,979,476	MUNICH MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
315	TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1 Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
316	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	
317	UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
318	UCTAM BH D.O.O. Issued capital BAM 2,000	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
319	UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
320	UCTAM CZECH REPUBLIC SRO Issued capital CZK 45,500,000	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
321	UCTAM D.O.O. BEOGRAD Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
322	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	
323	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	
324	UCTAM RO S.R.L. Issued capital RON 30,560,080	BUCHAREST	BUCHAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
325	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	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS %[2]
326	UCTAM SVK S.R.O.	BRATISLAVA	BRATISLAVA	1	UCTAM BALTICS SIA	15.00	0.01
	Issued capital EUR 5,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99
327	UCTAM UPRAVLJANJE D.O.O.	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
	Issued capital EUR 7,500						
328	UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
329	UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
330	UNICREDIT AURORA LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 219,000						
331	UNICREDIT BANK A.D. BANJA LUKA	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	99.42	
	Issued capital BAM 97,055,000						
332	UNICREDIT BANK AG	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
	Issued capital EUR 2,407,151,016						
333	UNICREDIT BANK AUSTRIA AG	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
	Issued capital EUR 1,681,033,521						
334	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	
	Issued capital CZK 8,754,617,898						
335	UNICREDIT BANK D.D.	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
	Issued capital BAM 119,195,000						
336	UNICREDIT BANK HUNGARY ZRT.	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
	Issued capital HUF 24,118,220,000						
337	UNICREDIT BANK IRELAND PLC	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
	Issued capital EUR 1,343,118,650						
338	UNICREDIT BANK S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.63	
	Issued capital RON 1,177,748,253						
339	UNICREDIT BANK SERBIA JSC	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
	Issued capital RSD 23,607,620,000						
340	UNICREDIT BANKA SLOVENIJA D.D.	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
	Issued capital EUR 20,383,698						
341	UNICREDIT BETEILIGUNGS GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 1,000,000						
342	UNICREDIT BIZTOSITASKOEZVETITO KFT	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
	Issued capital HUF 5,000,000						
343	UNICREDIT BPC MORTAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	[3]
344	UNICREDIT BPC MORTGAGE S.R.L.	VERONA	VERONA	1	UNICREDIT SPA	60.00	
	Issued capital EUR 12,000						
345	UNICREDIT BROKER S.R.O.	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
	Issued capital EUR 8,266						
346	UNICREDIT BULBANK AD	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
	Issued capital BGN 285,776,674						
347	UNICREDIT CAPITAL MARKETS LLC	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
	Issued capital USD 100,100						
348	UNICREDIT CENTER AM KAISERWASSER GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 35,000						
349	UNICREDIT CONSUMER FINANCING EAD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
	Issued capital BGN 2,800,000						
350	UNICREDIT CONSUMER FINANCING IFN S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	50.10	
	Issued capital RON 103,269,200				UNICREDIT SPA	49.90	
351	UNICREDIT DIRECT SERVICES GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 767,000						
352	UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S.	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
	Issued capital CZK 222,600,000						
353	UNICREDIT FACTORING EAD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
	Issued capital BGN 1,000,000						
354	UNICREDIT FACTORING SPA	MILAN	MILAN	1	UNICREDIT SPA	100.00	
	Issued capital EUR 414,348,000						
355	UNICREDIT FLEET MANAGEMENT EOOD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
	Issued capital BGN 100,000						
356	UNICREDIT FLEET MANAGEMENT S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
	Issued capital CZK 5,000,000						

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
357	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
358	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	
359	UNICREDIT GLOBAL LEASING EXPORT GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
360	UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT LEASING SPA	100.00	
361	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	
362	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	
363	UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
364	UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH	0.03	
					UNICREDIT INSURANCE MANAGEMENT CEE GMBH	99.97	
365	UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	
366	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA Issued capital EUR 13,406,600	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
367	UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
368	UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,000	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
369	UNICREDIT LEASED ASSET MANAGEMENT SPA Issued capital EUR 1,000,000	MILAN	MILAN	1	UNICREDIT LEASING SPA	100.00	
370	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 UNTERNEHMENSBETEILIGUNGEN GMBH	0.02	
					UNICREDIT BANK AUSTRIA AG	89.98	
371	UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
372	UNICREDIT LEASING AVIATION GMBH Issued capital EUR 1,600,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
373	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	
374	UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
375	UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
376	UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
377	UNICREDIT LEASING FINANCE GMBH Issued capital EUR 17,580,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
378	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	
379	UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH Issued capital EUR 364,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
380	UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
381	UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
382	UNICREDIT LEASING IMMOTRUCK ZRT. Issued capital HUF 70,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
383	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[1]	OWNERSHIP RELATIONSHIP		VOTING RIGHTS %[2]
					HELD BY	HOLDING %	
384	UNICREDIT LEASING KFT Issued capital HUF 10,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
385	UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
386	UNICREDIT LEASING SPA Issued capital EUR 1,106,877,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
387	UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
388	UNICREDIT LEASING TECHNIKUM GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
389	UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
390	UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
391	UNICREDIT LUNA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
392	UNICREDIT MOBILIEN UND KFZ LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
393	UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
394	UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	[3]
395	UNICREDIT OK1 LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 35,000				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
396	UNICREDIT OPERATIV LIZING KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
397	UNICREDIT PARTNER D.O.O. BEOGRAD Issued capital RSD 2,001,875	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
398	UNICREDIT PEGASUS LEASING GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
399	UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
400	UNICREDIT POLARIS LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
401	UNICREDIT RENT D.O.O. BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
402	UNICREDIT SERVICES GMBH Issued capital EUR 1,200,000	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
403	UNICREDIT SERVICES S.C.P.A.	MILAN	MILAN	1	CORDUSIO SIM SPA	..	
	Issued capital EUR 194,159,415				CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
					UNICREDIT BANK AG	..	
					UNICREDIT FACTORING SPA	..	
					UNICREDIT SPA	100.00	
404	UNICREDIT STERNECK LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 35,000				UNICREDIT PEGASUS LEASING GMBH	90.00	
405	UNICREDIT SUBITO CASA SPA Issued capital EUR 500,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
406	UNICREDIT TECHRENT LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
407	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
408	UNICREDIT U.S. FINANCE LLC Issued capital USD 130	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	

Part A - Accounting policies

					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	HELD BY	HOLDING %	VOTING RIGHTS %(2)
409	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	
410	UNIVERSALE INTERNATIONAL REALITAETEN GMBH Issued capital EUR 32,715,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
411	V.M.G. VERMIETUNGSGESELLSCHAFT MBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
412	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	
413	VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG Issued capital EUR 48,728,161	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
414	VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH Issued capital EUR 511,292	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
415	VICOVARO RE SRL Issued capital EUR 10,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
416	VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
417	WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
418	WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
419	WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
420	WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
421	WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
422	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
423	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
424	WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
425	WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH Issued capital EUR 25,565	MUNICH	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
426	WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
427	WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
428	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	
429	WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
430	WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
431	WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
432	WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP		
					HELD BY	HOLDING %	VOTING RIGHTS %[2]
433	WEALTHCAP MANAGEMENT SERVICES GMBH	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
	Issued capital EUR 50,000						
434	WEALTHCAP OBJEKT DRESDEN GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	33.33
	Issued capital EUR 10,000				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
435	WEALTHCAP OBJEKT ESSEN II GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
	Issued capital EUR 10,000				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
436	WEALTHCAP OBJEKT TUEBINGEN GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP MANAGEMENT SERVICES GMBH	89.80	
	Issued capital EUR 16,781,006						
437	WEALTHCAP OBJEKT-VORRAT 25 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
438	WEALTHCAP OBJEKT-VORRAT 32 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	5.05	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	5.05	25.00
					WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH	..	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	25.00
439	WEALTHCAP OBJEKT-VORRAT 38 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
					WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH	..	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
440	WEALTHCAP PEIA KOMPLEMENTAR GMBH	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
	Issued capital EUR 26,000						
441	WEALTHCAP PEIA MANAGEMENT GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	6.00	
	Issued capital EUR 1,023,000				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	94.00	
442	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 60,000						
443	WEALTHCAP SPEZIAL- AIF-SV BUERO 8	GRUENWALD	GRUENWALD	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	[3]
444	WEALTHCAP VORRATS-2 GMBH	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	100.00	
	Issued capital EUR 25,000						
445	WEICKER S. A R.L.	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 20,658,840						
446	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
447	Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
448	Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
449	Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
450	Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
451	Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
452	Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
453	Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]
454	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	
455	Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
456	Z LEASING HERCULES 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 IPSILON 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	
458	Z LEASING ITA 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	
459	Z LEASING JANUS 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 KALLISTO 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 KAPA 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	
462	Z LEASING LYRA 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	
463	Z LEASING NEREIDE 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	
464	Z LEASING OMEGA 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	
465	Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
466	Z LEASING SCORPIUS 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	
467	Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
468	Z LEASING VENUS 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	
469	Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT PEGASUS LEASING GMBH	99.80	
470	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	
471	ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 5,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
472	ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48	
473	ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	100.00	
474	ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
475	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

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP[1]	NATURE OF RELATIONSHIP[5]	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %[2]
	VALUED AT EQUITY METHOD							
	A.2 INVESTMENTS IN JOINT VENTURES							
1	FIDES LEASING GMBH Issued capital EUR 36,000	VIENNA	VIENNA	7	2	CALG ANLAGEN LEASING GMBH	50.00	
2	HETA BA LEASING SUED GMBH Issued capital EUR 36,500	KLAGENFURT	KLAGENFURT	7	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00	
3	PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00	
	A.3 COMPANIES UNDER SIGNIFICANT INFLUENCE							
4	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	
5	ARWAG HOLDING-AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	8	5	IMMOBILIEN HOLDING GMBH	34.38	
6	ASSET BANCARI II Issued capital EUR 25,050,203	MILAN	MILAN	8	2	UNICREDIT SPA	21.55	
7	AVIVA SPA Issued capital EUR 247,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
8	BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 68,062,500	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	37.53 9.85	40.51 6.34
9	BARN BV Issued capital EUR 237,890,000	AMSTERDAM	AMSTERDAM	8	2	AO UNICREDIT BANK	40.00	
10	BKS BANK AG Issued capital EUR 85,886,000	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	23.15 6.63	24.16 6.14
11	CAMFIN S.P.A. Issued capital EUR 1,080,000	MILAN	MILAN	8	5	UNICREDIT SPA	12.70	19.84
12	CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	25.00	
13	CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
14	CNP UNICREDIT VITA S.P.A. Issued capital EUR 381,698,529	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
15	COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 352,940	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	36.59	
16	COMTRADE GROUP B.V. Issued capital EUR 4,522,000	ROTTERDAM	AMSTERDAM	8	5	UNICREDIT BANK AG	21.05	
17	CREDITRAS ASSICURAZIONI SPA Issued capital EUR 52,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
18	CREDITRAS VITA SPA Issued capital EUR 112,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
19	DA VINCI S.R.L. Issued capital EUR 100,000	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	37.50	
20	INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
21	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
22	NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
23	OBERBANK AG Issued capital EUR 105,196,000	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	23.76 3.41	25.97 1.32
24	OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130,000,000	VIENNA	VIENNA	8	1	CABET-HOLDING GMBH SCHOELLERBANK AKTIENGESELLSCHAFT UNICREDIT BANK AUSTRIA AG	24.75 8.26 16.14	
25	OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 100,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	NATURE OF RELATIONSHIP(5)	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	OWNERSHIP RELATIONSHIP VOTING RIGHTS %(2)
26	PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	24.00	
27	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
28	RISANAMENTO SPA Issued capital EUR 197,951,784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	
29	TORRE SGR S.P.A. Issued capital EUR 3,200,000	ROME	ROME	8	2	UNICREDIT SPA	37.50	
30	UNI GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
31	WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,550,309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
32	YAPI VE KREDI BANKASI AS Issued capital TRY 8,398,165,828	ISTANBUL	ISTANBUL	8	1	UNICREDIT SPA	20.00	

Notes to the table showing the investments in subsidiaries and valued at equity:
(1) Type of relationship:
1= majority of voting rights at ordinary shareholders' meeting;
2= dominant influence at ordinary shareholders' meeting;
3= agreements with other shareholders;
4= other types of control;
5= centralised management pursuant to paragraph 1 of Art.39 of "Legislative decree 136/2015";
6= centralised management pursuant to paragraph 2 of Art.39 of "Legislative decree 136/2015";
7= joint control;
8= associated companies.
(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.
(3) Companies consolidated line by line under IFRS10 as a result of the simultaneous availability of power to govern the relevant activities and exposures to variability of related returns.
(4) In the consolidated financial statements the Group's stake is 100% as the trust company does not share in the profits. The voting rights are held by the grantor, a Group company.
(5) The equity investment in Cordusio SIM - Advisory & Family Office S.p.A. is consolidated at 100% by virtue of UniCredit S.p.A.'s 97.123% and its option on minority interests representing 2.877% of the share capital.
(6) Nature of relationship:
1= Banks;
2= Financial entities;
3= Ancillary banking entities services;
4= Insurance enterprises;
5= Non-financial enterprises;
6= Other equity investments;

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 7 entities compared with 31 December 2019 (8 inclusions and 15 exclusions as a result of disposals, changes of the consolidation method and mergers), from 482 as at 31 December 2019 to 475 as at 30 June 2020.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, decreased by 15 entities compared with 31 December 2019, from 47 as at 31 December 2019 to 32 as at 30 June 2020 due to disposals and changes of the consolidation method.

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

With reference to 30 June 2020, it can be noted that 210 controlled entities (of which 17 belonging to the banking group) were not consolidated, of which 202 for materiality threshold and/or liquidation procedures. Based on available information, it is believed that their consolidation would not have impacted significantly the Group equity.

Among the non-consolidated remaining 8 entities can be outlined:
- 6 entities deriving from restructuring procedures which risks are measured coherently as part of the credit exposures;
- 2 entities with total assets less than €10 million, which do not have operating structures that may allow them to prepare IAS/IFRS Financial Statements and that the Group has decided not to consolidate on a cost/benefits basis.

Part A - Accounting policies

Wholly-owned subsidiaries

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

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

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**482**
B. Increased by	**8**
B.1 Newly established companies	6
B.2 Change of the consolidation method	2
B.3 Entities consolidated for the first time in the year	-
C. Reduced by	**15**
C.1 Disposal/Liquidation	6
C.2 Change of the consolidation method	8
C.3 Absorption by other Group entities	1
D. Closing balance	**475**

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

Increases

Newly established companies

COMPANY NAME	MAIN OFFICE
UNICREDIT STERNECK LEASING GMBH	VIENNA
ELEKTRA PURCHASE NO. 69 DAC	DUBLIN
WEALTHCAP OBJEKT TUEBINGEN GMBH & CO. KG	MUNICH
UNICREDIT OK1 LEASING GMBH	VIENNA
ICE CREEK POOL NO.2 DAC	DUBLIN
WEALTHCAP SPEZIAL- AIF-SV BUERO 8	GRUENWALD

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
WEALTHCAP OBJEKT-VORRAT 38 GMBH & CO. KG	MUNICH
WEALTHCAP WOHNEN SPEZIAL-AIF 1 GMBH & CO. GESCHLOSSENE INVESTMENT KG	MUNICH

Reductions

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

Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
KUNSTHAUS LEASING GMBH	VIENNA
CAVE NUOVE SPA	ROME
ELEKTRA PURCHASE NO. 63 DAC	DUBLIN
PISANA S.P.A.	ROME
SVILUPPO IMMOBILIARE PESCACCIO - SOCIETA' A RESPONSABILITA' LIMITATA	ROME
CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH	VIENNA

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
BERTRAM PROJEKT UNODECIMA TECHNIKZENTRUM GMBH & CO. KG	MUNICH
REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	VIENNA
BA CA LEASING (DEUTSCHLAND) GMBH	HAMBURG
WEALTHCAP WOHNEN 1 GMBH & CO. KG	MUNICH
AI BETEILIGUNGS GMBH	VIENNA
SHOPPING PALACE BRATISLAVA, V.O.S. V	BRATISLAVA
WEALTHCAP WOHNEN SPEZIAL-AIF 1 GMBH & CO. GESCHLOSSENE INVESTMENT KG	MUNICH
WEALTHCAP WOHNEN 1A GMBH & CO. KG	MUNICH

Absorption by other Group entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE
HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	MUNICH

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

Part A - Accounting policies

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

COMPANY NAME	MAIN OFFICE
WEALTHCAP WOHNEN 1 GMBH & CO. KG (ex. WEALTHCAP OBJEKT-VOHNEN 1 GMBH & CO. KG)	MUNICH
UNICREDIT OK1 LEASING GMBH (ex. OK IMMO GMBH)	VIENNA

COMPANY NAME	MAIN OFFICE
UNICREDIT STERNECK LEASING GMBH (ex. STERNECK26 GMBH)	VIENNA

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

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**47**
B. Increased by	**-**
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
C. Reduced by	**15**
C.1 Disposal/Liquidation	14
C.2 Change of the consolidation method	1
C.3 Absorption by other entities	-
C.4 Other changes	-
D. Closing balance	**32**

Increases

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

Reductions

The tables below refer to disposals and liquidations of inactive companies, as well as changes of consolidation method for materiality threshold.

Disposal/ Liquidation

COMPANY NAME	MAIN OFFICE
BANQUE DE COMMERCE ET DE PLACEMENTS SA	GINEVRA
YAPI KREDI KORAY GAYRIMENKUL YATIRIM ORTAKLIGI AS	ISTANBUL
YAPI KREDI HOLDING BV	AMSTERDAM
STICHTING CUSTODY SERVICES YKB	AMSTERDAM
YAPI KREDI PORTFOEY YOENETIMI AS	ISTANBUL
YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY	BAKU
YAPI KREDI BANK NEDERLAND N.V.	AMSTERDAM

COMPANY NAME	MAIN OFFICE
ALLIANZ YASAM VE EMEKLILIK AS	ISTANBUL
KOC FINANSAL HIZMETLER AS	ISTANBUL
YAPI KREDI YATIRIM MENKUL DEGERLER AS	ISTANBUL
YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	GEORGE TOWN
YAPI KREDI FAKTORING AS	ISTANBUL
YAPI KREDI FINANSAL KIRALAMA AO	ISTANBUL
YAPI KREDI BANK MALTA LTD.	ST.JULIAN'S

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
ADLER FUNDING LLC	NEW YORK

As at 30 June 2020 the following were carried at cost:

- 15 equity investments (all held either directly or through consolidated subsidiaries) in associates;
- 2 equity investments (all held either directly or through consolidated subsidiaries) in jointly-controlled companies.

Yapi Kredi transaction

In 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
- the termination of the existing shareholders agreement related to Koç Finansal Hizmetler A.S. (“KFS”), the Turkish joint venture vehicle through which Koç Group and UniCredit have run a commercial banking operation in Turkey since 2002 and which at the date owned a controlling stake in Yapı ve Kredi Bankası A.Ş. (“YKB” or “the Company”), listed on the Istanbul Stock Exchange.

Part A - Accounting policies

In particular, the agreements envisaged:
- the acquisition by Koç Group of UniCredit's entire 50% shareholding in KFS, thereby becoming the sole shareholder of KFS,
- the sale by KFS of 31.93% and 9.02% stakes in YKB to UniCredit and Koç Holding A.Ş. ("Koç Holding") respectively,
- the simultaneous termination of the shareholders agreement related to KFS.

As a consequence of the above described transaction, UniCredit owned a direct 31.93% stake in YKB, thus reducing its participation by 9.02% (from an indirect 40.95% stake in KFS, to a direct 31.93% stake in YKB), also unwinding the Joint Control on KFS.
As a result of the above, in the consolidated Financial Statements as of 31 December 2019, the 9.02% stake in YKB was reclassified in item "Non current assets and disposal groups classified as held for sale" and measured at its fair value less costs to sell being this value below its carrying amount.

The remaining 31.93% stake was accounted for through equity method, and subject to impairment test by assuming a recoverable amount equal to the Fair value resulting from YKB market quotation, in light of the stated non-strategic nature of the investment and the expectation about its gradual disposal.

The transactions were closed on 5 February 2020. As a result, the 9.02% stake in YKB was derecognised[11] accordingly, generating a loss for -€667 million mostly due to the recycling through income statement of the valuation reserves (mainly Foreign Exchange revaluation reserve).

As of the same date, UniCredit S.p.A. announced the launch of a placement of ordinary shares in YKB, representing 11.93% of the company's existing share capital. The accelerated book building (ABB) was successfully completed on 6 February 2020, by the offering of 11.93% of the Company's issued share capital to institutional investors, with settlement date 13 February 2020.
At the same time as the completion of the sale, the stake of 11.93% was derecognised, together with the pro-quota portion of the valuation reserves, determining the recognition in income statement of a loss for -€906 million, mostly related to the recycling in income statement of the revaluation reserves (mainly Foreign Exchange revaluation reserve).

As at 30 June 2020, the 20% stake, remaining after the transactions described above, is classified as an investment in "associate", indeed, UniCredit assessed to have significant influence as a result of the voting rights held and the representation in the Board of Directors of the company (2 out of 10 Directors were appointed by UniCredit).
Therefore, as at 30 June 2020, the remaining 20% stake continued to be accounted for using the equity method, in continuity with the previous year when it was classified among the "jointly controlled" companies.
The stake was also subject to impairment testing on the basis of the fair value calculated considering the market quotation as at 30 June 2020, determining during the first half 2020 the recognition of a total amount of -€19 million as impairment through income statement.

Under a regulatory standpoint, following the ECB's decision to allow the application of the equity method to the 20% YKB remaining stake, the stake was coherently accounted for using the equity method, thus aligning the accounting and regulatory treatment as of 30 June 2020.
Consequently, as of the same date, the consolidated RWAs calculation do not include the YKB's proportional contribution anymore, while the stake is subject to the deduction mechanism applicable to the significant investments in financial sector entities.

Section 4 - Events subsequent to the reference date

For further details and information concerning events subsequent to 30 June 2020 refer to the Consolidated interim report on operations.

Section 5 - Other matters

In 2020 the following standards, amendments or interpretations came into force:
- Amendments to IFRS3 Business Combinations (EU Regulation 2020/551);
- Amendments to IFRS9, IAS39 and IFRS7: Interest Rate Benchmark Reform (EU Regulation 2020/34);
- Amendments to IAS1 and IAS8: Definition of Material (EU Regulation 2019/2104);
- Amendments to References to the Conceptual Framework in IFRS Standards (EU Regulation 2019/2075).

As at 30 June 2020, no accounting standards applicable to reporting starting from or after 1 January 2021 have been endorsed by the European Commission.

11 Despite UniCredit S.p.A. changed its asset from 50% direct stake in KFS to 31.93% direct stake in YKB, the application of IAS28 led to proportionally derecognise the 9.02% of YKB net assets, as well as of the related revaluation reserves; indeed, UniCredit consolidated financial statements represents (before and after the transaction) the pro-rata share of the net equity of YKB, net of further write-downs.

Part A - Accounting policies

As at 30 June 2020 the IASB issued the following accounting standards 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) including Amendments to IFRS17 (June 2020);
- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (January 2020);
- Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (May 2020);
- Amendment to IFRS16 Leases Covid-19-Related Rent Concessions (May 2020);
- Amendments to IFRS4 Insurance Contracts - deferral of IFRS9 (June 2020).

The whole document is filed in the competent offices and entities as required by law.
The document "Consolidated first half financial report as at 30 June 2020" has been approved on 5th August 2020 by the Board of Directors and is subject to a limited audit of the accounts by Deloitte & Touche S.p.A.

ESMA Statement "Implications of the Covid-19 outbreak on the half-yearly financial reports"
As at 20 May the European Security Market Authority issued the document Implications of the Covid-19 outbreak on the half-yearly financial reports in order to promote the requisites of transparency and consistent application of European rules, with particular focus on international accounting standards, in the preparation of half-yearly financial reports in light of Covid-19 pandemic.

In particular, ESMA statement reminds that half-yearly financial reports should be prepared in compliance with IAS34 and that such an accounting standard requires that information provided has to be appropriate in order to show an update, compared to the last Financial Statements published, on new activities, events and circumstances occurred during the first semester.
In this respect, ESMA statement highlights how Covid-19 pandemic occurred in the first half 2020 could require additional information compared with those normally published in half-yearly financial reports.

During the first half of 2020 the Covid-19 outbreak has spread in the countries in which the Group operates, affecting the economic activity and, as consequence, Group profitability.
In particular the slow-down of economic activity has determined a decrease in all categories of commercial (interests and commissions) and financial revenue (trading profit) as a result of associated downturn of financial markets.
In addition, in the first half of 2020, it is worth to note that extraordinary expenses have been incurred as they were required to grant business continuity communications and security appropriate in light of the pandemic. For additional information please refer to the Consolidated interim report on operations.
The current market environment, characterised by uncertainties on the macro-economic trends and also on the financial markets as an effect of the Covid-19 crisis, doesn't allow yet the complete valuation of the possible impact on the Group profitability on the remaining part of the year, particularly in terms of revenues and cost of risk.
Nevertheless, except for possible fallouts from the Covid-19 crisis, the Group considers that no substantial negative changes occurred with regard to its perspectives.
In light of these circumstances, an update of Team 23 strategic plan will be presented at Capital Markets Day, which will be held near this year end or early next year, reflecting the changed conditions. Refer to the Consolidated interim report on operations - Outlook for further information.

In light of these evolutions occurred in the first half of 2020, ESMA requires that when preparing half-yearly financial reports particular attention has to be dedicated to non- financial assets evaluation. In particular ESMA believes that Covid-19 pandemic is an indicator for performing an impairment test as requested by IAS36 Accounting Standard.
In the execution of such impairment test ESMA recommends particular attention to the evaluation of cash flows used and the possible use of alternative scenarios.
Coherently with such recommendations and considering that strategic plan Team 23 doesn't incorporate the effects of Covid-19 pandemic effects on future net income, UniCredit Group has given particular attention on the evaluation of assets such as goodwill, equity investments in associates and deferred tax assets, whose recoverability depends on future net income flows by testing their carrying amount in light of cash flows updated to incorporate some managerial assumptions on the effects of Covid-19.
The information regarding the evaluation process followed, its results and possible sensitivity indications are reported in these condensed interim consolidated financial statements, in the following paragraphs of this section, with regard to the evaluation of equity investments in associates and deferred tax assets, and in the Part B - Section 10 - Intangible assets regarding the evaluation of goodwill.
Always with reference to evaluation of non-financial assets, it is worth mentioning the evaluation of the real estate portfolio which has become particularly relevant in light of the adoption, since December 2019, of the fair value model (assets held for investments) and revaluation model (assets used in business). For these assets, as of 30 June, fair value has been determined through external appraisals. Further information is reported in specific paragraphs of this section.

Part A - Accounting policies

The slow-down in economic activity that resulted from Covid-19 pandemic and associated lockdown measures have also affected the assessment on credit exposure recoverability and the calculation of the associated loan loss provisions. On this matter it should be noted that, in accordance with IFRS9 accounting standard, their evaluation depends on forward-looking information and on the evolution of macro-economic scenarios used in the calculation of loan loss provisions. In this regard, the Group usually updates these scenarios on a half year basis and account for the related effects in half year and year-end financial reports. In light of Covid-19 and associated lock-down measures, the Group has updated macro-economic scenarios as at 31 March 2020 and confirmed the outcomes for 30 June 2020 having observed no significant updates in macroeconomic data used. In addition, the methodologies for LLP calculation and stage allocation have been fine-tuned in order to consider those economic sectors of the counterparties whose credit risk has significantly increased as a result of Covid-19. For additional information refer to in within Part E - Information on risks and hedging policies – Section 2 – Risks of the prudential consolidated - 2.1 Credit risk.

In order to counter-act the effects on credit and liquidity arising such slowdown in economic activity, governments and financial institutions have provided several relief and support measures such as provision of moratoria and public guarantees on loans to customer.
In this respect, ESMA recommends the maximum transparency in indicating the application of such relief and support measures.
In this context, these Condensed interim consolidated financial statements reports exhaustive information concerning moratoria granted by the Group and loans subject to public guarantees and the most significant operations and evaluations within Part E - Information on risks and hedging policies – Section 2 – Risks of the prudential consolidated perimeter - 2.1 Credit risk. It is appropriate to highlight, in this context, that the Section on Credit Risk shows, in addition to quantitative information on portfolio credit quality, an exhaustive disclosure regarding credit evaluation processes followed in the first half 2020 also in light of Covid-19 pandemic.

Always with reference to disclosure, ESMA statement recommends to highlight uncertainties linked to evaluation processes and on the Group's ability to continue to operate in the future as a going concern. In this respect, refer to Part A – Accounting policies – Section 2 – General preparation criteria, in which, in addition to the information related to uncertainties in evaluation processes, it is furtherly stated the Group's ability to operate in the future by corroborating such a statement, as requested by ESMA, with regulatory quantitative data related to its capitalization.
Such information, whose content is more general, is complemented by more detailed disclosures on specific aspects such as Fair value, provisions for risks and charges, of a financial nature, faced by the Group.
In this respect, these condensed interim consolidated financial statements report exhaustive information on fair value, refer to Part A – Accounting policies – A.4. Information on fair value, on provisions for risks and charges, refer to Part B – Consolidated balance sheet – Section 10 – Provisions for risks and charges and, in particular, on financial risks, reported in Part E - Information on risks and hedging policies, providing information both qualitative and quantitative regarding credit risk, market risk, liquidity risk, operating risks and other risks.

IBOR 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.

In light of the deferral/suspension of institutional and/or regulatory activities consequent to the Covid-19 pandemic, in the first 2020 semester there have been no significant events/updates with respect to what stated in the equivalent session of "Consolidated Report and Accounts 2019 of UniCredit Group" to which reference shall be made for the sake of completeness; on the other hand, preparatory activities to guarantee the orderly transition to alternative or reformed interest rates have proceeded. It is worth mentioning that as at 31st December 2019, the Group, having this possibility, opted for the early application (the EU effective start date for Amendment is 1 January 2020) of the "Amendments to IFRS9, IAS39 and IFRS7: Interest Rate Benchmark Reform" (the Amendment thereafter) that have been endorsed by the European Commission for use in the European Union (EU). Such 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.

In order to closely follow the developments on IBORs and to proper manage the transition and the discontinuation impacts, UniCredit Group is continuously monitoring 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.

Part A - Accounting policies

Valuation of the Group real estate portfolio

Measurement as at 30 June 2020

Starting from 31 December 2019, the Group changed its accounting policy for the measurement of real estate properties moving from a cost model to a fair value model for properties held for investment and revaluation model for properties used in business.
This change, approved on 2 December 2019 by the UniCredit S.p.A. Board of Directors, was deemed to result in reliable and more relevant information for financial statements' users taking into account:

- the expected disposal by 2025 of real estate assets held for investment (IAS40), as fair value model presents a higher capability to approximate the expected disposal price, accounting for the related effects timely in advance;
- the possibility to better represent the equity of the Group, with regard to real estate assets used in business (IAS16), as revaluation model represents the net equity updated in light of current market conditions.

As at 30 June 2020 fair value of both properties held for investment and properties used in business was re-determined through external appraisals relating to 100% of the properties held by the Group for the most part through desktop appraisals.
The update of appraisals has led to an overall positive balance sheet effect of €0.9 million gross of tax, as detailed below:

- for real estate assets used in business, the recognition of an increase in the specific valuation reserve for an amount of €12.6 million gross of tax effect (€7.4 million net of the tax effect). In addition to this increase, net gains for €0.7 million were recognised in the income statement gross of the tax effect;
- for real estate assets held for investment, the recognition of an income statement results equal to -€12.4 million gross of the tax effect.

The aforementioned impacts are mainly driven by the rationales indicated below for the main geographies:

- Italy: for assets used in business the impacts arise from depreciation, capitalized expense effects and very limited market impact; regarding assets held for investments the categories logistic and residential remain fairly positioned in the market while negative impacts are shown on hospitality assets;
- Germany: the portfolio is composed mainly by assets used in business whose values still confirm positive market trend of late 2019;
- Austria: portfolio is composed by both used in business and investments properties and is aligned to the market trend that shows a substantial stability of values;
- CEE: the portfolio has suffered a limited impact from Covid-19 outbreak and a substantial stability in the market values has been detected.

Top disposal

During the first half 2020, the Group has sold a real estate complex in Munich composed by both real estate assets held for investment and real estate assets used in business for a sale price equal to €1,012 million.

These assets were classified under IFRS5 during 2019 already before 31 December 2019 the date of initial application of the change in the valuation criterion.
This circumstance has determined for assets used in business, for which according to IAS8 the change to revaluation model is applied prospectively, in this specific case from 31 December 2019, the recognition of a gain on disposal for €443 million (gross of tax) in the first half 2020 when these properties have been derecognised, as at the date of first application, being classified in IFRS5, they were not subject to the change in valuation criterion.
Conversely, for assets held for investments, for which according to IAS8 the change to fair value model is applied retrospectively, the adjustment to the sale price has already been recognized in the last quarter of 2019.

Drei Banken

As at 30 June 2020, the investments held by the Group in Oberbank, BKS and BTV, three regional Austrian banks, together called Drei Banken, were tested for impairment in accordance with the requirements of IAS36.

With reference to Oberbank it was observed that the pro-rata market capitalization (Fair value), €803 million, was higher than the carrying value, €762 million. Considering that (i) IAS36 establishes that the Recoverable amount is the higher between Fair value and Value in Use and that (ii) Fair value, stated by the market capitalization, is above the carrying value, the sustainability of the carrying value of the Oberbank has been confirmed.

Conversely, for BKS and BTV the pro-rata market capitalization (Fair value) has been observed to be lower than the related carrying value. Indeed, BKS showed a proportional market capitalization of €167 million compared with a carrying value of €355 million, while BTV presented a proportional market capitalization of €465 million compared with a carrying value of €768 million. As a result, a value in use was calculated by discounting the expected cash flows of the investments at an appropriate cost of equity determined on the basis of the long-term risk-free interest rate, the credit risk premium for Austria and an appropriate beta rate in order to consider the degree of risks associated with equity investments.

Part A - Accounting policies

Absent any updated business plan formally approved by BKS and BTV management, managerial assumptions have been used in order to derive the expected cash flows.
The managerial assumptions took, as starting point, the cash flows used for performing the impairment test as at 31 December 2019, then adjusted so to reflect: i) the expected decrease in 2020 net profits, and ii) the expected evolution in the next periods (until 2022), both resulting from the economic turmoil determined by Covid-19 pandemic.
Specifically, with reference to the above point i), the determination of 2020 cash flow projections has been performed considering the expected net profits for 2020 announced (publicly issued by BKS and BTV in May and April 2020 respectively); while, regarding the above point ii), the cash flows for the years 2021 and 2022 were determined by adjusting the forecasts used for 31 December 2019 impairment test in order to consider the expected downturns in the two banks' profitability.

As a result of the impairment the Group recognised an overall write-down equal to €63 million, composed as follows:
- BKS: impairment for €27 million, coming from a value in use of €327 million compared to the carrying value of €355 million;
- BTV: impairment for €36 million, coming from a value in use of €732 million compared to the carrying value of €768 million.

Update of the sustainability test for Deferred Tax Assets for the carry-forward of unused tax losses regarding the Italian Tax perimeter
Starting from 31 December 2019, the Group updated the calculation of the sustainability test methodology considering appropriate a 10 years' time horizon for the recognition of deferred tax assets (DTA) arising from tax loss carrying forward on Italian tax perimeter deemed coherent for assessing the generation of sufficient taxable profit to be available against which tax assets can be utilized. Considering the lengthiness of the 10 years' time horizon the sustainability test envisages:
- a deterministic approach for the years for which official projections (i.e. MYP) are available;
- a statistical approach for assessing the probability for the years beyond official projections.

On half year basis, the carrying amount of these DTAs is tested for sustainability considering: (i) changes occurred in tax perimeter or in tax legislation in the first half of 2020; (ii) updating of temporary DTA statistical reversal (analytical reversals remain unchanged in respect of the test performed as at 31 December 2019); and (iii) available official projections used to determine the probable taxable results that will be available to recover the existing DTA.
As at 30 June 2020, such sustainability test confirmed the carrying amount of these DTAs accounted for as at 31 December 2019 (€546 million) considering that: (i) no changes occurred in the Italian tax perimeter; (ii) no relevant changes occurred in terms of fiscal rules that could impact on evidences coming from latest DTAs sustainability test; (iii) the reversal in the income statement in the first semester of 2020 related to DTAs on temporary differences is very limited due to the write-down done at end 2019.
Considering that (i) the official projections used in performing the sustainability test continue to be based on the budget and forecasts approved by the Management within the Team23 Multi-year Plan (MYP), (ii) the effects on profitability arising from Covid-19 pandemics and (iii) ESMA Public Statement dated 20 May in which it required a careful assessment of cash flow projections, the outcome of the sustainability test presented above was corroborated through the application of two alternative scenarios envisaging the downward revision of the projections in order to estimate if such a reduction of the profitability might require an impairment of the deferred tax assets.

The first alternative scenario was performed updating 2020 and 2021 tax base projections reflecting impact deriving from Covid-19 as envisaged in the V-Shape Scenario which has been used as a basis for market guidance.
The second alternative scenario was performed updating tax base projections (i) for 2020 and 2021 as per the first alternative scenario (ii) for 2022-2028 assuming the linearization of the delta of 2021 tax base vs MYP Official targets up to 2028; (iii) for 2029 assuming a 2% long term growth.

Both alternative scenarios support the recoverability of deferred tax asset arising from tax losses carried forward, recognised for Italian Fiscal Perimeter, in financial statements as at 30 June 2020.
Finally, it should be note that the amount of DTA not recognised in financial statements as at 30 June 2020, with reference to the UniCredit group, is equal to €4,133 million.

A.2 - Main items of the accounts

With regard to the classification and measurement criteria of the main items, refer to Part A.2 of the Notes to the consolidated accounts of the Consolidated financial statements as at 31 December 2019.

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

There were no transfers between portfolios of financial assets in the first half 2020.

Part A - Accounting policies

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).

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

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

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

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

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

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

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

Part A - Accounting policies

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[12]. 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 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.

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

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

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

Derivatives

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

Equity instruments

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

Investment funds

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

12 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

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, these funds are measured on the basis of internal analysis that consider further information included those provided by management companies.

Property, plant and equipment measured at fair value
The Group owns real estate assets for which changed, starting from 31 December 2019, its measurement accounting policy moving from a cost model to a fair value model for properties held for investment and revaluation model for properties used in business.
For both type of assets the fair value/revaluation model is determined on the basis of a valuation by an independent appraiser who holds a recognised and relevant professional qualification which perform its valuation by directly visiting the property and in consideration of market analysis (i.e. full appraisal) or, always considering the market analysis, 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 (i.e. desktop appraisal).
The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. In particular, 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");
- Funding Cost and Benefit Value Adjustment ("FCA/FBA");
- 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 30 June 2020, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €217,2 million negative the part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €30,4 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 account 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

Model risk
Financial models are used for the valuation of the financial instruments if the direct market quotes are not deemed reliable. 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 cost
It measures the implicit cost of closing a trading position. The position can 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 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 reported in section "Assets and liabilities measured at fair value on a recurring basis - Fixed income securities".
On the other hands, fair value for performing loans to banks and customers is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

Property, plant and equipment
The fair value of under construction properties, obtained through the enforcement of guarantees received and the right of use of leased assets is determined on the basis of a valuation by an independent appraiser who holds a recognised and relevant professional qualification which perform its valuation by directly visiting the property and in consideration of market analysis (i.e. full appraisal) or, always considering the market analysis, 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 (i.e. desktop appraisal).
The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. In particular, given the current portfolio composition, most of the positions are at Level 3.

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 hand 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 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 (Credit Default Swap) 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
A model used to determine the intrinsic value of a stock, based on a strip of future cash flows growing at a constant rate. Given a single cash flow and an hypothesis on constant growth through time, the model estimates the present value of future cash flows.

Dividend Discount Model
A model used to determine the value of a stock based on expectations on its future dividend flow.
Given a series of forecasts on dividends payable in future exercises and an hypothesis on the subsequent annual growth of dividends at a constant rate, the model estimates the fair value of a stock as the sum of the current 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 the measure of the variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.
There are different types of volatility:
- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices.

Part A - Accounting policies

Correlation
Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measure. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measure. Therefore changes in correlation levels can have a major impact, 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 other ARR) and is generally expressed in terms of basis points.
The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

Loss Given Default ("LGD")/Recovery Rate
LGD also known as loss severity (the inverse concept is the recovery rate) represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relating to the outstanding balance. An increase in the loss severity, in isolation, would result in a decrease in a fair value measure. Loss given default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination.

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

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 on 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 does not only depend 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.

Part A - Accounting policies

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

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

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

A.4.2 Valuations processes and sensitivities

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

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

A.4.3 Fair value hierarchy

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

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all the 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: the fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- Level 2: the fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- Level 3: the 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 fair values levels (both between Level 1 and Level 2 and in/out Level 3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.
Quantitative and qualitative details about transfers between fair values levels occurred in the period is presented in paragraph 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 Fair value hierarchy
The following tables show the portfolios breakdown in terms of financial assets and liabilities valued at fair value.

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

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 06.30.2020			AMOUNTS AS AT 12.31.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	27,234	54,026	4,208	30,864	47,005	4,011
a) Financial assets held for trading	20,047	45,891	1,298	23,040	39,034	1,206
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	7,187	8,135	2,910	7,824	7,971	2,805
2. Financial assets at fair value through other comprehensive income	61,084	14,200	900	64,341	13,124	2,237
3. Hedging derivatives	150	7,142	5	146	5,785	3
4. Property, plant and equipment	-	-	5,845	-	-	5,983
5. Intangible assets	-	-	-	-	-	-
Total	**88,468**	**75,368**	**10,958**	**95,351**	**65,914**	**12,234**
1. Financial liabilities held for trading	9,597	35,106	848	11,937	28,740	806
2. Financial liabilities designated at fair value	-	9,543	712	-	9,197	481
3. Hedging derivatives	163	8,127	-	166	7,020	-
Total	**9,760**	**52,776**	**1,560**	**12,103**	**44,957**	**1,287**

Item "1. c) Other financial assets mandatorily at fair value" at Level 3 as at 30 June 2020 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €350 million) and in "Schema Volontario" (carrying value €8 million).
Since no market valuations or prices of comparable securities are available for "Schema Volontario", at 30 June 2020 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 internally on the basis of information provided by DeA management company with regard to the assets held by the funds.
See Part B - Section 2.5 - Other financial assets mandatorily at fair value income for further information of the Explanatory notes of this document.

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 in some Group entities.

Besides the transfers relating 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 €800 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for €21 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designed at fair value) for €2 million.
- from Level 2 to Level 1 owing to an improvement of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV (Independent Price Verification) process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for €770 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for €567 million.

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

(€ million)

	CHANGES IN FIRST HALF 2020							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**4,011**	**1,206**	**-**	**2,805**	**2,237**	**3**	**5,983**	**-**
2. Increases	**1,705**	**721**	**-**	**984**	**50**	**5**	**67**	**-**
2.1 Purchases	1,171	274	-	897	15	-	19	-
2.2 Profits recognised in	445	412	-	33	13	-	40	-
2.2.1 Income statement	445	412	-	33	3	-	16	-
- of which unrealised gains	*248*	*230*	-	*18*	-	-	*3*	-
2.2.2 Equity	X	X	X	X	10	-	24	-
2.3 Transfers from other levels	51	32	-	19	-	-	-	-
2.4 Other increases	38	3	-	35	22	5	8	-
3. Decreases	**1,508**	**629**	**-**	**879**	**1,387**	**3**	**205**	**-**
3.1 Sales	1,027	460	-	567	133	-	35	-
3.2 Redemptions	57	-	-	57	130	-	-	-
3.3 Losses recognised in	198	117	-	81	82	-	79	-
3.3.1 Income statement	198	117	-	81	3	-	70	-
- of which unrealised losses	*155*	*101*	-	*54*	-	-	*5*	-
3.3.2 Equity	X	X	X	X	79	-	9	-
3.4 Transfers to other levels	120	29	-	91	1,024	-	13	-
3.5 Other decreases	106	23	-	83	18	3	78	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**4,208**	**1,298**	**-**	**2,910**	**900**	**5**	**5,845**	**-**

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 income statement 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

Part A - Accounting policies

monetary assets (debt securities) which are reported respectively under item "130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income" and item "80. Net gains (losses) on trading".

Transfers between levels of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some Group entities and mostly refer to exposure held by UniCredit S.p.A. and its subsidiary UniCredit Bank AG. In particular, during the first half 2020 Senior bonds of Prisma securitisation, classified among the financial assets measured at fair value through other comprehensive income, have been transferred from Level 3 to Level 2 of the fair value, for an amount equal to 1,007 million, due to transactions observed in the reference market.

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

(€ million)

	CHANGES IN FIRST HALF 2020		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**806**	**481**	**-**
2. Increases	**546**	**411**	**-**
2.1 Issuance	251	287	-
2.2 Losses recognised in	188	24	-
2.2.1 Income statement	188	15	-
- of which unrealised losses	*37*	*13*	-
2.2.2 Equity	X	9	-
2.3 Transfers from other levels	89	97	-
2.4 Other increases	18	3	-
3. Decreases	**504**	**180**	**-**
3.1 Redemptions	176	5	-
3.2 Purchases	18	71	-
3.3 Profits recognised in	188	62	-
3.3.1 Income statement	188	52	-
- of which unrealised gains	*169*	*52*	-
3.3.2 Equity	X	10	-
3.4 Transfers to other levels	115	36	-
3.5 Other decreases	7	6	-
of which: business combinations	-	-	-
4. Closing balances	**848**	**712**	**-**

The items "2.2.1 Losses recognised in Income statement" and "3.3.1 Profits recognised in Income statement" in financial liabilities are included in the income statement 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's entities and mostly refer to exposure held by UniCredit Bank AG.

Part B - Consolidated balance sheet - Assets

Assets

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

2.1 Financial assets held for trading: breakdown by product

(€ million)

	AMOUNTS AS AT 06.30.2020			AMOUNTS AS AT 12.31.2019		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**8,816**	**1,704**	**583**	**11,034**	**2,643**	**713**
1.1 Structured securities	-	954	-	1	1,752	-
1.2 Other debt securities	8,816	750	583	11,033	891	713
2. Equity instruments	**4,737**	**15**	**-**	**5,618**	**15**	**-**
3. Units in investment funds	**780**	**992**	**49**	**1,568**	**1,177**	**35**
4. Loans	**848**	**5,593**	**-**	**2,346**	**3,780**	**-**
4.1 Reverse Repos	-	1,651	-	-	1,469	-
4.2 Other	848	3,942	-	2,346	2,311	-
Total (A)	**15,181**	**8,304**	**632**	**20,566**	**7,615**	**748**
B. Derivative instruments						
1. Financial derivatives	**4,855**	**37,512**	**651**	**2,470**	**31,355**	**429**
1.1 Trading	4,855	37,462	651	2,470	31,289	429
1.2 Linked to fair value option	-	21	-	-	32	-
1.3 Other	-	29	-	-	34	-
2. Credit derivatives	**11**	**75**	**15**	**4**	**64**	**29**
2.1 Trading	11	75	15	4	64	29
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**4,866**	**37,587**	**666**	**2,474**	**31,419**	**458**
Total (A+B)	**20,047**	**45,891**	**1,298**	**23,040**	**39,034**	**1,206**
Total Level 1, Level 2 and Level 3			**67,236**			**63,280**

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

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

The offset effect as at 30 June 2020, already included in the net presentation of these transactions, totalled €39,218 million increased in comparison to €25,101 million as at 31 December 2019 due to the evolution of the reference market conditions.

2.3 Financial assets designated at fair value: breakdown by product

There are no amounts to be shown.

Part B - Consolidated balance sheet - Assets

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2020			AMOUNTS AS AT 12.31.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**7,096**	**6,136**	**234**	**7,719**	**5,971**	**259**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	7,096	6,136	234	7,719	5,971	259
2. Equity instruments	**66**	**15**	**905**	**76**	**16**	**450**
3. Units in investment funds	**25**	**46**	**1,127**	**29**	**51**	**1,055**
4. Loans	**-**	**1,938**	**644**	**-**	**1,933**	**1,041**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,938	644	-	1,933	1,041
Total	**7,187**	**8,135**	**2,910**	**7,824**	**7,971**	**2,805**
Total Level 1, Level 2 and Level 3			**18,232**			**18,600**

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 €48 million and Mezzanine and Junior bonds of Prisma securitisation for €2 million as at 30 June 2020, both investments presented among Level 3 instruments.

The item "2. Equity instruments" includes the investment in a "Schema Volontario" (presented among Level 3 instruments) with a value of €8 million.

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 €350 million as at 30 June 2020.

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

Information about the units of Atlante Fund and Italian Recovery Fund

Atlante is a closed-end alternative investment fund (FIA) ruled by Italian law reserved to professional investors and managed by 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 30 June 2020 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 €20 million were carried out. Received reimbursement amount to €12 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 30 June 2020 UniCredit S.p.A. holds shares with a carrying value of €182 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 €14 million were carried out. Received reimbursement amount to €19 million. In addition, UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €8 million.
As at 30 June 2020 the book value (fair value) of both funds was determined internally on the basis of information provided by DeA management company with regard to the assets held by the funds. This fair value valuation determined in the year a higher value for €6 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.

Part B - Consolidated balance sheet - Assets

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

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 main transactions carried out by SV.

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 Crédit 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 Crédit 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, increased with a further impairment of €0.2 million at 31 December 2020; updated valuation as at 30 June 2020 has resulted in a further impairment of €1 million. Thus, 30 June 2020 UniCredit S.p.A. carrying value of investments related to securitisation is equal to nearly €1.9 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 €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 €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 €13 million, also considering the occurred reimbursement of interests for €9 million. Update of evaluation at 30 June 2020 has determined a fair value of €6.5 million.

Part B - Consolidated balance sheet - Assets

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

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

(€ million)

	AMOUNTS AS AT 06.30.2020			AMOUNTS AS AT 12.31.2019		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**61,065**	**13,318**	**175**	**64,340**	**12,164**	**1,445**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	61,065	13,318	175	64,340	12,164	1,445
2. Equity instruments	**19**	**882**	**725**	**1**	**960**	**792**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**61,084**	**14,200**	**900**	**64,341**	**13,124**	**2,237**
Total Level 1, Level 2 and Level 3			**76,184**			**79,702**

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

The Item "1. Debt Securities" includes investments FINO Project's in instrument Senior and in one part of instrument Mezzanine notes, presented among Level 3 instruments, with a value of €129 million and Senior bonds of Prisma securitisation presented among Level 2 instruments (in Level 3 until 31 December 2019) for €1,007 million as at 30 June 2020.

The Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among Level 2 instruments), with a value of €816 million and (ii) ABH Holding SA investments (presented among Level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsotbank to Alfa Group, with a value at 30 June 2020 of €290 million.

Information about the shareholding in Banca d'Italia

Since the end of 2015, UniCredit S.p.A. started the disposal of its stake in Banca d'Italia for an amount corresponding to its carrying value. Until the end of the second quarter 2020, UniCredit S.p.A. completed the disposal of about 11% of the share capital of Banca d'Italia for €842 million, of which €96 million in 2020 year to date (equal to 1.3%), thus reducing its shareholding to 10.9% (carrying value equal to €816 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 the last years, the shareholders with excess shares started the disposal process, finalising sales for more than 35% of Banca d'Italia total capital. The carrying value as at 30 June 2020, 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 30 June 2020, the value of the investment, measured at fair value, is given a weighting of 100% (in accordance with article 133 "Exposures in Equity Instruments" of the CRR).

Part B - Consolidated balance sheet - Assets

Section 4 - Financial assets at amortised cost - Item 40

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2020 BOOK VALUE			AMOUNTS AS AT 12.31.2019 BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
A. Loans and advances to Central Banks	**73,257**	**-**	**-**	**46,583**	**-**	**-**
1. Time deposits	456	-	-	835	-	-
2. Compulsory reserves	57,475	-	-	37,363	-	-
3. Reverse repos	13,951	-	-	7,471	-	-
4. Other	1,375	-	-	914	-	-
B. Loans and advances to banks	**58,488**	**4**	**-**	**55,086**	**-**	**-**
1. Loans	53,212	4	-	51,262	-	-
1.1 Current accounts and demand deposits	14,517	-	-	13,539	-	-
1.2 Time deposits	6,323	-	-	9,091	-	-
1.3 Other loans	32,372	4	-	28,632	-	-
- Reverse repos	26,402	-	-	22,799	-	-
- Lease Loans	2	-	-	3	-	-
- Other	5,968	4	-	5,830	-	-
2. Debt securities	5,276	-	-	3,824	-	-
2.1 Structured	1	-	-	1	-	-
2.2 Other	5,275	-	-	3,823	-	-
Total	**131,745**	**4**	**-**	**101,669**	**-**	**-**

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2020 BOOK VALUE			AMOUNTS AS AT 12.31.2019 BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Loans	**467,994**	**8,799**	**17**	**470,947**	**8,754**	**18**
1.1 Current accounts	29,313	1,025	2	31,857	1,073	5
1.2 Reverse repos	48,261	-	-	58,222	-	-
1.3 Mortgages	170,013	3,229	4	166,004	3,099	4
1.4 Credit cards and personal loans, including wage assignment	16,519	310	1	17,824	307	-
1.5 Lease loans	16,649	1,290	-	17,314	1,320	-
1.6 Factoring	10,868	133	-	13,554	176	-
1.7 Other loans	176,371	2,812	10	166,172	2,779	9
2. Debt securities	**54,536**	**37**	**-**	**45,054**	**39**	**-**
2.1 Structured securities	21	-	-	19	-	-
2.2 Other debt securities	54,515	37	-	45,035	39	-
Total	**522,530**	**8,836**	**17**	**516,001**	**8,793**	**18**

Note that since 31 December 2019 Legal entities have adopted a Held to Collect Business model for newly purchased Government Bonds, in order to reduce the sensitivity of regulatory capital to changes in bonds' prices. Carrying value as of 30 June 2020 of these bonds is equal to €1,320 million.

Furthermore, in the first sixth months of 2020, sales performed out of item 40. Financial assets at amortized cost have been not significant being below the threshold established internally (10% per year; 25% on a three year basis).

Part B - Consolidated balance sheet - Assets

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

Sub-items “1.2. Reverse repos" and “1.7 Other loans” do not include the type of securities lending transactions collateralised by securities or not collateralised.
Sub-item “1.7 Other loans” includes among the significant items €6,522 million of trade receivables as at 30 June 2020.

Section 10 - Intangible assets - Item 100

An intangible asset is an identifiable non-monetary asset without physical substance, to be used for several years.
Intangible assets include goodwill and, among “other intangible assets”, brands, customer relationships and software.
Goodwill is the excess of the cost of a business combination over the net fair value of the assets and liabilities of companies or businesses at the acquisition date.
As at 30 June 2020 intangible assets amounted to €2,836 million, increased in comparison to €2,800 million as at 31 December 2019.

10.1 Intangible assets: breakdown by asset type

(€ million)

	AMOUNTS AS AT 06.30.2020		AMOUNTS AS AT 12.31.2019	
ASSETS/VALUES	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**878**	**X**	**886**
A.1.1 Attributable to the Group	X	878	X	886
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**1,958**	**-**	**1,914**	**-**
A.2.1 Assets carried at cost	1,958	-	1,914	-
a) Intangible assets generated internally	1,494	-	1,455	-
b) Other assets	464	-	459	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**1,958**	**878**	**1,914**	**886**
Total finite and indefinite life		**2,836**		**2,800**

The Group does not use the revaluation model (fair value) to measure intangible assets.
Other intangible assets - finite life mainly includes Software.

Part B - Consolidated balance sheet - Assets

10.2 Intangible assets: annual changes

(€ million)

	CHANGES IN FIRST HALF 2020					
		OTHER INTANGIBLE ASSETS				
		GENERATED INTERNALLY		OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross opening balance	**15,818**	**4,153**	**-**	**5,134**	**902**	**26,007**
A.1 Total net reduction in value	(14,932)	(2,698)	-	(4,675)	(902)	(23,207)
A.2 Net opening balance	**886**	**1,455**	**-**	**459**	**-**	**2,800**
B. Increases	**-**	**202**	**-**	**88**	**-**	**290**
B.1 Purchases	-	11	-	77	-	88
B.2 Increases in intangible assets generated internally	X	177	-	-	-	177
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	1	-	8	-	9
B.6 Other changes	-	13	-	3	-	16
of which: business combinations	-	-	-	-	-	-
C. Reduction	**8**	**163**	**-**	**83**	**-**	**254**
C.1 Disposals	-	-	-	1	-	1
C.2 Write-downs	8	143	-	59	-	210
- Amortisation	X	143	-	59	-	202
- Write-downs	8	-	-	-	-	8
+ In equity	X	-	-	-	-	-
+ Through profit or loss	8	-	-	-	-	8
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	-	11	-	20	-	31
C.6 Other changes	-	9	-	3	-	12
of which: business combinations	-	-	-	-	-	-
D. Net closing balance	**878**	**1,494**	**-**	**464**	**-**	**2,836**
D.1 Total net write-down	(14,887)	(2,828)	-	(4,585)	(902)	(23,202)
E. Gross closing balance	**15,765**	**4,322**	**-**	**5,049**	**902**	**26,038**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

The net book value of goodwill as at 30 June 2020, equal to €878 million, decreased by €8 million in comparison to 31 December 2019 due to the total impairment of the goodwill allocated to the CGU Commercial Banking Italy.
The goodwill refers to subsidiaries belonging to the Euro area. In addition to the impairment of the period, the annual changes in gross closing balance and total net write-down, compared to the values as at 31 December 2019, 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, recognized during business combinations, refer to the following pages.

Part B - Consolidated balance sheet - Assets

10.3 Intangible assets: other information

Impairment testing of indefinite-life intangible assets recognised during business combinations
The carrying amount of indefinite-life intangible assets recognised during business combinations as at 30 June 2020 amounts to €878 million[13], implying a reduction of €8 million compared to what was reported as of 31 December 2019 following the impairment test of goodwill carried out at 30 June 2020.
According to IAS36.99, the results of the goodwill impairment test performed as at 31 December 2019 were also used for the test as at 30 June 2020 for the Group and the Cas Generating Units (CGUs) to which residual goodwill is allocated. More in detail, the customary analysis of qualitative indicators on the main hypotheses underlying the calculations for the goodwill impairment test as at 31 December 2019 has been expanded to take into account the recommendations included in the Public Statement from the European Securities and Market Authority (ESMA) which among other things required issuers to carry-out, as part of half-year reporting, additional sensitivity analyses to evaluate the impact of Covid-19 on activities potentially at risk of impairment.

Estimating cash flows to determine the value in use as at 31 December 2019
The impairment test as at 31 December 2019 was performed on the basis of the financial projections (Net Profit and RWA) included in the "Team 23" Strategic Plan approved by the Board of Directors on 2 December 2019.

For more details on the methodology of the impairment test, on the projections and hypotheses employed and on the sensitivity of the recoverable amount of the CGUs to the key parameters see the Consolidated Financial Statements as at 31 December 2019.

Analysis of indicators as at 30 June 2020 and of the impacts of Covid-19
With the aim of assessing potential variations occurred in the first half of 2020 in the assumptions underlying the impairment test calculation, a trigger analysis of the key indicators has been carried out leading to the following findings:
- Net Profit actual results are below Plan targets, for both Group and most of the CGUs', mainly due to the economic impacts of the Covid-19 pandemic;
- there have been no substantial changes in the structure of assets and liabilities of the CGUs versus the reference perimeter for the 31 December 2019 impairment test;
- RWAs are below Plan targets at Group level and for most of the CGUs;
- cost of equity updated as at June 2020 is below the level recorded as at December 2019 chiefly due to the reduction in capital allocated to Turkey (which at 31 December 2019 showed the highest cost of capital in the Group) and to the reduction in the value of the Beta (β) of the UniCredit stock;
- there have been no changes in Common Equity Tier 1 ratio target.

In addition to the findings described above, consideration was also given to the fact that the Team 23 financial objectives for 2020 and 2021 can no longer be considered valid in light of the revised estimates on cost of risk, while the strategic priorities communicated in December 2019 are confirmed. The current scenario of uncertainty and volatility does not allow to carry out to a comprehensive and final evaluation of the impacts on the Plan's medium-long term objectives in order to assess whether these are still valid or not. Given the context these analyses will be finalized in the coming months and an update of the Team 23 Strategic Plan incorporating the current environment will be presented in a Capital Markets Day, which will be held near this year end or early next year.

Based on these elements and on the recommendations contained in the ESMA Public Statement, the Group has extended its methodological approach developing a process for the analysis of the sustainability of goodwill under alternative scenario assumptions along the following steps:
- update of the valuation model to 30 June 2020 and of the cost of equity employed;
- update of the valuation model considering, for CGUs with allocated goodwill, an alternative scenario in which Net Profit and RWA were simulated taking into account the economic impacts of Covid-19 coherently with the market communication carried out at the presentation of the first quarter 2020 financial results;
- assessment of the impact of these updates on the sustainability of goodwill.

Results of the impairment test
The analysis process described above has led to the following findings:
- the sustainability of the goodwill allocated to the Corporate and Investment Banking CGU (€878 million) is confirmed;
- the sustainability of the goodwill allocated to the Commercial Banking Italy CGU (€8 million) is not confirmed and an impairment of the goodwill is required.

Following on this the full impairment of the €8 million goodwill allocated to the Commercial Banking Italy CGU was carried out. Following this impairment, the Group's goodwill is entirely concentrated in the CIB CGU.

13 The impairment test process tests 100% of the goodwill, equal to €879 million.

Part B - Consolidated balance sheet - Assets

It must be noted that the parameters and information used to verify the recoverability of goodwill (in particular the expected cash flows for the CGUs and the discount rates used) are significantly influenced by the macroeconomic and market situation, which may be subject to currently unpredictable changes.
The effect that these changes may have on the estimated cash flows of the different CGUs, as well as on the underlying assumptions, could therefore lead to different results in the coming financial years. By way of example, for the CIB CGU a cumulated reduction of 2020 and 2021 Net Profit of €100 million with respect to the estimates used in the 30 June 2020 impairment test would reduce by 5% the excess of the recoverable amount on the book value.

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

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

In the balance sheet as at 30 June 2020, compared with 31 December 2019, the subsidiaries Cards & Systems EDV-Dienstleistungs GmbH, the 9.02% of Yapi ve Kredi Bankasi A.S. stake, the joint venture KOC Finansal Hizmetler AS and the real estate complex in Munich owned by UniCredit Bank AG (Project Top), composed by both real estate assets held for investment and used in business, have been sold. Furthermore, the following has been attributed to the non-current assets and asset disposal groups pursuant to IFRS5: the subsidiaries UniCredit Leasing Fuhrparkmanagement GmbH and RSB Anlagenvermietung Gesellschaft M.B.H., Capital Dev S.p.A. group subsidiaries, the associated company Torre Sgr S.p.A. and the non-performing loans related to sale initiatives of portfolios.

Specifically, with reference to Capital Dev S.p.A. Group, the following topics are reported:
- the assets and liabilities referred to Capital Dev group have been classified under the present item during the first half 2020, following the approval, during January 2020, of the pre-agreements closed with an investor external to UniCredit group, envisaging, inter alia, the sale by UniCredit S.p.A. of: (i) the Capital Dev S.p.A. shares; (ii) the credit exposures held towards Capital Dev S.p.A. and its subsidiaries. It is worth mentioning that during the 2019 financial year, an amount of write-down for €228 million was recognised with reference to Capital Dev S.p.A. Group, also considering the economic effects deriving from the pre-agreements above mentioned;
- during the second quarter 2020, an additional write-down for €88 million was recognised with reference to the Capital Dev group assets, considering the offering, received by the investor, updated in light of the new market conditions following the spread of Covid-19 pandemic.

The disposal of 9.02% of Yapi ve Kredi Bankasi A.S. generated in the first quarter 2020 a loss of -€667 million.
The sale of the real estate properties (Project Top), executed in first quarter 2020, generated a gain of +€443 million (gross of tax). For additional information, refer to Part A.1 - Section 5 - Other matters.

As regards the data for asset relating to discontinued operations, and associated liabilities, the figure as at 30 June 2020 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

(€ million)

	AMOUNTS AS AT	
	06.30.2020	12.31.2019
A. Assets held for sale		
A.1 Financial assets	1,490	1,736
A.2 Equity investments	1	-
A.3 Property, plant and equipment	360	673
of which: obtained by the enforcement of collateral	*20*	*12*
A.4 Intangible assets	11	10
A.5 Other non-current assets	92	64
Total (A)	**1,954**	**2,483**
of which: carried at cost	*753*	*1,192*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	*1,039*	*1,143*
of which: designated at fair value - level 3	*162*	*148*
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	23	23
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	7	6
Total (B)	**30**	**29**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*30*	*29*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	235	274
C.2 Securities	-	-
C.3 Other liabilities	363	433
Total (C)	**598**	**707**
of which: carried at cost	*421*	*530*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	*150*	*151*
of which: designated at fair value - level 3	*27*	*26*
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	17	18
Total (D)	**17**	**18**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*17*	*18*

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 it should be specified that the figures referred to companies of the Immobilien Holding group are presented as at 30 June 2020 among level 3 assets and liabilities (the same as at 31 December 2019) reflecting their measurement using a valuation model.

12.2 Other information

There is no significant information to be reported.

Part B - Consolidated balance sheet - Liabilities

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2020	12.31.2019
1. Deposits from central banks	**98,725**	**56,163**
2. Deposits from banks	**66,126**	**79,409**
2.1 Current accounts and demand deposits	11,341	12,120
2.2 Time deposits	13,626	18,062
2.3 Loans	38,486	47,758
2.3.1 Repos	22,527	32,289
2.3.2 Other	15,959	15,469
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	9	9
2.6 Other deposits	2,664	1,460
Total	**164,851**	**135,572**

Sub-item "1. Deposits from central banks" includes €94,326 million of principal of funding from Targeted Longer-Term Refinancing Operations III (TLTRO - III) entered into by June 2020. The TLTRO II operations, which made up the value of the sub-item in June 2019, were repaid by June 2020.
Measurement of TLTRO - III applies amortised cost/effective interest rate (EIR) leveraging on "expected cash flow" approach according to the assessment of Cumulative Net Lending benchmark achievements based upon a statistical approach to verify their fulfillment with an appropriate confidence level.

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

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 06.30.2020	12.31.2019
1. Current accounts and demand deposits	359,909	348,060
2. Time deposits	66,394	64,923
3. Loans	37,658	52,957
3.1 Repos	35,032	50,122
3.2 Other	2,626	2,835
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease deposits	2,393	2,397
6. Other deposits	4,354	4,630
Total	**470,708**	**472,967**

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

Part B - Consolidated balance sheet - Liabilities

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 06.30.2020	12.31.2019
A. Debt securities		
1. Bonds	88,486	88,563
1.1 Structured	2,506	1,382
1.2 Other	85,980	87,181
2. Other securities	7,416	7,738
2.1 Structured	60	99
2.2 Other	7,356	7,639
Total	**95,902**	**96,301**

The sum of sub-items "1.1 Bonds - Structured" and "2.1 Other securities - Structured" amounts to €2,566 million and account for 2.7% 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 €19 million negative.

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 06.30.2020 NOMINAL VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE*	AMOUNTS AS AT 12.31.2019 NOMINAL VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE*
A. Cash liabilities										
1. Deposits from banks	260	463	273	-	736	331	447	332	-	779
2. Deposits from customers	3,087	4,801	3,057	80	7,938	154	8,691	204	87	8,982
3. Debt securities	2,981	-	2,256	337	2,597	3,067	-	2,786	244	3,027
3.1 Bonds	1,533	-	1,088	161	1,254	1,513	-	1,369	131	1,499
3.1.1 Structured	1,533	-	1,088	161	X	1,513	-	1,369	131	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,448	-	1,168	176	1,343	1,554	-	1,417	113	1,528
3.2.1 Structured	1,448	-	1,168	176	X	1,554	-	1,417	113	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**6,328**	**5,264**	**5,586**	**417**	**11,271**	**3,552**	**9,138**	**3,322**	**331**	**12,788**
B. Derivatives instruments										
1. Financial derivatives	X	4,307	29,426	336	X	X	2,795	25,334	333	X
1.1 Trading derivatives	X	4,306	29,067	317	X	X	2,795	25,000	293	X
1.2 Linked to fair value option	X	-	76	-	X	X	-	92	-	X
1.3 Other	X	1	283	19	X	X	-	242	40	X
2. Credit derivatives	X	26	94	95	X	X	4	84	142	X
2.1 Trading derivatives	X	26	86	95	X	X	4	73	142	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	8	-	X	X	-	11	-	X
Total (B)	**X**	**4,333**	**29,520**	**431**	**X**	**X**	**2,799**	**25,418**	**475**	**X**
Total (A+B)	**X**	**9,597**	**35,106**	**848**	**X**	**X**	**11,937**	**28,740**	**806**	**X**

Total Level 1, Level 2 and Level 3	**45,551**	**41,483**

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

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

Part B - Consolidated balance sheet - Liabilities

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

The offset effect as at 30 June 2020, already included in the net presentation of these transactions, totalled €44,631 million increased in comparison to €29,569 million as at 31 December 2019 due to the evolution of reference market conditions.

The sub-item "Deposits from banks" and "Deposits from customers" include short selling totalling €5,327 million as at 30 June 2020 (€9,245 million as at 31 December 2019), in respect of which no nominal amount was attributed.

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

3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2020					AMOUNTS AS AT 12.31.2019				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	**5**	**-**	**4**	**1**	**5**	**5**	**-**	**4**	**1**	**5**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	5	-	4	1	X	5	-	4	1	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Deposits from customers	**614**	**-**	**569**	**71**	**649**	**581**	**-**	**573**	**51**	**626**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	614	-	569	71	X	581	-	573	51	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	**9,899**	**-**	**8,970**	**640**	**9,626**	**8,768**	**-**	**8,620**	**429**	**8,922**
3.1 Structured	9,333	-	8,666	489	X	8,220	-	8,196	339	X
3.2 Other	566	-	304	151	X	548	-	424	90	X
Total	**10,518**	**-**	**9,543**	**712**	**10,280**	**9,354**	**-**	**9,197**	**481**	**9,553**
Total Level 1, Level 2 and Level 3				**10,255**					**9,678**	

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

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

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

The sub-item "3.1 Debt securities - Structured" includes "Certificates", structured debt securities, issued by UniCredit S.p.A. and by other Group's legal entities. These instruments are designated at fair value as the embedded derivatives cannot be bifurcated.

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

See Section 12 of Assets.

Part B - Consolidated 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 06.30.2020	12.31.2019
1. Provisions for credit risk on commitments and financial guarantees given	1,064	985
2. Provisions for other commitments and other guarantees given	125	104
3. Pensions and other post-retirement benefit obligations	5,457	5,619
4. Other provisions for risks and charges	3,307	3,690
4.1 Legal and tax disputes	800	884
4.2 Staff expenses	1,042	1,253
4.3 Other	1,465	1,553
Total	**9,953**	**10,398**

As at 30 June 2020 Provision for risks and charges amounted to €9,953 million, of which about €1,189 million relating to total impairment losses on off-balance sheet exposures, €5,457 million relating to pensions and other post-retirement benefit obligations and €3,307 million relating to other provisions for risks and charges.

Item "4. Other provisions for risks and charges" consists of:
- legal and tax disputes: cases in which the Group is a defendant, and post-insolvency clawback petitions (more information on litigation is set out in Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Legal risks);
- staff expenses including also the expenses relating 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.

Leaving incentives
The Strategic Plan Team 23, announced to the market on December 2019, foresees the reduction of approximately 8,000 Full Time Equivalents (FTEs) at Group level in the plan horizon, where Italy, Germany and Austria are the main impacted countries.

As at 31 December 2019, the conditions required by IAS37 for the recognition of restructuring costs were already satisfied in Germany and in Austria, thus €0.3 billion and €0.15 billion were respectively recognized in 2019 Consolidated financial statements (amounts gross of tax).
As at 30 June 2020, the signing of the exits for individual agreements in Germany is ongoing. Thus, the overall amount will remain in Provisions for risks and charges. In Austria part of the adhesion process related to the early-retirement has been completed, with the consequent shift to liability of approximately €0.04 billion. Residual part remains assigned to Provisions for risks and charges until the process will be completed.

In Italy, at the end of 2019, the restructuring plan was neither announced to the population affected, nor its implementation started. Therefore, no valid expectation about the fulfilment of a constructive obligation was raised.
During the first quarter 2020, the “Lettera di avvio procedura” (Letter for starting the procedure) was sent to Trade Unions in Italy, specifically on 10 February 2020, thus officially starting negotiations. Subsequently, several dedicated meetings were held in February and March; as final and decisive action, a specific communication to the Trade Unions announcing the main features of the restructuring plan was sent on 31 March 2020. According to such communication, a number of 5,200 FTEs employees are foreseen in exit, either through Solidarity Fund or through leaving incentives taking into account the time required for retirement.

Therefore, as at 31 March 2020 the valid expectation required by IAS37 was raised in the employees involved. On this basis, an amount of €1.3 billion (gross of tax) was booked.

The total amount for Team 23 exits in Italy is equal to €1.55 billion (gross of taxes), considering also the amounts already accrued related to the adhesions kept “on hold” and to the variation of the pension rules compared with previous T19 Plan.
Adhesions are being collected in a two phase process: in the first phase (ended on 12 June 2020), the applications for those employees with right to pension by 1 December 2027 have been collected; the second phase (ended on 3 July 2020) was addressed to the employees with right to pension by 1 April 2028. Currently, the verification on the applications stemming from second phase.

Based on the collected adhesions, at 30 June 2020 the amounts related to the first phase adhesions (equal to €1.4 billion) have been classified under “Other Liabilities”, while the residual amount has been still recognized in the Provisions for risks and charges, waiting to the completion of the verifications in place.

Part B - Consolidated balance sheet - Liabilities

10.5 Pensions and other post-retirement defined-benefit obligations

There are several defined-benefit plans within the Group, i.e., plans whose benefit is linked to salary and employee length of service both in Italy and abroad. The Austrian, German and Italian plans account for over 90% of the Group's pension obligations.
About the 47% of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, the "Direct Pension Plan" (i.e. an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG" all created by UniCredit Bank AG ("UCB AG"), and (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and UniCredit S.p.A.

The Group's defined-benefit plans are mainly closed to new recruits 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 at the balance sheet's reference date. 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" (HQCB).

In the light of evolving common interpretation about "*high quality corporate bonds*" identification and persisting interest rates decreasing trend, UniCredit determines the discount rate by referencing AA rated corporate bonds (HQCB) basket. In addition, a Nelson Siegel methodology is applied in modelling of 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 measurement of commitments as at 30 June 2020 (including those relating to employee severance pay for so-called *Trattamento di fine rapporto del personale*) leads to a slight decrease, compared to 31 December 2019 levels, of €50 million, net of taxes, in the negative balance of the valuation reserve of actuarial gains/losses on defined benefit plans driven by HQCB bond prices volatility induced by Covid-19 outbreak mostly reverting first quarter 2020 drop (for a negative balance which move from -€3,573 million as at 31 December 2019 to -€3,523 million as at 30 June 2020), determined by small rise in Euro yield curve (up to +5bps for pension funds and +5bps for *Trattamento di fine rapporto del personale,* specifically referred to Italian severance, vis-a-vis December 2019).

For additional information refer to the "2019 Consolidated Report and Accounts" of UniCredit group.

10.6 Provisions for risks and charges - other provisions

(€ million)

	AMOUNTS AS AT	
	06.30.2020	12.31.2019
4.3 Other provisions for risks and charges - other		
Real estate risks/charges	97	103
Restructuring costs	70	50
Allowances payable to agents	89	89
Disputes regarding financial instruments and derivatives	62	61
Costs for liabilities arising from equity investment disposals	218	221
Other	929	1,029
Total	**1,465**	**1,553**

It should be noted that 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.

Part B - Consolidated balance sheet - Liabilities

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

As at 30 June 2020 the Group shareholders' equity, including the result for the period of -€2,286 million, amounted to €60,748 million, against €61,416 million at the end of 2019.
The table below shows a breakdown of Group equity and the changes over the previous year.

Group shareholders' equity: breakdown

(€ million)

	AMOUNTS AS AT		CHANGES	
	06.30.2020	12.31.2019	AMOUNT	%
1. Share capital	21,060	20,995	65	0.3%
2. Share premium reserve	9,386	13,225	-3,839	-29.0%
3. Reserves	31,223	24,344	6,879	28.3%
4. Treasury shares	(3)	(3)	-	-
a. Parent Company	(2)	(2)	-	-
b. Subsidiaries	(1)	(1)	-	-
5. Valuation reserve	(5,473)	(6,120)	647	-10.6%
6. Equity instruments	6,841	5,602	1,239	22.1%
7. Net profit (loss)	(2,286)	3,373	-5,659	-167.8%
Total	**60,748**	**61,416**	**-668**	**-1.1%**

The -€668 million change in Group equity resulted from:

Part B - Consolidated balance sheet - Liabilities

(€ 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 5 February 2020	**65**
Use of share premium reserve:	
for (i) the coverage of the entire loss of UniCredit S.p.A. from the 2019 financial year (-€555 million); (ii) the coverage of the negative components related to the payment of AT1 coupons (-€525 million) and to the first time adoption of the IFRS9 (-€2,759 million)	**(3,839)**
Change in reserves, including those one in treasury shares arising from:	**6,879**
· attribution to the reserve of the result of the previous year excluding the loss of UniCredit S.p.A., net of dividends and other allocations	3,926
· coverage of the negative reserves to eliminate the negative components related to the payment of AT1 coupons (+€525 million) and to the first time adoption of the IFRS9 (+€2,759 million) by use of the Share Premium reserve	3,284
· change in reserves connected to Share Based Payments	27
· allocation to the reserves of the coupon paid to subscribers of the Additional Tier 1 notes, net of the related taxes, in amount of -€160 million. Moreover it also included tax impact on transaction cost and placement fees on new instruments issued	(158)
· withdrawal from the specifically constituted reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 5 February 2020	(65)
· 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"	(61)
· reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items	(34)
· 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	(19)
· other changes	(21)
Change in valuation reserves due to:	**647**
· variation in the value of the valuation reserve of companies carried at equity	704
· variation in the value of the reserve on non-current assets classified held-for-sale	684
· variation in the value of cash-flow hedges	124
· variation in the value of the reserve on actuarial gains (losses) on defined-benefit plans	50
· variation in the value of the revaluation reserve tangible assets	(18)
· variation of valuation reserves related to financial assets and liabilities valued at fair value	(298)
· variation in exchange rate differences	(599)
Issue of Additional Tier1 recognised net of the related transaction costs and placement fees	**1,239**
Change of the profit for the period compared with that of 31 December 2019	**(5,659)**

13.4 Reserves form profits: other information

(€ million)

	AMOUNTS AS AT	
	06.30.2020	12.31.2019
Legal reserve	1,518	1,518
Statutory reserve	7,380	7,504
Other reserves	14,397	7,816
Total	**23,295**	**16,838**

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.

Part B - Consolidated balance sheet - Liabilities

13.6 Other Information

Valuation reserves: breakdown

(€ million)

ITEM/TYPES	AMOUNTS AS AT 06.30.2020	12.31.2019
1. Equity instruments designated at fair value through other comprehensive income	(263)	(227)
2. Financial assets (other than equity instruments) at fair value through other comprehensive income	610	980
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)	24	(84)
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	1,424	1,442
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	142	18
10. Exchange differences	(2,631)	(2,032)
11. Non-current assets classified as held for sale	24	(660)
12. Actuarial gains (losses) on defined-benefit plans	(3,523)	(3,573)
13. Part of valuation reserves of investments valued at net equity	(1,557)	(2,261)
14. Special revaluation laws	277	277
Total	**(5,473)**	**(6,120)**

The FX currency reserves as at 30 June 2020 mainly refer to the following currencies:

- Turkish Lira: - €1,489 million, included in the item "Revaluation reserves of investments valued at net equity";
- Russian Ruble: -€2,150 million included in the item "Exchange differences", -€36 million included in the item "Revaluation reserves of investments valued at net equity" and +€19 million in item "Non-current assets classified as held for sale".

The main variations in comparison to 31 December 2019 refer to:

- variation of the item "Revaluation reserves of investments valued at net equity" for +€704 million and in the reserve of "Non-current assets classified as held for sale" for +€684 million mainly due to the disposal and resulting unwinding of Joint Venture agreements, of respectively 11.93% and 9.02% stake of Yapi Ve Kredi Bankasi AS with the consequent recycle of reserves mainly referred to Turkish Lira;
- variation of the item "Exchange differences" for -€599 million mainly refers to change of Russian Ruble for -€355 million, Czech Crown for -€127 million and Hungarian Forint for -€78 million;
- variation of item "Financial assets (other than equity instruments) at fair value through other comprehensive income" for -370 million mainly due to Government securities.

Part C - Consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2020 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 06.30.2019 TOTAL
1. Financial assets at fair value through profit or loss	**109**	**46**	**323**	**478**	**480**
1.1 Financial assets held for trading	68	1	323	392	384
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	41	45	-	86	96
2. Financial assets at fair value through other comprehensive income	**456**	**-**	**X**	**456**	**554**
3. Financial assets at amortised cost	**277**	**5,155**	**X**	**5,432**	**5,995**
3.1 Loans and advances to banks	16	248	X	264	369
3.2 Loans and advances to customers	261	4,907	X	5,168	5,626
4. Hedging derivatives	**X**	**X**	**15**	**15**	**25**
5. Other assets	**X**	**X**	**135**	**135**	**66**
6. Financial liabilities	**X**	**X**	**X**	**364**	**287**
Total	**842**	**5,201**	**473**	**6,880**	**7,407**
of which: interest income on impaired financial assets	*-*	*184*	*-*	*184*	*281*
of which: interest income on financial lease	*-*	*280*	*-*	*280*	*304*

1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2020 DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 06.30.2019 TOTAL
1. Financial liabilities at amortised cost	**(636)**	**(1,131)**	**X**	**(1,767)**	**(1,983)**
1.1 Deposits from central banks	(33)	X	X	(33)	(58)
1.2 Deposits from banks	(153)	X	X	(153)	(233)
1.3 Deposits from customers	(450)	X	X	(450)	(572)
1.4 Debt securities in issue	X	(1,131)	X	(1,131)	(1,120)
2. Financial liabilities held for trading	**(1)**	**(53)**	**(373)**	**(427)**	**(404)**
3. Financial liabilities designated at fair value	**(5)**	**(27)**	**-**	**(32)**	**(55)**
4. Other liabilities and funds	**X**	**X**	**(35)**	**(35)**	**(25)**
5. Hedging derivatives	**X**	**X**	**487**	**487**	**408**
6. Financial assets	**X**	**X**	**X**	**(182)**	**(165)**
Total	**(642)**	**(1,211)**	**79**	**(1,956)**	**(2,224)**
of which: interest expenses on lease deposits	*(20)*	*X*	*X*	*(20)*	*(22)*

Part C - Consolidated income statement

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
a) Guarantees given	235	244
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	1,589	1,603
1. Securities trading	121	89
2. Currencies trading	55	51
3. Portfolios management	196	186
3.1 Individual	82	75
3.2 Collective	114	111
4. Custody and administration of securities	134	106
5. Custodian bank	1	16
6. Placement of securities	245	257
7. Reception and transmission of orders	90	40
8. Advisory services	51	57
8.1 Relating to investments	29	42
8.2 Relating to financial structure	22	15
9. Distribution of third parties services	696	801
9.1 Portfolios management	291	300
9.1.1 Individual	1	1
9.1.2 Collective	290	299
9.2 Insurance products	395	490
9.3 Other products	10	11
d) Collection and payment services	574	672
e) Securitisation servicing	4	2
f) Factoring	37	42
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	657	638
j) Other services	471	492
k) Security lending	20	18
Total	**3,587**	**3,711**

Item "j) Other services" mainly comprises:

- fees on loans granted of €164 million, €152 million in the first half of 2019;
- fees for foreign transactions and services of €35 million, €38 million in the first half of 2019;
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €27 million in 2020, €26 million in the first half of 2019;
- fees for ATM and credit card services not included in "Collection and payment services", amounting to €121 million, €149 million in the first half of 2019.

Part C - Consolidated income statement

2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
a) Guarantees received	(41)	(65)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(167)	(151)
1. Financial instruments trading	(34)	(25)
2. Currencies trading	(6)	(6)
3. Portfolios management	(19)	(19)
3.1 Own portfolios	(9)	(9)
3.2 Third party portfolios	(10)	(10)
4. Custody and administration of securities	(82)	(76)
5. Placement of financial instruments	(4)	(3)
6. Off-site distribution of financial instruments, products and services	(22)	(22)
d) Collection and payment services	(281)	(315)
e) Other services	(81)	(55)
f) Security lending	(10)	(13)
Total	**(580)**	**(599)**

Section 3 - Dividend income and similar revenues - Item 70

3.1 Dividend income and similar revenues: breakdown

(€ million)

	AS AT 06.30.2020		AS AT 06.30.2019	
ITEMS/REVENUES	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	92	-	151	-
B. Other financial assets mandatorily at fair value	22	3	9	2
C. Financial assets at fair value through other comprehensive income	13	-	13	-
D. Equity investments	2	-	2	-
Total	**129**	**3**	**175**	**2**
Total dividends and similar revenues		**132**		**177**

Dividends are recognised in the income statement when distribution is approved.
In the first half 2020 dividend income and similar revenues totaled €132 million, as against overall €177 million for the previous period.

The item “A. Financial assets held for trading” includes mainly the dividends received relating to the following equity securities: Eni S.p.A. (€10 million), Allianz SE NA O.N. (€8 million), BASF SE NA O.N (€8 million), Siemens Ag NA O.N (€7 million). In 2019 the item “Financial assets held for trading” mainly includes the dividends received relating to the following equity securities: Intesa Sanpaolo (€18 million), Siemens Ag. NA O.N. (€11 million), Daimler Ag. NA O.N. (€10 million).

The item “B. Other financial assets mandatorily at fair value” includes mainly the dividends received relating to the shareholding in La Villata S.p.A. Immobiliare di Investimento e Sviluppo (€15 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 also in 2019).

Part C - Consolidated income statement

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

4.1 Net gains (losses) on trading: breakdown

(€ million)

TRANSACTIONS/INCOME ITEMS	AS AT 06.30.2020 CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets held for trading	**2,057**	**1,147**	**(2,487)**	**(2,144)**	**(1,427)**
1.1 Debt securities	178	457	(247)	(430)	(42)
1.2 Equity instruments	160	233	(383)	(1,436)	(1,426)
1.3 Units in investment funds	59	108	(120)	(267)	(220)
1.4 Loans	357	32	(682)	(1)	(294)
1.5 Other	1,303	317	(1,055)	(10)	555
2. Financial liabilities held for trading	**462**	**416**	**(173)**	**(66)**	**639**
2.1 Debt securities	442	407	(171)	(56)	622
2.2 Deposits	-	-	-	(1)	(1)
2.3 Other	20	9	(2)	(9)	18
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(89)**
4. Derivatives	**86,645**	**35,891**	**(83,618)**	**(38,377)**	**513**
4.1 Financial derivatives	86,465	35,790	(83,459)	(38,229)	539
- On debt securities and interest rates	76,597	24,519	(75,676)	(25,311)	129
- On equity securities and share indices	7,248	9,285	(5,218)	(10,683)	632
- On currencies and gold	X	X	X	X	(28)
- Other	2,620	1,986	(2,565)	(2,235)	(194)
4.2 Credit derivatives	180	101	(159)	(148)	(26)
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total	**89,164**	**37,454**	**(86,278)**	**(40,587)**	**(364)**

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

5.1 Net gains (losses) on hedge accounting: breakdown

(€ million)

INCOME COMPONENT/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
A. Gains on		
A.1 Fair value hedging instruments	4,812	6,295
A.2 Hedged financial assets (in fair value hedge relationship)	1,247	1,825
A.3 Hedged financial liabilities (in fair value hedge relationship)	51	36
A.4 Cash-flow hedging derivatives	16	7
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**6,126**	**8,163**
B. Losses on		
B.1 Fair value hedging instruments	(4,635)	(5,421)
B.2 Hedged financial assets (in fair value hedge relationship)	(80)	(330)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(1,428)	(2,386)
B.4 Cash-flow hedging derivatives	(1)	(4)
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(6,144)**	**(8,141)**
C. Net hedging result (A-B)	**(18)**	**22**
of which: net gains (losses) of hedge accounting on net positions	-	-

Part C - Consolidated income statement

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

As at 30 June 2020 the disposal/repurchase of financial assets/liabilities generates net gains for +€247 million (+€145 million in 2019), of which +€237 million on financial assets and +€10 million on financial liabilities.
In 2020 net result recognised under sub-item "1. Financial assets at amortised cost" equal to +€110 million is due to loan and advances to customers, of which UniCredit S.p.A. for +€78 million attributable to disposal of bonds and of non performing loans done during the first half.
The sub-item "2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities" is equal to +€127 million and includes principally gains on disposal of AO UniCredit Bank (+€31 million mainly due to Russian government securities), UniCredit S.p.A. (+€21 million mainly due to Italian government securities), UniCredit Bank Czech Republic and Slovakia A.s. (+€13 million mainly due to Czech and Slovakian government securities), Zagrebacka Banka d.d (+€13 million mainly due to Croatian government securities), UniCredit Bank AG (+€12 million mainly due to Spanish government securities), UniCredit Bank S.A. (+€10 million mainly due to Romanian government securities), UniCredit Bank Ireland Plc (+€9 million mainly due to Spanish government securities).

6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)

	AS AT 06.30.2020			AS AT 06.30.2019		
ITEMS/INCOME ITEMS	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	161	(51)	110	102	(54)	48
1.1 Loans and advances to banks	-	-	-	-	(10)	(10)
1.2 Loans and advances to customers	161	(51)	110	102	(44)	58
2. Financial assets at fair value through other comprehensive income	224	(97)	127	182	(79)	103
2.1 Debt securities	224	(97)	127	182	(79)	103
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**385**	**(148)**	**237**	**284**	**(133)**	**151**
B. Financial liabilities at amortised cost						
1. Deposits from banks	2	-	2	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	11	(3)	8	5	(11)	(6)
Total liabilities (B)	**13**	**(3)**	**10**	**5**	**(11)**	**(6)**
Total financial assets/liabilities			**247**			**145**

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)

	AS AT 06.30.2020				
TRANSACTIONS/INCOME ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**668**	**95**	**(179)**	**(93)**	**491**
2.1 Debt securities	621	95	(166)	(90)	460
2.2 Deposits from banks	32	-	(12)	-	20
2.3 Deposits from customers	15	-	(1)	(3)	11
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**668**	**95**	**(179)**	**(93)**	**491**

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

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)

	AS AT 06.30.2020				
TRANSACTIONS/INCOME ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	**145**	**9**	**(170)**	**(18)**	**(34)**
1.1 Debt securities	61	9	(81)	(16)	(27)
1.2 Equity securities	14	-	(21)	-	(7)
1.3 Units in investment funds	11	-	(42)	-	(31)
1.4 Loans	59	-	(26)	(2)	31
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**145**	**9**	**(170)**	**(18)**	**(34)**

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

Equity securities of financial assets include effects of the evaluation of the investment in the “Schema Volontario” (-€8 million).

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

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	AS AT 06.30.2020						AS AT 06.30.2019
	WRITE-DOWNS			WRITE-BACKS			
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3	TOTAL	TOTAL
		WRITE-OFF	OTHER				
A. Loans and advances to banks	**(9)**	**-**	**(7)**	**20**	**2**	**6**	**(6)**
- Loans	(7)	-	(7)	20	2	8	(5)
- Debt securities	(2)	-	-	-	-	(2)	(1)
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(1,880)**	**(106)**	**(2,091)**	**676**	**1,235**	**(2,166)**	**(1,173)**
- Loans	(1,833)	(106)	(2,091)	673	1,235	(2,122)	(1,170)
- Debt securities	(47)	-	-	3	-	(44)	(3)
of which: acquired or originated impaired loans	*(8)*	*(9)*	*(17)*	*5*	*18*	*(11)*	*3*
Total	**(1,889)**	**(106)**	**(2,098)**	**696**	**1,237**	**(2,160)**	**(1,179)**

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

(€ million)

TRANSACTIONS/INCOME ITEMS	AS AT 06.30.2020						AS AT 06.30.2019
	WRITE-DOWNS			WRITE-BACKS			
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3	TOTAL	TOTAL
		WRITE-OFF	OTHER				
A. Debt securities	**(42)**	**-**	**-**	**6**	**-**	**(36)**	**(8)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	**(42)**	**-**	**-**	**6**	**-**	**(36)**	**(8)**

With reference to both financial assets at amortized cost and at fair value through other comprehensive income, it shall be noted that the increase in net impairment losses is mainly attributable to the update in the macroeconomic scenario (-€902 million on loans and -€72 million on debt securities).

Part C - Consolidated income statement

Section 12 - Administrative expenses - Item 190

12.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
1) Employees	**(4,363)**	**(3,059)**
a) Wages and salaries	(2,137)	(2,193)
b) Social charges	(508)	(511)
c) Severance pay	(10)	(17)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(4)	(6)
f) Provision for retirements and similar provisions	(79)	(62)
- Defined contribution	(1)	(1)
- Defined benefit	(78)	(61)
g) Payments to external pension funds	(117)	(111)
- Defined contribution	(116)	(110)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(29)	(31)
i) Other employee benefits	(1,479)	(128)
2) Other non-retired staff	**(7)**	**(7)**
3) Directors and Statutory Auditors	**(4)**	**(4)**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for seconded employees to other companies	**9**	**10**
6) Refund of expenses for seconded employees to the company	**(21)**	**(18)**
Total	**(4,386)**	**(3,078)**

Note that the increase in item “Staff expenses” is mainly due to the recognition of leaving incentives in subitem i) Other employee benefits.

Part C - Consolidated income statement

12.5 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	AS AT 06.30.2020	AS AT 06.30.2019
1) Indirect taxes and duties	**(338)**	**(347)**
1a. Settled	(337)	(345)
1b. Unsettled	(1)	(2)
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(534)**	**(485)**
3) Guarantee fee for DTA conversion	**(56)**	**(57)**
4) Miscellaneous costs and expenses	**(1,327)**	**(1,352)**
a) Advertising marketing and communication	(73)	(76)
b) Expenses relating to credit risk	(71)	(122)
c) Indirect expenses relating to personnel	(34)	(59)
d) Information & Communication Technology expenses	(546)	(517)
Lease of ICT equipment and software	(37)	(36)
Software expenses: lease and maintenance	(129)	(117)
ICT communication systems	(38)	(36)
Services ICT in outsourcing	(278)	(267)
Financial information providers	(64)	(61)
e) Consulting and professionals services	(95)	(94)
Consulting	(74)	(76)
Legal expenses	(21)	(18)
f) Real estate expenses	(208)	(203)
Premises rentals	(23)	(34)
Utilities	(72)	(75)
Other real estate expenses	(113)	(94)
g) Operating costs	(300)	(281)
Surveillance and security services	(40)	(24)
Money counting services and transport	(24)	(26)
Printing and stationery	(18)	(17)
Postage and transport of documents	(38)	(38)
Administrative and logistic services	(71)	(74)
Insurance	(38)	(44)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(41)	(39)
Other administrative expenses - other	(30)	(19)
Total (1+2+3+4)	**(2,255)**	**(2,241)**

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 €454 million (of which €212 million from UniCredit S.p.A.) and €80 million (none 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.

Part C - Consolidated income statement

- 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 2020 sum up to €454 million, of which: i) ordinary contribution for to €403 million (of which €161 million payed by UniCredit S.p.A.), ii) extraordinary contributions for €51 million (entirely referred to UniCredit S.p.A.).

Specifically referring to UniCredit S.p.A.:

- further to contribution for 2020 equal to €161 million, ordinary contribution for years 2015, 2016, 2017, 2018 and 2019 have been respectively €73 million, €107 million, €109 million, €140 million and €135 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 tree 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 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, 2019 and 2020 respectively €52 million, €50 million and €51 million were required to UniCredit S.p.A. as extraordinary contributions.

Part C - Consolidated income statement

The instrument of the irrevocable payment commitments has been used: (i) by UniCredit S.p.A. in respect of 15% of ordinary contributions referred to 2016 (€107 million), resulting in the payment of guarantees in the form of cash amounting to €16 million, voluntary converted into effective contribution in the first half 2019; (ii) by UniCredit Bank AG referring to ordinary contribution for 2016, 2017, 2018, 2019 and 2020, for an amount of respectively €12 million, €14 million, €16 million, €18 million and €22 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 €80 million refers to ordinary contribution.
Referring to ordinary contribution for 2020, UniCredit Bank AG has adopted irrevocable payment commitments for €8 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.

Here follows a table with the recap of the above-mentioned contributions.

Contributions to Resolution and Guarantee Funds (included the ones paid through irrevocable payment commitments)

(€ million)

	GROUP	*o/w UniCredit S.p.A.*
Directive No.59 (SRF contributions), o/w:	**2,509**	***1,311***
Ordinary contributions, o/w for year:	1,923	*725*
2020	426	*161*
2019	369	*135*
2018	364	*140*
2017	319	*109*
2016	253	*107*
2015	192	*73*
Extraordinary contributions, o/w for year:	586	*586*
2020	51	*51*
2019	50	*50*
2018	52	*52*
2017	-	*-*
2016	214	*214*
2015	219	*219*
Directive No.49 (DGS contributions), o/w:	**88**	***-***
Ordinary contributions, o/w for year:	88	*-*
2020	88	*-*
Total	**2,597**	***1,311***

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 2020 the fee was paid on 26 June 2020 for an amount of €111.7 million for the whole Italian Tax Group, of which €107.1 million for UniCredit S.p.A., €4.3 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A.
As at 30 June 2020 the 50% of these amounts were accounted in the income statement.

Part C - Consolidated income statement

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

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

(€ million)

	AS AT 06.30.2020		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan committments	(197)	145	**(52)**
Financial guarantees given	(212)	174	**(38)**

13.2 Net provisions for other commitments and guarantees given: breakdown

(€ million)

	AS AT 06.30.2020		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Other committments	(10)	9	**(1)**
Other guarantees given	(36)	13	**(23)**

13.3 Net provisions for risks and charges: breakdown

(€ million)

	AS AT 06.30.2020			AS AT 06.30.2019
ASSETS/INCOME ITEMS	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(110)	53	(57)	414
1.2 Staff costs	-	-	-	1
1.3 Other	(86)	90	4	(249)
Total	**(196)**	**143**	**(53)**	**166**

Net provisions for risks and charges are referred to revocatory actions, 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.
Net provisions in item "1.1 Legal disputes" are mainly contributed by the parent company UniCredit S.p.A. (see Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Legal risks for further information). It is worth noting that the amount exposed as at 30 June 2019 includes the effects of the agreements reached by the Group companies involved with the U.S. authorities in relation to certain past transactions.
Net provisions in item "1.3 Other" are mainly contributed by provisions made by the parent company UniCredit S.p.A. and UniCredit Bank AG for various type of risks for which refer to Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers.

Part C - Consolidated income statement

Section 16 - Other operating expenses/income - Item 230

Other net operating income: breakdown

(€ million)

INCOME ITEMS/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
Total of other operating expenses	(366)	(457)
Total of other operating income	707	864
Other operating expenses/income	**341**	**407**

16.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
Costs for operating leases	(1)	(1)
Non-deductible tax and other fiscal charges	(1)	(1)
Write-downs on leasehold improvements	(30)	(27)
Costs relating to the specific service of financial leasing	(35)	(47)
Other	(299)	(381)
Total other operating expenses	**(366)**	**(457)**

The sub-item "Other" mainly includes:
- various settlements and indemnities of €68 million, €67 million in the first half of 2019;
- additional costs for the leasing business of €24 million, €15 million in the first half of 2019;
- non-banking business costs €48 million, €72 million in the first half of 2019.

16.2 Other operating income: breakdown

(€ million)

TYPE OF REVENUE/VALUES	AS AT 06.30.2020	AS AT 06.30.2019
A) Recovery of costs	**236**	**284**
B) Other revenues	**471**	**580**
Revenues from administrative services	17	21
Revenues from operating leases	111	136
Recovery of miscellaneous costs paid in previous years	4	12
Revenues on financial leases activities	34	52
Other	305	359
Total other operating income (A+B)	**707**	**864**

The sub-item "Others" mainly includes:
- additional income received from leasing business of €23 million, €22 million in the first half of 2019;
- income from non-banking business of €39 million, €177 million in the first half of 2019;
- payments of indemnities and compensation of €77 million, €20 million in the first half of 2019.

Part C - Consolidated income statement

Section 25 - Earnings per share

25.1 and 25.2 Average number of diluted shares and other information

	AS AT 06.30.2020	AS AT 06.30.2019
Net profit (Loss) attributable to the Group (€ million)(1)	(2,347)	2,965
Average number of outstanding shares	2,225,745,652	2,222,052,152
Average number of potential dilutive shares	11,030,377	11,675,719
Average number of diluted shares	2,236,776,028	2,233,727,871
Earnings per share (€)	**(1.055)**	**1.334**
Diluted earnings per share (€)	**(1.049)**	**1.328**

Note:
(1) €61 million has been added from the 2020 first half net loss attributable to the Group of -€2,286 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" (€63 million was deducted from 2019 first half net profit attributable to the Group).

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

Part E - Information on risks and hedging policies

Introduction

UniCredit group monitors and manages its risks through tight methodologies and procedures proving to be effective through all phases of the economic cycle.
The steering, coordination and control role of the Group's risks is performed by the Parent company's Group Risk Management function.
The Group Lending Office, established on 2 February 2018, is responsible for the credit activities, following Group Risk Management strategies, policies and guidelines.
The structure's "Group Risk Management" mission, under the responsibility of the Group Chief Risk Officer (Group CRO), 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[14] 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[15]:

- 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[16],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[17], on systems for measuring, credit, operating and market risks, or Pillar II risks[18] 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[19]. The Group CRO define jointly with CLO the criteria/rules for identifying the exposures and assets for sale and portfolio targets;

14 Possible triggers and limits on profitability parameters must be agreed between CRO and Group CFO
15 Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A.,as detailed in the Organizational Book - Application.
16 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.
17 Directly validating with direct supervision on group-wide methodologies for which UniCredit S.p.A. is competent, indirect on local methodologies.
18 Liquidity, Business, Real Estate, Financial Investments, Reputational, Strategic.
19 "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 loans, non-performing debt securities and nonperforming off-balance-sheet items" (sourc: ECB NPL GUIDANCE).

Part E - Information on risks and hedging policies

- 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 the evaluation and monitoring, at Group level, of Operational Risk (including ICT and Cyber) and the related Reputational Risks;
  - Italian Operational & Reputational Risks 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 (e.g."Italy" e "CIB Italy") and its Italian Legal Entities[20];
  - 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"), meets with the aim of ensuring, at Group level, a steering, coordination and control of Model Risk Governance (focusing on Pillar 1, Pillar II and managerial models in scope of the Model Risk Management/ MRM framework as well as ensuring a consistency among the Holding Company and the different Legal Entities, including the management of possible issues raised by Legal Entities to Group Chief Risk Officer/ GCRO;
  - Group NPE Governance Committee ("GNGC"), meets with the aim of supporting the Group Chief Risk Officer in ensuring, at Group level, a steering, coordination and control of Non-Performing Exposures/NPEs both for Group Core and Non-Core strategies and targets as well as an effective alignment on common goals between the Holding 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.

20 UniCredit Leasing S.p.A, UniCredit Factoring S.p.A., Cordusio Fiduciaria per azioni, Cordusio sim, UniCredit Subito Casa S.p.A.

Part E - Information on risks and hedging policies

The Group's approach to ICAAP consists of the following phases:
1. Risk identification and mapping;
2. Risk measurement and stress testing;
3. Risk appetite setting and capital allocation;
4. Monitoring and reporting.

1. Risk identification and mapping
The first step is the identification and mapping of all the risks embedded in the Group and 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 and efficient and effective ICAAP framework.

Capital adequacy is assessed considering the balance between the assumed risks and the available capital both in a regulatory and in an economic perspective. With respect to economic perspective and to Going Concern approach, capital adequacy is assessed by comparing the amount of financial resources available to absorb losses and to ensure the business continuity of the Group, the so-called Available Financial Resources ("AFR"), with the economic capital internally estimated (Internal Capital – "IC"). The AFR are computed according to the Group accounting principles and consistent with prudential regulation, in fact the regulatory capital (Own Funds) is the basis for the AFR quantification. The Group capital instruments that are included in the AFR satisfy the following three criteria:
- loss absorbency;
- permanence;
- flexibility of payments.

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;

Part E - Information on risks and hedging policies

- addressing internal and external stakeholders' view on risk profile consistent with the strategic positioning;
- providing qualitative statements concerning not quantifiable risks (e.g. strategic) in order to strategically guide the relevant processes and the internal control system.

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

The structure of the Risk Appetite in UCG 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 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:
- regulatory 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 Balance Sheet;
- 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, ICT and Cyber Risk, Compliance Risk, Climate Risk).

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 Management Body approved and signed the Capital Adequacy Statement during the last Board of Directors held on 8 April 2020. In the Capital Adequacy Statement the Management Body states 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 "Team 2023". 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 behaviours 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 behaviour.
- 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 behaviour. 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.
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 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, HC 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. In the first six months of 2020 risk news published on UniCredit group intranet site, reached about 20,000 page views.

Part E - Information on risks and hedging policies

The following table contains the reconciliation between the balance sheet according to the accounting and prudential perimeter.

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2020 ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA(*)
10. Cash and cash balances	17,342	17,342	-
20. Financial assets at fair value through profit or loss:	85,468	85,432	(36)
a) financial assets held for trading	67,236	67,236	-
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily at fair value	18,232	18,196	(36)
30. Financial assets at fair value through other comprehensive income	76,184	76,127	(57)
40. Financial assets at amortised cost:	663,115	663,719	604
a) loans and advances to banks	131,749	131,748	(1)
b) loans and advances to customers	531,366	531,971	605
50. Hedging derivatives	7,297	7,297	-
60. Changes in fair value of portfolio hedged items (+/-)	4,148	4,148	-
70. Equity investments	4,147	4,573	426
80. Insurance reserves charged to reinsurers	-	-	-
90. Property. plant and equipment	10,242	9,501	(741)
100. Intangible assets	2,836	2,835	(1)
of which: goodwill	*878*	*878*	-
110. Tax assets:	12,978	12,982	4
a) current	1,665	1,664	(1)
b) deferred	11,313	11,318	5
120. Non-current assets and disposal groups classified as held for sale	1,984	1,797	(187)
130. Other assets	6,994	7,378	384
Total assets	**892,735**	**893,131**	**396**

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2020 ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA(*)
10. Financial liabilities at amortised cost:	731,461	732,001	540
a) deposit from banks	164,851	164,794	(57)
b) deposit from customers	470,708	471,305	597
c) debt securities in issue	95,902	95,902	-
20. Financial liabilities held for trading	45,551	45,551	-
30. Financial liabilities designated at fair value	10,255	10,255	-
40. Hedging derivatives	8,290	8,290	-
50. Value adjustment of hedged financial liabilities (+/-)	6,739	6,739	-
60. Tax liabilities:	1,455	1,402	(53)
a) current	893	873	(20)
b) deferred	562	529	(33)
70. Liabilities associated with non-current assets held for sale	615	525	(90)
80. Other liabilities	16,612	16,635	23
90. Provision for employee severance pay	619	619	-
100. Provision for risks and charges:	9,953	9,886	(67)
a) committments and guarantees given	1,189	1,191	2
b) post-retirement benefit obligations	5,457	5,457	-
c) other provisions for risks and charges	3,307	3,238	(69)
110.Technical reserves	-	-	-
120. Valuation reserves	(5,473)	(5,473)	-
130. Redeemable shares	-	-	-
140. Equity instruments	6,841	6,841	-
150. Reserves	31,223	31,223	-
160. Share premium	9,386	9,386	-
170. Share capital	21,060	21,060	-
180. Treasury shares (-)	(3)	(3)	-
190. Minority shareholders' equity (+/-)	437	480	43
200. Profit (Loss) for the period (+/-)	(2,286)	(2,286)	-
Total liabilities and shareholders' equity	**892,735**	**893,131**	**396**

Note:
(*) Effects attributable to the deconsolidation of counterparties other than those in the banking group whose effects are related to deconsolidation of companies that are not part of the Regulatory banking group.

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 non-performing 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 exposures: amounts, write-downs, 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	2,685	5,548	607	11,569	642,706	663,115
2. Financial assets at fair value through other comprehensive income	-	-	-	-	74,558	74,558
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	10	59	-	-	15,979	16,048
5. Financial instruments classified as held for sale	64	146	5	849	426	1,490
Total 06.30.2020	**2,759**	**5,753**	**612**	**12,418**	**733,669**	**755,211**
Total 12.31.2019	**3,024**	**5,560**	**581**	**13,724**	**700,182**	**723,071**

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

(€ million)

	NON-PERFORMING ASSETS				PERFORMING ASSETS			
PORTFOLIOS/QUALITY	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets at amortised cost	23,594	14,754	8,840	1,846	657,975	3,700	654,275	663,115
2. Financial assets at fair value through other comprehensive income	1	1	-	-	74,637	79	74,558	74,558
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	231	162	69	-	X	X	15,979	16,048
5. Financial instruments classified as held for sale	1,625	1,410	215	441	1,284	9	1,275	1,490
Total 06.30.2020	**25,451**	**16,327**	**9,124**	**2,287**	**733,896**	**3,788**	**746,087**	**755,211**
Total 12.31.2019	**26,088**	**16,923**	**9,165**	**2,399**	**699,732**	**2,665**	**713,906**	**723,071**

Note:
(*) Value shown for information purposes.

(€ million)

	ASSETS OF EVIDENT LOW CREDIT QUALITY		OTHER ASSETS
PORTFOLIOS/QUALITY	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	169	81	60,582
2. Hedging derivatives	-	-	7,297
Total 06.30.2020	**169**	**81**	**67,879**
Total 12.31.2019	**146**	**79**	**60,722**

Part E - Information on risks and hedging policies

Section 2 - Risks of the prudential consolidated perimeter

2.1 Credit risk

Qualitative information

1. General aspects

In UniCredit the current governance model of credit risk, intended as risk of impairment of a credit exposure deriving from an unexpected deterioration of the counterparty's creditworthiness, provides for two levels of control:

- on the one hand, the supervision of the Parent company Risk Governance functions which steer and control the credit risk and perform a managerial coordination with respect to the relevant Group legal entities' Risk Management functions;
- on the other hand, the supervision of the relevant Group legal entities' Risk Management functions which perform the control and the management of the risk portfolios at Country level.

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

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

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

According to the role assigned by the Group governance to the Parent company, specifically to the Group Risk Management function, general provisions are established ("General principles for credit activities") defining Group-wide rules and principles for guiding, governing and standardising the credit risk assessment and management, in line with the regulatory requirements and the Group best practice. These general provisions are further supplemented by policies which, regulating specific topics (e.g. business areas, segment activities, type of counterpart/transaction), are divided into two categories:

- policies on Group-wide topics, drafted and issued by the Parent company and sent to all the legal entities. Some examples are the policies on FIBS counterparties (Financial Institutions, Banks and Sovereigns), on Country Risk Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on underwriting risk limits for Syndicated Loan portfolio, on Commercial Real Estate Financing (CREF) and on Structured Trade and Export Finance (STEF);
- policies locally developed by single legal entities, fully in line with the guidelines defined at Parent company level, that regulate credit practices relating to rules and peculiarities of the local market and that are, therefore, applicable only within the respective perimeter.

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

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

Part E - Information on risks and hedging policies

Within the framework of the strategies underlying credit activity, concentration risk is considered particularly important. This is the risk associated with losses generated by a single exposure or group of related exposures that (in relation to the capital of a bank, total assets or the overall risk level) can generate potentially serious effects on the solidity and "core" operation of the Group.

In compliance with the relevant regulatory framework, UniCredit group manages the concentration credit risk through specific limits that represent the maximum risk that the Group intends to accept with regard to:
- individual counterparties or groups of connected counterparties (Single Name Bulk Risk);
- counterparties belonging to the same economic sector (Industry Concentration Risk).

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

Effects arising from Covid-19 pandemic

With reference to credit risk, UniCredit positively sees all the initiatives aimed at supporting the real economy that have been put in place by the EU government and is complementing them with additional measure to support customers over this period and to reduce as much as possible the negative effects of this crisis. All concessions are defined to respond as quickly as possible to the drawback deriving from a temporary slow-down of the economic cycle and related liquidity issues. The potential impact on the bank's risk profile is mitigated with:
- acquisition of public guarantees in line with the mechanisms put in place by the various governments;
- an ex-ante and ongoing evaluation of the client's risk profile.

UniCredit has defined Group guiding principles for underwriting, monitoring and management of Moratorium/emergency schemes, to cope with the new challenges and to early detect potential signals of asset quality deterioration.
With specific reference to the moratorium measures, and in order to provide relief to the lockdown measures put in place for containing Covid-19 outbreak, UniCredit group made a set of initiatives available to customers, whose specific features are different in each country in terms of scope of customers and product types, typically allow the postponement of instalments and the increase in the residual maturity of credit exposures.

Among these initiatives, a number of moratoriums specifically meet the definition of "General Payment" (either legislative or assimilated non-legislative ones) issued by the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis"[21], as broadly applied by credit institution on the basis of national laws or industry- or sector-wide private initiatives. The Group has also implemented other moratorium initiatives not specifically referred to the above mentioned EBA guidelines and therefore granted by the Institutions as additional customer support tools to deal with the context of difficulties and independently from national law or industry- or sector-wide private initiatives

On the basis of the "EBA/GL/2020/02" the Group Guidelines defined by the Parent company address all legal entities on rating assignment process and regulatory treatment for the above-mentioned Moratoria and Guarantee Schemes.

Specifically, different regulatory treatments are allowed with respect to forbearance measures as well as Default detection, particularly from the point of view of the Unlikely To Pay ("UTP") assessment:
- General Payment Moratoria granting does not trigger automatically a forbearance classification but a specific assessment is aimed at verifying the financial difficulty situation pre-Covid-19; in this case UTP assessment shall be applied both during the period of the moratorium and shortly after its end;
- For other moratoria initiatives the ordinary forbearance process is applied testing financial difficulty at concession; in this case UTP assessment shall be applied at concession and afterwards.

Specific guidelines have been established for rating assignment with the request for a forward-looking perspective to be adopted for rating to incorporate potential macro-economic rebound combined with sector outlook in case applicable.
Such Guidelines are intended valid up to the duration set for General Payment Moratoria and up to 2020-year end for Bank specific initiatives.
In accordance with the ESMA statement[22], which clarified that contractual modifications arising from such moratoria are unlikely to be considered as substantial, the Group has not derecognised any of the related credit exposures[23].

Regarding the credit exposures subject to moratoria, a modification loss for -€7 million was recognised where increases in future payments was deemed not sufficient for remunerating the Group for the period of delay, also considering local laws and regulation. In these cases, the modification loss was calculated as the difference between the gross carrying amount and net present value of future cash flows (determined in light of the payment delay arising from the moratoria), discounted at the original interest rate.

21 Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis issued on 2 April 2020 ("EBA/GL/2020/02")
22 ESMA Public Statement: "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS9" dated 25 March 2020.
23 According to IFRS9 contractual modifications have to be accounted (i) if significant, through derecognition, (ii) if not significant through the recalculation of the gross exposure by discounting the contractual cash flows after modification at the original effective interest rate. The standard does not provide guidance whether a modification is significant or not.
For further information about the accounting policies used by the Group on this matter refer to Annual Report and Accounts 2019 - Part A - Accounting Policies - A.2 - Main items of the accounts.

Part E - Information on risks and hedging policies

The following table shows the volumes and amounts of moratoria provided by the Group as at 30 June 2020. With regard to the Non-EBA compliant moratoria, volumes and amounts reported refer to the exposures classified as forborne in compliance with the clarifications provided by European Central Bank for the submission of the associated reporting.

	EBA COMPLIANT MORATORIA			NON EBA COMPLIANT MORATORIA		
COUNTRIES	NO. (THOUSAND)	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	NO. (THOUSAND)	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)
Italy	108	17,345	16,926	1	360	351
Germany	3	47	47	-	21	20
Austria	7	691	677	1	1,013	999
CEE	250	8,813	8,471	2	310	273
Total	**368**	**26,896**	**26,121**	**4**	**1,704**	**1,643**

Regarding the above reported exposures, 18% (€4,946 million) were classified under Stage 2, while 1% under Stage 3 (€362 million).

The following table shows the volume and the amounts of loans subject to public guarantees originated by the Group as at 30 June 2020.

COUNTRIES	NO. (THOUSAND)	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)
Italy	75	3,206	3,184
Germany	5	516	514
Austria	1	150	148
CEE	3	108	107
Total	**84**	**3,980**	**3,953**

Regarding the above reported loans, 4.8% (€191 million) were classified under Stage 2, while 0.1% under Stage 3 (€5 million).

With reference to the Significant Increase in Credit Risk (SICR), the Authorities' statements (IASB, ESMA and EBA[24]) specified that IFRS9 guidance shall not be applied mechanistically, but that the SICR assessment is expected to differentiate debtors whose credit standing is significantly affected by the current situation in the long term, from those that are likely to restore their credit worthiness also considering mitigation in form of collateral or public guarantees. Therefore, the acceptance of terms set out in general moratoria would not necessarily lead to a reclassification of the related loans in Stage 2.
With reference to the forbearance, EBA has further specified that moratoria do not trigger automatic forbearance classification if they are based on the applicable national law, or on industry- or sector-wide private initiatives, if agreed and applied broadly by relevant credit institutions.
Consistently with these recommendations, the Group has not automatically reclassified from Stage 1 to Stage 2 those credit exposures related to customers that have applied for moratoria. However, it is worth mentioning that internal credit processes have been activated, considering both qualitative and quantitative triggers, in order to ensure the proper classification in Stage 2 or Stage 3 (non-performing) of those credit exposures for which the increase in credit risk is unrelated to, or is significantly affected in the long term by, Covid-19 outbreak.

24 IASB Statement "IFRS9 and Covid-19" dated 27 March 2020, ESMA Public Statement: "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS9" dated 25 March 2020, EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis.

Part E - Information on risks and hedging policies

2. Credit risk management policies

2.1 Organisational aspects

Factors that generate credit risk

During the ongoing credit and business activities, the Group is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off. This risk is always associated to the traditional lending practice, regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

The main reasons of a default lie in the borrower's failure to fulfil its credit obligation (due to the lack of liquidity, for insolvency reasons, etc.), as well as the occurrence of macro-economic and political events that are affecting the debtor's operating and financial conditions. Other banking operations, in addition to traditional lending and deposit activities, can constitute other credit risk factors. In this view, "non-traditional" credit risk may arise from:

- subscription of derivative contracts;
- purchase and selling of securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by Group legal entities could default as a result of insolvency, political and economic events, lack of liquidity, operational deficiencies or other reasons. Defaults of a large number of transactions, or one more large transaction, could have a material adverse impact on the Group's activities, financial condition and operating profits.

The Group therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, functions and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice.

Organisational structure

As highlighted in the previously paragraph "General aspects", the credit risk management in the UniCredit group breaks down into two structures:

- Group Risk Management, responsible for steering, governance and control of credit risk;
- Group Lending Office, responsible for the operational credit management;

which internally have different organisational levels:

- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

Regarding Group Risk Management, 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 I and II risks to the senior management; additionally, it ensures that risk control activities, relating to risk assumed in UniCredit S.p.A. Foreign Branches and Special Entities (e.g. Special Purpose Vehicles/SPVs, Obbligazioni bancarie Garantite (OBG) are monitored and reported to the Group Credit risk Officer and to the senior management. The structure is also responsible for supporting Group Chief Risk Officer (GCRO) in preparing and participating to transactional credit committees (e.g. GTCC, ITCC, INPCC) analysing the credit proposals to be discussed in such committees from a risk management perspective/perimeter of competence (e.g. consistency with defined credit risk strategies, respect of risk appetite framework, analysis of coverage ratio based on average portfolio benchmark);
- the "Group Risk Models & Credit Risk Governance" structure responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar I Credit and Financial risk models as well as the related methodologies. Furthermore, it is responsible for defining credit risk processes standards and cooperating with other Group competent functions on Risk Weighted Assets contents;
- the "Group Internal Validation" structure responsible for validating, at Group level, the risk measurement methodologies for Pillar I and Pillar II risks, the related processes, the IT components and the data quality, the main managerial models and the Group Risk Reporting, as defined in the Internal Validation Global Policy, providing adequate reporting for Company Bodies and Supervisory Authority. In addition, it is responsible for: coordinating the issuing of Global rules in the competence perimeter, checking their approval and implementation in the Group legal entities; managing the Group monitoring process for the recommendation issued following validation activities; checking, in its competence area, the consistency and implementation of the adopted corrective measures based on Supervisory Authority requests on IRB models; coordinating the preparation and update of the Group validation plan, and monitoring its execution; coordinating and preparing the reporting on validation activities outcomes; certifying that the model inventory, defined at Group level, is an unique, complete, correct and up-to-date source for the model risk assessment, as well as assessing, monitoring and reporting the model risk to the competent committees and the Board of Directors;

Part E - Information on risks and hedging policies

- the “CRO CEE” structure, responsible for the management and control of credit operations activities and for credit risk steering of the “CB Central Eastern Europe Division” and for the comprehensive view and the coordination in the management of different types of risks (e.g. credit, financial, operational, reputational risks) in the CB Central Eastern Europe Division and the CEE legal entities, together with the risk management responsible functions. It is responsible for credit operation activities for the “CB Central Eastern Europe Division” files booked in UniCredit S.p.A.as well as for the Non-Binding Credit Opinion (NBCO) issue for transactions above the competence level of the “CB Central Eastern Europe” legal entities; it is also responsible for credit risk steering and control activities over the “for Non-Binding Credit Opinion (NBCO) issue for transactions above the competence level of the “CB Central Eastern Europe” Division with regard to credit risk retail and corporate topics;
- the “Group NPE” structure, responsible for developing the strategy and overseeing the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the whole Group;
- the “Non Core Asset Management” structure, responsible for coordinating and managing restructuring and workout files of UniCredit S.p.A., related to the non performing Non Core portfolio and also the distressed asset management activities, according to the Non Core portfolio rundown strategy defined by the Group.

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

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

With respect to credit risk, the following specific Committees are active:
- the “Group Risk & Internal Control Committee” supports the CEO in the role of steering, coordinating and monitoring the risks at Group level in the management and oversight of the Group’s and UniCredit S.p.A.’s internal control system, with specific reference to: establishing policies, guidelines, operational limits and methodologies for the measurement, management and control of the risks as well as for the definition of the methodologies for the measurement and control of internal capital and for the evaluation of risks reporting and estimates of provisions on risks. In this regard, the Committee has consulting and suggestion functions with particular reference for the definition and periodic review of the Group’s Risk Appetite Framework (RAF), 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 Group and different Group legal entities;
- the "Group Transactional Credit Committee" responsible (with approval function within the delegated powers: decision-making and/or issuing of non-binding opinions to the Group legal entities, and/or consulting function) for files to be approved by upper Bodies, for credit proposals referring to all the files, including restructuring, INC or workout ones, status classification of files relevant strategies and corrective actions to be taken for watching list files, single issuer exposure limits on trading book, Debt-to-Equity transactions and/or actions/rights-execution relating to equity participations resulting from Debt-to-Equity transactions, Debt-to-Assets transactions and/or actions/rights execution related to asset resulting from Debt-to-Asset transactions, proposal of distressed asset disposal, in accordance with the regulated specifications and limitations; in addition, the GTCC approves or submits for approval to Group Credit Committee of temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by dedicated Group regulation;
- the “Group Rating Committee” responsible, within its perimeter of competence and its delegated powers, for approving rating overrides.

Part E - Information on risks and hedging policies

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, is measured at both single borrower/transaction and at whole portfolio level.

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

Each borrower's credit rating is reviewed at least annually on the basis of the new information acquired. Each borrower is also assessed in the context of the belonging economic group by taking into account, when needed, the risk for the entire group.
The internal rating assigned to each borrower and its economic group exposure both contribute to the lending decision calculation, defined in such a way that, at a constant credit amount, the approval powers granted to each decision-making corporate body are gradually reduced in proportion to the increased borrower/related risk level.

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

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

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

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

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

The estimate of Credit VaR at overall portfolio level is derived from the distribution of losses obtained by Monte Carlo simulation on the horizon of one year, considering the correlations among counterparties. The total loss in each default scenario is the sum of the individual losses, being defined as the product of LGD (Loss Given Default) and EAD (Exposure At Default) for transactions relating to defaulted counterparts. For most liquid exposures classified at amortized cost, in each simulated scenario, the loss estimation related to their simulated creditworthiness deterioration is added to the total loss related to the counterparts simulated in default.
The Expected Loss ("EL") at portfolio level represents the average loss of the portfolio due to potential defaults of the obligors. The EL of the portfolio corresponds to the sum of single obligors, which can be evaluated as the product of PD, LGD and EAD, and is independent from the default correlations in the portfolio. EL is typically charged as a cost component.

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

The Expected Shortfall ("ES") represents the expected value of losses that exceed the VaR. Portfolio Credit VaR and ES depend significantly on the correlations among the defaults and can be reduced by portfolio diversification at sector and country level, and limiting the concentration of each counterpart.
The measures of Economic Capital based on Credit VaR are also a fundamental input for the design and application of credit strategies, the analysis of credit limits and risk concentration. The Economic Capital calculation engine is also one of the instruments used for the analysis of stress testing of the credit portfolio.

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.

Part E - Information on risks and hedging policies

The internal Credit VaR model is also subject to assessment in the context of Basel Pillar II validation.

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

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

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

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

Notes:
(*) These entities are currently authorised only to use the IRB Foundation, therefore they use only PD internal estimations for the determination of capital requirements.
(**) This entity has been authorised to adopt the Group Wide model Financial Institution & Banks (GW BANKS) only for the Commercial Bank segment with the exclusion of the Securities Industry segment.
(***) Starting from 2012, the Group Wide Multinational Corporate (GW MNC) rating system (for the estimation of parameters PD, LGD and EAD) is also adopted for the Italian Large Corporate (ILC) portfolio, which includes Italian companies with an operating revenues/value between €250 and €500 million.
(****) Systems authorized since 2010 but reported under Standardised approach for regulatory purposes; in December 2019 a unique PD model for Private Individuals at counterparty level has been submitted to ECB extended also to Personal Loans, Overdraft and credit cards.

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: Czech portfolio of UniCredit Bank Czech Republic and Slovakia, a.s.
UCB HU: UniCredit Hungary
UCB SK: Slovak portfolio of UniCredit Bank Czech Republic and Slovakia a.s
UCB RO: UniCredit Bank Romania a.s.
AO UCB: Ao UniCredit Bank (Russia)

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 the Credit Economic Capital using the GCPM. The result represents the Credit Economic Capital that would be obtained in the current bank portfolio if the stressed scenario is experienced.
- AFR: the amount stemming from the difference between the Stressed Expected Loss (calculated based on PD-TTC and LGD-TTC) and the actual Expected losses is deducted from AFR.

2.3 Measurement methods for expected losses

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

- the stage allocation of credit exposures;
- the associated calculation of expected credit loss.

In UniCredit group the Stage Allocation is based on the combination of relative and absolute elements; the main are:

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

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

The outcome of the Stage Allocation is the classification of credit exposure in Stage 1, Stage 2 or Stage 3 according to their absolute or relative credit quality with respect to the initial disbursement. Specifically:

- Stage 1 includes:
  - newly issued or acquired credit exposures
  - exposures for which credit risk has not significantly deteriorated since the initial recognition;
  - exposures having low credit risk (low credit risk exemption);
- Stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since the initial recognition;
- Stage 3 includes non-performing credit exposures. With reference to Stage 3, it should be noted that it includes non-performing 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[25] 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 in terms of maximum variation acceptable between the PD measure at the disbursement and the one at the reference date.
Fundamental part of the model is the definition of the quantile which identifies the Stage 2 quota expected on average in the long time horizon. The medium long term quantile is determined based on the average expectation of portfolio deterioration calculated considering the default rate as well as one of the other deterioration stages of deterioration (e.g.: past-due 30 days).
The exposures amount classified in Stage 2 for each reporting date will fluctuate around the long term quantile on the basis of the current economic conditions as well as expectations about the future economic cycle.

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

Finally, considering that Covid-19 crisis however cannot be considered a normal recession driven by business cycle dynamics as the external shock to the economy is completely exogenous (i.e. lockdown) and may trigger asymmetric medium-term shocks across different industry sectors, the methodologies used for performing the stage allocation between stage 1 and stage 2 have been further refined in order to appropriately classify in stage 2 those exposure that, as result of Covid-19 crisis and given their belonging to riskier sectors, are deemed to have experienced a significant increase in credit risk.
The result of Stage allocation affects the amount of expected credit losses recognised in financial statements. Indeed for exposures in Stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.
For exposures in Stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

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

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

With reference to “lifetime” PD, PD curves calculated through-the-cycle are calibrated to reflect the point-in-time and forward-looking expectation with reference to the portfolio default rate.
The recovery rate embedded in the LGD calculated along the economic cycle ("through-the-cycle") is adjusted in order to remove the margin of conservatism and reflect the current trends in recovery rates as well as expectations about future trends discounted to the effective interest rate or its best approximation.
The EAD calculated along the instrument lifetime is determined by extending the prudential or managerial one-year model, removing the margin of conservatism and including expectations relating to future average withdrawal levels of existing credit lines.
The forecast in terms of default rate and recovery rate provided by the Stress Test function are embedded in the PD and LGD parameters during the calibration phase. The credit parameters, in fact, are normally calibrated on a horizon that considers the entire economic cycle (“Through-the-cycle - TTC"), so it is necessary to calibrate them "Point-in-time" - PIT" and "Forward-looking - FL" allowing to reflect in these credit parameters the current situation as well as expectations about the future evolution of the economic cycle.
The expected credit loss deriving from the parameters previously described considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components in order to compensate the partial non-linearity that is naturally embedded in the correlation between

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

Part E - Information on risks and hedging policies

the macroeconomic changes and the expected credit loss. Specifically, the non-linearity effect is incorporated by estimating a correction factor applied directly to the expected credit loss ("ECL") of the portfolio.

The process defined to include multiple macroeconomic scenarios is fully consistent with forecast processes used by UniCredit group for additional risk management purposes (for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also takes advantage of independent UniCredit Research function.
Specifically, the Group has selected three macroeconomic scenarios to determine the forward-looking component: a 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 realization. Positive and adverse scenarios represent possible alternative realizations, 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. The macroeconomic scenario foresees a significant deterioration of the global economy due to the lockdown measures deemed necessary to contain Covid-19. The Eurozone GDP and most CEE countries is expected to fall sharply in 2020 before recovering partially in 2021, in a context where short and long-term interest rates are at historically very low levels in recent years. In details, annual real GDP growth for the Eurozone is expected to be -13.0% in 2020, +10.0% in 2021 and +1.5% in 2022 (with Italy at -15.0%, +9.0% and +0.8% and Germany at -10.0%, +10.0% and +1.8% respectively); The scenario assumes that the 3-month Euribor will remain stable at -0.40 in 2020 and 2021, just below the negative levels of 2019 (-0.38);
- the Positive scenario is based on the hypothesis that the economic growth of 2020 will slow down at lower level than in the Baseline scenario both at a global and European level, sustained by accommodating monetary and fiscal policies. In this scenario, Eurozone's growth would decrease in 2020, with the lowest level found in Italy, France and Spain, before recovering in the next two years, that would translate in a faster average annual real GDP recovery (compared to the Baseline scenario) by 0.8% in the 2020-2022 three-year horizon. More in detail, the annual growth of real GDP for the Eurozone would slow down to -7.5% in 2020, increasing to +7.0% in 2021 and to +1.5% in 2022 (with Italy at -9.0% in 2020, +7.0% in 2021 and +0.8% in 2022) in a context of short-term rates (3 months Euribor) still expected in negative territory in the three years 2020-2022, on the back of a monetary policy remaining accommodative for the whole horizon throughout the three-year period. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a potential better trend of the economy than the one assumed in the Baseline scenario;
- the Adverse scenario reflects a hypothesis of re-intensification of the contagion in 2021 and a re-activation, even if partial, of the measures necessary to contain Covid-19. More in detail, the real GDP in the Eurozone would decrease in 2020 reaching -13.0% before starting to grow again in 2021 by +4.0%, less than in the Baseline scenario, and in 2022 by 1.5% (with Italy at -15.0% in 2020, +1.0% in 2021 and +0.8% in 2022) in a context of short-term rates that stay negative for the whole three-year horizon. 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. A minor rebound of the economy in 2021 could be driven both by a decreasing economic slowdown in 2020 and by other economic factors related directly or indirectly to the pandemic; for this reason, it is assumed that the Adverse scenario is more likely than the Positive scenario.

In this context, it is worth noting that in light of the deterioration of the global economy arising from Covid-19 pandemic and related lockdown measures, the Macro-economic scenario mentioned above were updated with reference to the 31 March 2020 for the preparation of Financial reports as at 31 March 2020.
In particular these updates were performed on the basis of the forecasts produced by UniCredit Economics Research, issued through the Chartbook officially published on 2 April 2020.
As at 30 June 2020 the base line macroeconomic scenario developed for March was confirmed considering that subsequent updates were not deemed to be significant and that estimates, at this stage of the pandemic, are still subject to a high degree of volatility.
Furthermore, in the first half of 2020, the Loan Loss provisions referred to UniCredit S.p.A.[26], resulting from the application baseline scenario were re-allocated. This reallocation has been performed, on the basis of a deep dive analysis aimed to identify the economic sectors to which UniCredit S.p.A. is exposed and the related impact deriving from the lock-down following the Covid-19 outbreak.
For this purpose, UniCredit S.p.A. portfolio has been clustered into different sectors with different degree of risk to reflect the sensitivity to Covid-19 and simulate the forward looking evolution of the clients' increase in credit risk.
As a result of such analysis, the economic sector of the counterparty represented an additional input relevant to determine the Expected Probability of Default, and consequently the Expected Credit Losses, in order to include, when calculating LLPs, the quantitative effect connected to a potential future default event deriving from the GDP deterioration.

In order to estimate the sensitivity of Expected Credit Loss to changes in macroeconomic scenario, the increase in LLP due to the scenario update performed in March 2020 is divided by the change in GDP forecasts between March 2020 and December 2019. The following assumptions are made:

- GDP is assumed to be the most relevant variable as indicator of the severity of the scenario;
- given that most of the shock is concentrated in the 2020, the GDP change is considered for 2020;
- the main Legal Entities of the Group are considered, assigning to each of them a GDP change based on each respective country.

26 Other Group Legal entities will apply this methodology in the second half of 2020.

Part E - Information on risks and hedging policies

The result is that in case of a decrease of 1 GDP percentage point for the main geographies of the Group, the impact would be an increase in a range of 1 to 2 basis points of Group Cost of Risk, of which around half is related to UniCredit S.p.A.

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 orginal interest rate.
Therefore the main determinants of this value are:
- the expected cash flows;
- the expected timing of payments of these cash flows;
- the effective interest rate used for discounting.

Expected cash flows on defaulted exposures shall be calculated on an individual basis for “individually significant exposures”.
Expected cash flows on already defaulted exposures that are not individually significant may be calculated either on an individual or a collective basis. Where a legal entity has a number of individually significant exposures towards one single counterparty, each loan is individually assessed while also considering the overall position of the counterparty.
Future cash flows must be estimated considering the historical trend of recovery for exposures having similar credit risk features. The historical trend in any case is adjusted so to embeds the current economic environment and the expected economic outlooks.
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
For this section refer to the last “2019 Annual Report and Accounts - Consolidated report and accounts 2019 of UniCredit group”.

3. Non-performing credit exposures

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

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

Part E - Information on risks and hedging policies

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

In accordance with Art.156 EBA ITS, an exposure must remain classified as non-performing[27] as long as the following criteria (exit criteria) are not met simultaneously:
- the situation of the debtor has improved to the extent that full repayment of the original due amount is likely to be made;
- the debtor does not have any amount past-due by more than 90 days.

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

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

The decrease amount of the stock of impaired loans to Group customers was therefore in line with the reduction targets set in Team 2023, achieving an improvement in asset quality. This result was possible thanks also to the reduction of the "Non Core" portfolio, for which, UniCredit group can confirm the complete closure of its Non Core legacy by 2021, thanks 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 non-performing exposures directly reporting the local CLOs of the Legal Entities. More specifically, within Group Risk Management, the Group NPE structure was set-up in order to ensure on the one hand an adequate control over the execution and monitoring of the NPE Strategy (which includes the sale of non-performing loans through "Group Distressed Asset Solutions" and the proactive management of the collateral for the properties acquired through "Group Repossessed Assets") and, on the other hand, an effective cooperation thanks to the joint work carried out with the other Group Risk Management functions.

In the all legal entities dedicated functions to the management of non-performing exposures are in place; they cover all the phases of the NPEs life cycle, take into account local regulations and the specific characteristics of portfolios, monitor and manage the amount of NPEs coherently with both European Central Bank Guidelines and Group organisational model.
The structures dedicated to the operational management of non-performing exposures are therefore tailored to each state of the life cycle of non-performing loans, starting from a careful monitoring of the performing portfolio, up to the recovery activity that includes the disposal of credit or the “repossession” of the collateral.
In particular, the monitoring activity is aimed at preventing flows to default and reducing the amount of past due exposures by detecting signals of risk of deterioration and early warning, as well as identifying the needed corrective measures to manage the potential deterioration of exposures starting from the early signs of worsening of the counterparties’ credit quality.
Soft collection, door-to-door and re-management activities which pertains both performing (though already overdue) counterparties and already defaulted clients are carried out through the use of multiple channels, also using outsourcing solutions to third-party companies (in particular for door-to-door recovery activities). These activities also aim at preventing flows to default and facilitating the back-to-performing classification (main focus), thus contributing to a reduction of the overall amount of non-performing exposures.

27The regulatory framework for the transition from performing to non-performing exposures ("criteria for a return to a non-defaulted status ") will be integrated with the entry into force of the "Guidelines on the application of the definition of default under Art.178 of EU Regulation No.575/2013 "(EBA/GL/2016/07) as of 1 January 2021.

Part E - Information on risks and hedging policies

In some legal entities the aforementioned activities can be managed within either the Monitoring, or Restructuring or Workout units; with reference to UniCredit S.p.A. these responsibilities are allocated to the Special Credit unit within which an ad hoc department was created (i.e. Customer Recovery) exclusively dedicated to soft collection and re-management for retail portfolio.

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

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

Beyond the operational responsibilities in the non-performing exposures management, from a governance and strategic coordination standpoint, the Group NPE Governance Committee ("GNGC") has been set up in order to ensure the effective steering, coordination and control of the non-performing loans reduction plan, ensuring an effective alignment of the common objectives between the Parent company and the various Group legal entities, 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).

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.

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.

Specifically, write-offs on financial assets still subject to an enforcement procedure amount to €10,713 million as of 30 June 2020, of which partial write-offs amount to €1,845 million and total write-offs amount to €8,868 million. The amount of write-offs (both partial and total) related to the 2020 first half financial year is €367 million. The write-offs as of 30 June 2020 cannot be compared to write-offs amount reported in gross changes in non-performing exposures, because the latter includes "debt forgiveness".

Part E - Information on risks and hedging policies

3.3 Acquired or originated impaired financial assets
Purchased or Originated Credit Impaired ("POCI") are credit exposures that are already impaired on initial recognition.

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

These exposures are subject to management, measurement and control according to the principles described in the paragraph of the Explanatory Notes - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk - Qualitative information - 2. Credit risk policies management - 2.2 Credit risk management, measurement and control.

In particular, the expected credit losses recorded at initial recognition within the carrying amount of the instrument are periodically reviewed on the basis of the processes described in the previous paragraphs.

The expected credit loss calculated for these credit exposures is always determined considering their residual life, and such exposure are conventionally allocated into Stage 3, or in Stage 2 if, as a result of an improvement in the creditworthiness of the counterparty following the initial recognition, the assets are performing.

These assets are never classified under Stage 1 because the expected credit loss must always be calculated considering a time horizon equal to the residual duration.

4. Commercial renegotiation financial assets and forborne exposures
Changes in existing financial instruments which determine a modification of contractual conditions might be the result of either:
- commercial initiatives, which may be specific for each customer or applied to a portfolio of customers also as a result of dedicated initiatives sponsored by public authorities or banking associations;
- concessions granted in light of debtor's financial difficulties (Forbearance).

These changes are accounted on the basis of whether the modification is considered significant or not. In this regard, reference is made to Part A - A.2 - Main items of the accounts of the Notes to the consolidated accounts of 2019 consolidated financial statements.

The concessions granted due to debtor's financial difficulties, so called Forbearance initiatives, are usually considered not significant from an accounting perspective.

4.1 Loan categorisation in the risk categories and forborne exposures
In July 2014, the European Banking Authorities issued the "Implementing Technical Standards" ("ITS") on non-performing and Forborne exposures, with the aim to allow, a closer supervisory monitoring of banking forbearance practices. In line with the mentioned ITS, a transaction has to be considered as forborne when both of the following conditions are simultaneously met:
- a concession in favour of the debtor exits, 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.

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.

Part E - Information on risks and hedging policies

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.

In light of the Covid-19 Pandemic, the European Banking Authority issued the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis issued[28]" providing specific indications to the banks on the regulatory treatment of the legislative moratoria and banking initiatives in terms of Forbearance Classification; for details refer to the paragraph General Aspects - Section 2.1. Credit Risk.

Quantitative information

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

Credit quality

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

A.1 Non-performing and performing credit exposure: amounts, writedowns, changes, distribution by business activity

A.1.1 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			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	5,896	350	201	1,148	1,244	981	2,211	359	4,102
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	31	1	-	27	13	3	159	5	159
Total 06.30.2020	**5,927**	**351**	**201**	**1,175**	**1,257**	**984**	**2,370**	**364**	**4,261**
Total 12.31.2019	**7,533**	**253**	**194**	**1,431**	**1,190**	**732**	**2,458**	**512**	**4,727**

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).

28 EBA Guidelines - on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis issued on 2 April 2020 ("EBA/GL/2020/02").

Part E - Information on risks and hedging policies

Regulatory consolidation - On-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 06.30.2020				
	GROSS EXPOSURE				
EXPOSURE TYPES/VALUES	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
On-balance sheet credit exposures					
a) Bad exposures	1	X	1	-	-
of which: forborne exposures	-	*X*	-	-	-
b) Unlikely to pay	15	X	11	4	-
of which: forborne exposures	-	*X*	-	-	-
c) Non-performing past due	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
d) Performing past due	X	2	-	2	-
of which: forborne exposures	*X*	-	-	-	-
e) Other performing exposures	X	149,725	22	149,703	-
of which: forborne exposures	*X*	-	-	-	-
Total	**16**	**149,727**	**34**	**149,709**	**-**

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).

Regulatory consolidation - On-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT 06.30.2020				
	GROSS EXPOSURE				
EXPOSURE TYPES/VALUES	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
On-balance sheet credit exposures					
a) Bad exposures	12,252	X	9,451	2,801	2,268
of which: forborne exposures	*3,195*	*X*	*2,341*	*854*	*280*
b) Unlikely to pay	12,828	X	6,947	5,881	18
of which: forborne exposures	*7,257*	*X*	*4,049*	*3,208*	*1*
c) Non-performing past due	954	X	342	612	-
of which: forborne exposures	*41*	*X*	*17*	*24*	-
d) Performing past due	X	13,009	540	12,469	-
of which: forborne exposures	*X*	*1,174*	*161*	*1,013*	-
e) Other performing exposures	X	605,232	3,232	602,000	-
of which: forborne exposures	*X*	*4,545*	*332*	*4,213*	-
Total	**26,034**	**618,241**	**20,512**	**623,763**	**2,286**

Note:
(*) Value shown for information purposes.

On-balance sheet exposures to customers include all balance-sheet assets regardless of their belonging portfolio (held-for-trading, assets designed and mandatorily at fair value through profit or loss, assets at fair value through other comprehensive income, assets at amortised cost and assets held for sale).

For a description of the rules for identification of forborne exposures please refer to Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk, Paragraph 4. Commercial renegotiation financial assets and forborne exposures of the Explanatory notes of this document.

Part E - Information on risks and hedging policies

Distribution and concentration of credit exposures

B.4 Large exposures

	06.30.2020
a) Amount book value (€ million)	225,215
b) Amount weighted value (€ million)	13,155
c) Number	11

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.

Information on Sovereign Exposure

With reference to the Group's sovereign exposures[29], the book value of sovereign debt securities as at 30 June 2020 amounted to €113,990 million[30], of which over the 85% concentrated in eight countries; Italy, with €44,092 million, represents about 39% 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 30 June 2020.

29 Sovereign exposures are bonds issued by and loans given to central and local governments and governamental bodies. ABSs are not included.
30 Information on Sovereign exposures refers to the scope of the UniCredit Consolidated First Half Financial Report as at 30 June 2020, determined under IAS/IFRS.
For information on Sovereign exposures with reference to the regulatory scope of consolidation see UniCredit Group Disclosure (Pillar III) as at 30 June 2020 - 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 06.30.2020		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	**42,350**	**44,092**	**44,696**
financial assets/liabilities held for trading (net exposure*)	835	640	640
financial assets designated at fair value	0	0	0
financial assets mandatorily at fair value	50	61	61
financial assets at fair value through other comprehensive income	19,047	20,380	20,380
financial assets at amortised cost	22,418	23,011	23,615
- Spain	**15,597**	**16,752**	**16,752**
financial assets/liabilities held for trading (net exposure*)	85	76	76
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	8,534	9,159	9,159
financial assets at amortised cost	6,978	7,517	7,517
- Germany	**14,133**	**14,446**	**14,507**
financial assets/liabilities held for trading (net exposure*)	714	730	730
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	7,212	7,352	7,352
financial assets at fair value through other comprehensive income	2,833	2,967	2,967
financial assets at amortised cost	3,374	3,397	3,458
- Japan	**7,831**	**7,884**	**7,887**
financial assets/liabilities held for trading (net exposure*)	0	0	0
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	4,734	4,769	4,769
financial assets at amortised cost	3,097	3,115	3,118
- Austria	**5,301**	**5,878**	**5,882**
financial assets/liabilities held for trading (net exposure*)	147	239	239
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	105	150	150
financial assets at fair value through other comprehensive income	5,008	5,448	5,448
financial assets at amortised cost	41	41	45
- United States of America	**3,444**	**3,757**	**3,757**
financial assets/liabilities held for trading (net exposure*)	128	128	128
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	3,316	3,629	3,629
financial assets at amortised cost	-	-	-
- France	**1,910**	**2,190**	**2,190**
financial assets/liabilities held for trading (net exposure*)	561	773	773
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,349	1,417	1,417
financial assets at amortised cost	-	-	-
- Romania	**2,107**	**2,173**	**2,177**
financial assets/liabilities held for trading (net exposure*)	171	175	175
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,112	1,152	1,152
financial assets at amortised cost	824	846	850
Total on-balance sheet exposures	**92,673**	**97,172**	**97,848**

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[31] and trading book, is the following:

Weighted duration

(years)

	BANKING BOOK	TRADING BOOK	
		ASSETS POSITIONS	LIABILITIES POSITIONS
- Italy	3.34	3.61	4.69
- Spain	3.67	13.91	10.02
- Germany	3.17	5.16	3.45
- Japan	3.06	0.47	-
- Austria	3.39	8.46	6.91
- United States of America	4.05	3.45	7.13
- France	3.73	22.61	2.58
- Romania	3.63	3.66	4.11

The remaining 15% of the total of sovereign debt securities, amounting to €16,818 million with reference to the book values as at 30 June 2020, is divided into 32 countries, including Hungary (1,969 million), Bulgaria (€1,680 million), Portugal (1,522 million), Czech Republic (€1,426 million), Croatia (€1,353 million), Ireland (1,171 million), Serbia (€878 million), Poland (€859 million), Russia (€858 million) and Israel (817 million). The sovereign exposure to Greece is immaterial.
With respect to these exposures, as at 30 June 2020 there were no indications that default may have occurred.
It should also be noted that among the aforementioned remaining part of sovereign debt securities as at 30 June 2020 there are also debt securities towards Supranational Organisations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €2,529 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)

(€ million)

	AMOUNTS AS AT 06.30.2020				
	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	-	7,682	60,115	43,152	110,949
% Portfolio	0.00%	42.13%	78.91%	6.51%	14.65%

In addition to the exposures to sovereign debt securities, loans[32] given to central and local governments and governmental bodies must be taken into account.

31 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.
32 Tax items are not included.

Part E - Information on risks and hedging policies

The table below shows the total amount as at 30 June 2020 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, representing about 92% of the total.

Breakdown of sovereign loans by country

(€ million)

COUNTRY	AMOUNTS AS AT 06.30.2020 BOOK VALUE
- Austria(*)	6,228
- Germany(**)	5,312
- Italy	4,932
- Croatia	2,603
- Qatar	412
- Kenya	217
- Hungary(***)	217
- Slovenia	200
- Bulgaria	191
- Indonesia	173
- Turkey	152
- Laos	151
- Bosnia and Herzegovina	147
Total on-balance sheet exposures	**20,935**

Notes:
(*) of which €369 million in financial assets held for trading and those mandatorily at fair value.
(**) of which €1,449 million in financial assets held for trading and those mandatorily at fair value.
(***) of which €9 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 the following paragraph “Stress test” of Section 2.2 - Market risk and for liquidity management policies see the following Section 2.4 - Liquidity risk.

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.

Information on structured 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 legal entity 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.

Part E - Information on risks and hedging policies

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 the usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flows according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20. Financial assets at fair value through profit or loss: a) financial assets held for trading" and of balance-sheet liability item "20. Financial liabilities held for trading".
For the purpose of the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular 262 as for its 6th update of 30 November 2018 (which was used for the preparation of the accounts) was used as a reference.
Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross-currency swaps) and/or leverage effects.

Fair values of OTC derivatives managed through Central Clearing counterparts are reported on a net basis. The related reduction of balances is €39,218 million and €44,631 million on trading asset and liabilities, respectively.

The balance of item "20. Financial assets at fair value through profit or loss: a) financial assets held for trading" of the Consolidated accounts with regard to derivative contracts totaled €43,118 million (with a notional value of €1,861,766 million) including €31,227 million with customers. The notional value of derivatives with customers amounted to €1,076,594 million including €1,064,398 million in plain vanilla (with a fair value of €30,666 million) and €12,196 million in structured derivatives (with a fair value of €561million).
The notional value of derivatives with banking counterparties totaled €785,173 million (fair value of €11,891 million) including €17,978 million relating to structured derivatives (fair value of €402 million).
The balance of item "20. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €34,285 million (with a notional value of €1,867,826 million) including €16,038 million with customers. The notional value of derivatives with customers amounted to €1,091,722 million including €1,087,054 million in plain vanilla (with a fair value of €15,870 million) and €4,669 million in structured derivatives (with a fair value of €168 million).

The notional value of derivatives with banking counterparties totaled €776,104 million (fair value of €18,247 million) including €9,185 million relating to structured derivatives (fair value of €366 million).

Credit risk measurement models

As at 31 March 2020[33] the expected loss on the credit risk perimeter was 0.36% 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 March 2020[34], the ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 2.55%.

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.

33 Latest available data.
34 Latest available data.

Part E - Information on risks and hedging policies

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.

From a regulatory perspective, market risk stems from all the positions included in banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.
Therefore, the risks subject to market risk capital requirements include but are not limited to:
- default risk, interest rate risk, credit spread risk, equity risk, foreign exchange (FX) risk and commodities risk for trading book instruments; and
- FX risk and commodities risk for banking book instruments.

From a managerial perspective, the Group extends the definition of Market Risk to include Fair value through Profit and Loss (i.e. FVtPL) and Other Comprehensive Income (i.e. FVtOCI assets, net of Micro Fair Value Hedges) portfolios, which are therefore monitored and limited through a set of market-risk specific metrics.
Amortized Cost (AC) securities are also included in the scope with the aim to check the consistency with the Investment Plan.
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;
- 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 Regulatory VaR, 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.

Part E - Information on risks and hedging policies

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;
- 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 regulatory capital absorption and to the economic loss accepted for FVOCI and/or FVTPL exposures. 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;

Part E - Information on risks and hedging policies

- 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 net interest income sensitivity. On a daily basis the treasury function manages the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored on a daily basis by the risk management functions. The Asset & Liability Committee is responsible for the interest rate strategy for the strategic positions. This includes the decision of investing the net position of non-interest earning assets and non-interest bearing liabilities. The management of Banking book interest rate risk aims at optimising, in an on-going scenario, the risk/return profile and long-term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility. The main target of IRRBB strategy is reducing the net interest income volatility in a multiyear horizon. The strategy implies no intended directional or discretional positioning to generate additional earnings, unless approved by the relevant bodies and separately monitored. The only exceptions are 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.

Part E - Information on risks and hedging policies

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 rate 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 is also taken into account in AO UniCredit Bank, UniCredit Bank Hungary ZRT and UniCredit Bank S.A. loan portfolios.

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:

GROUP FINANCIAL RISK

- "**Group Market & Trading Credit Risk Management**", responsible for governing and checking either at Group level and UniCredit S.p.A. level (with the inclusion of the Foreign Branches) and of the Regional Center Italy (when applicable), the market risks and the counterparty risks
- "**Group Price Control**", responsible for steering and controlling, for the whole Group, the independent price verification processes (IPV)
- "**Group Financial Risk Standard & Practice**", responsible for ensuring the coherence and the coordination - within the Group - of the Group Rules of competence of "Group Financial Risk" structure
- "**Group Liquidity and Interest Rate Risk Management**", responsible for governing and controlling the liquidity risk and balance sheet interest rate risk, either at Group level and UniCredit S.p.A. level (including the Foreign Branches) and the Country Italy (when applicable)

With reference to the communication mechanism among the different parties involved in market risk management, the responsible Committees are:
- Group Market Risk Committee;
- Group Assets & Liabilities Committee.

The "Group Market Risk Committee", whose participants/permanent guests are mainly representatives of Risk, Business, Compliance and Internal Audit, meets monthly and is responsible for monitoring market risks at Group level, for evaluating the impact of transactions, approved by the competent bodies, significantly affecting the overall market risk portfolio profile, for submitting to the "Group Risk & Internal Control Committee", for approval or information, market risk strategies, policies, methodologies and limits as well as periodical reporting on the market risk portfolio. The Committee is also responsible for ensuring consistency in market risk policies, methodologies and practices across Business Functions and legal entities.

Part E - Information on risks and hedging policies

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 the first half of 2020, 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;
- 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.

Part E - Information on risks and hedging policies

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, Regulatory 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 GALCo 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 respective 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.

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.

Part E - Information on risks and hedging policies

Stress windows are recalibrated on a monthly basis and are tailored to the portfolio of each legal entity of the Group, plus the Group itself (relevant for RWA calculation on a consolidated level). The SVaR window at Group level, at UniCredit Bank AG and UniCredit Bank Austria AG level corresponds to the "Lehman Crisis" (2008/2009), while for UniCredit S.p.A. it is the "Sovereign Debt Crisis" (2011/2012).The 10-day capital requirement is however obtained by extending the 1-day risk measure to the 10 day horizon taking the maximum of the square root of time scaling and a convolution approach that turns the one-day distribution into a 10-day distribution for both the VaR and the Stressed VaR. The 1-day measures are instead actively used for market risk management.

In order to validate the consistency of VaR internal models used in calculating capital requirements on market risks, back-testing is performed by comparing the internal model risk estimates with the portfolio profit and loss, in order to check if the 99% of the trading outcomes is covered by the 99th percentile of the risk measures.
The test is based on the last twelve months data (250 daily observations). In case the number of exceptions in the previous year exceeds what forecasted by the confidence level assumed, a careful revision of model parameters and assumptions is initiated. Group Internal Validation performed the periodic validation of the VaR/SVaR framework to assess the compliance with regulatory requirements including an independent back-testing analysis complemented with different parameterisations (e.g. different time horizon, percentile) and detailing the results for a set of representative portfolios of the bank.

The IRC capital charge captures default risk as well as migration risk for un-securitised credit products held in the Trading book. The internally developed model simulates via multivariate version of a Merton-type model the rating migration events of all the issuers relevant to the Group trading positions over a capital horizon of one year. The transition probabilities and the sector correlations are historically calibrated, while idiosyncratic correlations are derived from the IRB correlation formula. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In doing so a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1 year.
In each scenario all the relevant product inventory is revaluated under such spread and default events producing a simulated profit or loss (P&L) that fully reflects convexity, basis risk, portfolio effects and portfolio concentration risks.
In this way a high-number of paths Monte Carlo simulation generates a P&L distribution for the Group (and each leaf of its portfolio tree). IRC is defined as the 99.9 percentile of such loss distribution.
Additional capital charge for securitisations and credit products not covered by IRC is evaluated through the standardised approach.

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).
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).

Part E - Information on risks and hedging policies

Banca d'Italia authorised UniCredit Group to use internal models for the calculation of capital requirements for market risk. As of today CEE countries are the main 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 Banking book perimeter (specifically FVtPL and FVtOCI positions), also including legal entities for which the standardised measurement method is applied for Regulatory purposes, in order to have a complete picture of risk through PL and capital. Furthermore, the exposure coming from hedges of the XVA sensitivities is excluded from managerial VaR monitoring but included in the Regulatory VaR limits in order to allow a proper steering of MRWA; additionally, respective sensitivities are closely monitored against XVA 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.

Effects arising from Covid-19 pandemic

As far as Market Risk is concerned, the abrupt market movements and the increased market volatility triggered by the outbreak of Covid-19 resulted in a general increase in both managerial and regulatory risk measurement metrics. Consequently, an increase in Internal Model Market Risk RWAs has been recorded. The evolution of the crisis and the related risk metrics development is under strict monitoring by both risk and business functions.

VaR, SVaR and IRC

Diversified VaR, SVaR and IRC are calculated taking into account the diversification arising from positions taken by different entities within the Imod perimeter (i.e. for which the use of the internal model for the risk calculation is approved). VaR is however in place for all the LEs and its value is reported in Managerial VaR section for information purpose.
Starting from March 2020, the VaR sharply increased, due to the massive increase of volatility in the markets in different asset classes in the course of uncertainty around the Coronavirus crisis; the higher level on SVaR is instead driven by the increased exposure in the Trading book in terms of Interest Rate Risk in UniCredit Bank AG. On the contrary the IRC decreased starting from end of March 2020, due to joint effect of own credit spread and reduced bond positions.

Part E - Information on risks and hedging policies

Risk on trading book

Daily VaR on Regulatory Trading book

(€ million)

I-MOD PERIMETER	END OF JUNE 2020	AVERAGE LAST 60 DAYS	2020 AVERAGE	2020 MAX	2020 MIN	2019 AVERAGE
Diversified UniCredit group	23.9	27.4	20.3	35.9	7.1	8.5

Risk on trading book

SVaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF JUNE 2020	AVERAGE LAST 12 WEEKS	2020 AVERAGE	2020 MAX	2020 MIN	2019 AVERAGE
Diversified UniCredit group	43.6	43.5	36.9	50.3	21.5	23.0

Risk on trading book

IRC on Regulatory Trading Book

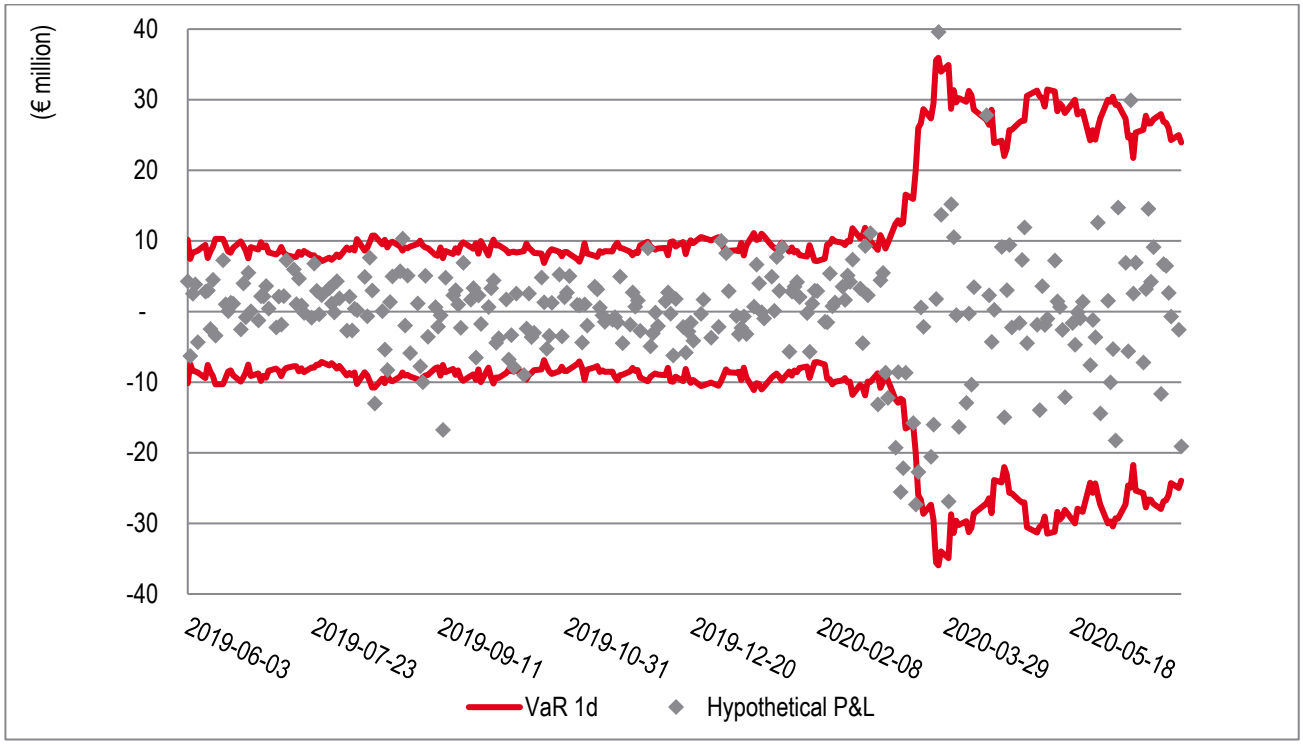
(€ million)

I-MOD PERIMETER	END OF JUNE 2020	AVERAGE LAST 12 WEEKS	2020 AVERAGE	2020 MAX	2020 MIN	2019 AVERAGE
Diversified UniCredit group	114.9	137.8	182.8	270.8	102.0	258.4

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 first quarter of 2020, six hypothetical PL's overdrafts and five actual PL's overdrafts occurred at UniCredit group level; this series of exceptions was driven by the market turmoil caused by the evolving Coronavirus crisis. In the course of the second quarter, in response to the Covid-19 pandemic the European Parliament approved an amendment to Regulation (EU) No 575/2013 and (EU) 2019/876, that allows the institutions to exclude, for the calculation of the multiplier quantitative addend, the overshootings associated to the exceptional Covid-19 related circumstances, provided that those exceptions do not results from deficiencies in the internal model.



Part E - Information on risks and hedging policies

Managerial VaR

Below are reported the Managerial Diversified Trading book VaR as of end of June 2020 at Group and Regional Centre levels and the Undiversified Trading book VaR at Group level, calculated as sum of the values of all LEs (without considering Diversification Benefit). Difference with Regulatory Trading book was described above.

Daily VaR on Managerial Trading Book

(€ million)

TRADING BOOK	END OF JUNE 2020
Diversified UniCredit group as per internal model	**8.8**
RC Germany	6.6
RC Italy	2.6
RC Austria	0.2
RC CEE	3.2
Bosnia Herzegovina	0.0
Bulgaria	0.5
Croazia	0.3
Repubblica Ceca	1.2
Ungheria	0.8
Paesi Baltici	0.0
Romania	1.0
Russia	1.3
Serbia	0.5
Slovenia	0.0
Undiversified UniCredit group	**14.9**

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)

	2020		2019
	Q1	Q2	Q4
Traded Debt Instruments	39.6	86.5	27.6
TDI - General Risk	30.2	70.8	26.3
TDI - Specific Risk	24.2	31.2	16.1
Equities	8.9	8.8	6.9
Equities - General Risk	-	-	-
Equities - Specific Risk	8.9	8.8	6.9
Foreign Exchange Risk	6.6	14.9	8.0
Commodities Risk	4.5	6.6	6.0
Total Amount For General Risk	**31.4**	**74.6**	**26.1**
Total Amount For Specific Risk	**25.6**	**28.9**	**13.5**

In the first half of 2020, there has been an overall increase of VaR figures, mainly due to the massive increase of volatility in the markets in different asset classes, in the course of uncertainty around the Coronavirus crisis.
During the second quarter 2020 an additional driver to the increased general risk on traded debt instruments is the higher exposure in the Trading book in terms of Interest Rate Risk, mainly in UniCredit Bank AG.

CVA

The CVA charge data values for the Trading book for the Group are reported below (as sum of the individual legal entities charges since the diversification benefit is not considered). The charge accounts for the credit-spread volatility affecting regulatory CVA. It consists of a VaR figure computed over the current window (CVA VaR) and a VaR figure computed over a stressed window (CVA SVaR). For exposures not covered by the CCR Internal model (used to calculate CVA exposure profiles) the standardised approach (SA) is used. The mitigation of the XVA exposure across UniCredit group "Western Europe" perimeter is managed by a dedicated CVA Desk, whose mandate is to provide a centralized Front Office service function in Markets with the responsibility for XVA pricing & exposure management for OTC derivatives. The CVA Desk actively hedges the exposure to risk factors within the prescribed limit framework in UCI SpA, UCB AG and UCBA AG.

Part E - Information on risks and hedging policies

Due to Corona virus crisis CVA VaR figures overall increased at the end of the first quarter 2020. Since April 2020 iTraxx index hedges of the CVA Desk have been classified as "eligible hedges" according to Art.386 of CRR and thus can be considered in CVA risk charge framework, with a reducing impact on CVA VaR and stressed CVA VaR figures in the second quarter 2020.

Risk on Trading book

CVA Trading book (€ million)

	2020		2019
	Q1	Q2	Q4
CVA	127.6	117.6	128.7
CVA VaR	21.5	35.7	11.5
CVA SVaR	66.1	46.8	76.9
CVA SA	40.0	35.1	40.3

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 ±1bp/±10bps and ±100bps.
For each 1bp shift, sensitivity is calculated for a series of time-buckets. Sensitivity for changes in the steepness of the rate curve is analysed by clockwise turning (Turn CW), i.e. an increase in short-term rates and a simultaneous fall in long-term rates, and by counter-clockwise turning (Turn CCW), whereby short-term rates fall and long-term rates rise.
In particular, clockwise and counter-clockwise turning use the following changes in absolute terms:

- +50bps/-50bps for the one-day bucket;
- 0bps for the one-year bucket;
- -50bps/+50bps for the 30-year plus bucket;
- for buckets between the above ones, the change to be set is found by linear interpolation.

The Group also calculates sensitivity to the volatility of Interest Rate assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.

The tables below show trading book sensitivities.

(€ million)

INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
Total	**-0.1**	**-0.5**	**0.0**	**-0.6**	**0.1**	**-0.7**	**-1.3**	**-3.1**	**32.9**	**-34.8**	**156.6**	**-229.3**	**57.8**	**-64.5**
of which:														
EUR	-0.1	-0.5	-0.1	-0.4	-0.4	-1.0	-1.3	**-3.7**	35.4	-32.8	179.9	-221.7	61.6	-69.2
USD	-0.0	0.1	0.1	-0.2	0.5	-0.2	-0.1	**0.3**	0.9	-0.8	7.3	-4.9	14.3	-13.0
GBP	0.0	-0.1	-0.0	-0.1	0.1	0.4	0.1	**0.4**	-3.9	4.0	-35.1	41.8	-17.5	17.0
CHF	0.0	-0.0	-0.0	0.0	-0.0	0.0	-0.0	**-0.0**	0.3	-0.3	2.6	-3.4	-1.3	1.3
JPY	0.0	-0.0	0.0	-0.0	0.0	0.0	0.0	**-0.0**	0.4	-0.4	4.1	-4.1	-0.5	0.5

(€ million)

	-30%	+30%
Interest Rates	**-1.3**	**7.2**
EUR	-0.5	6.9
USD	2.0	-2.5

Price risk

Share-price sensitivity

Share-price sensitivity is expressed in two ways:

- as a “Delta cash-equivalent”, i.e. the euro equivalent of the quantity of the underlying that would expose the bank to the same risk arising from its actual portfolio;
- as the economic result of a rise or fall in spot prices of 1%, 10% and 20%.

Part E - Information on risks and hedging policies

The Delta cash-equivalent and the Delta 1% (i.e. the economic impact of a 1% rise in spot prices) are calculated both for each geographical region (assuming that all stock markets in the region are perfectly correlated) and on the total (assuming therefore that all stock markets are perfectly correlated). The sensitivity arising from changes of 10% and 20% is calculated solely on the total.
The Group also calculates sensitivity to the volatility of equities assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.
In addition, sensitivity to commodity price changes is calculated according to the above criteria. Given its secondary importance as compared to other risk exposures, this is calculated as a single class.

The tables below show Trading book sensitivities.

(€ million)

EQUITIES ALL MARKETS	DELTA CASH-EQUIVALENT	-20%	-10%	-1%	+1%	+10%	+20%
Europe	55.8	-	-	-	0.6	-	-
USA	-6.1	-	-	-	-0.1	-	-
Japan	-1.5	-	-	-	0.0	-	-
Asia ex-Japan	2.8	-	-	-	0.0	-	-
Latin America	0.4	-	-	-	0.0	-	-
Other	-17.5	-	-	-	-0.2	-	-
Total	**34.0**	**-14.1**	**-5.9**	**-0.4**	**0.3**	**-0.2**	**-11.0**
Commodity	**-98.5**	**17.9**	**9.3**	**0.9**	**-1.0**	**-10.1**	**-22.7**

(€ million)

	-30%	+30%
Equities	**-33.6**	**25.5**

2.2.2 Interest rate risk and price risk - Banking book

Qualitative information

Interest rate risk

A. General aspects, operational processes and methods for measuring interest rate risk
The Interest rate risk consists of changes in interest rates that are reflected in:
- interest income sources, and thus, the bank's earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The Group measures and monitors this risk within the framework of a Banking book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on, with regard to the sensitivity of net interest income and the Group's economic value. Interest rate risk has an impact on all the owned positions resulting from business operations and strategic investment decisions (Banking book).

The main sources of interest rate risk can be classified as follows:
- gap risk: it arises from the term structure of Banking book instruments, and describes the risk arising from the timing of instrument rate changes. The extent of gap risk depends also on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). Gap risk also encompasses: repricing risk, defined as the risk of changes in interest rate earned at the time a financial contract's rate is reset. It emerges if interest rates are settled on liabilities for periods which differ from those on offsetting assets. Repricing risk also refers to the Yield curve risk, occurring when a shift in the yield curve affects the values of interest rate sensitive assets and interest rate bearing liabilities;
- basis risk can be broken down in:
  - tenor risk: resulting from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar rate change characteristics;
  - currency risk: defined as the risk of potentially offsetting interest rate sensitivities arising from interest rate exposures in several currencies;
- option risk: risk resulting from option derivative positions or from the optional elements embedded in many bank positions, where the bank or its customers can alter the level and timing of their cash flows.

Limits and threshold are defined in terms of sensitivity for each Group Bank or Company. The set of metrics is defined depending on the level of sophistication of the Company's business.

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.

Part E - Information on risks and hedging policies

Interest rate risk measurement includes:

- Net Interest Income analysis: this involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition a simulation analysis includes the analysis of the impact on income from different shocks for the interest rates. Reference shock for a rate rise scenario is an instantaneous and parallel shock of +100bp. While the shocks for the rate fall scenario are applied in an asymmetric way.
  The currencies to which a shock of -30bp is applied are: EUR, BGN, JPY,CHF and BAM. For HUF and HRK, whose rates are only marginally negative, a shock of -60bp is applied. For other currencies the shock is -100bp. Additional scenarios are performed to take into account basis risk and non-parallel shifts;
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift and other parallel and non-parallels shocks, including the one required by the EBA guidelines (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 relating to hedging the commercial business.

Price risk

A. General aspects, operational processes and methods for measuring price risk
Banking book price risk primarily originates from equity interests held by the Parent company and its subsidiaries as stable investments, as well as units in mutual investment funds not included in the Trading Book as they are also held as stable investments.
As regards Stress test refer to the introduction on Risk Management Strategies and Processes paragraph and for the complex scenarios' description to Stress test paragraph.

2. Banking book: internal models and other methods for sensitivity analysis

Interest Rate Risk
As at 30 June 2020, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€932 million.
As at 30 June 2020 the sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€570 million.

2.2.3 Exchange rate risk

Qualitative information

A. General information, risk management processes and measurement methods
Exchange rate risk originates both from banks in the Group operating in currency areas other than the Eurozone and from positions taken by specialist centres holding the Group's market risk within the limits assigned.

Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC. Volatility trading strategies are implemented using options. Exchange rate risk is constantly monitored and measured by using internal models developed by Group companies.
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models. These models are also used to calculate capital requirements on market risks due to the exposure to such risk.
As regards stress test refer to the introduction on "Risk management strategies and processes" paragraph and for the complex scenarios' description to "Stress test" paragraph

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.

Part E - Information on risks and hedging policies

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
Total	**-0.0**	**0.0**	**-0.1**	**0.1**	**0.4**	**-0.3**	**0.1**	**0.2**	**2.2**	**65.7**
Rating										
AAA	0.0	-0.0	-0.0	-0.0	0.2	-0.0	-0.0	0.0	0.5	52.1
AA	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.4	2.1
A	-0.0	0.0	-0.0	0.1	-0.0	-0.0	0.0	0.0	0.7	6.2
BBB	0.0	0.0	-0.0	0.0	0.3	-0.3	0.0	0.1	0.9	7.4
BB	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.1	-0.8
B	0.0	-0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.1
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-1.2
Sector										
Sovereigns & Related	0.0	-0.0	-0.1	-0.2	0.6	-0.3	0.0	0.0	0.4	48.8
ABS and MBS	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	-0.0	-0.0	-0.2
Financial Services	-0.0	0.0	0.0	-0.0	-0.1	-0.0	0.0	-0.1	-1.1	-11.2
All Corporates	0.0	-0.0	0.0	0.3	-0.0	-0.0	-0.0	0.3	2.9	28.4
Basic Materials	0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	0.0	0.3	3.1
Communications	0.0	-0.0	0.0	0.1	-0.0	-0.0	-0.0	0.1	0.6	5.4
Consumer Cyclical	0.0	-0.0	0.0	0.1	-0.0	-0.0	0.0	0.0	0.5	4.6
Consumer Non cyclical	0.0	-0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.8	7.3
Energy	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	0.1	1.3
Technology	0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	0.0	0.0	0.2
Industrial	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.3	2.8
Utilities	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	0.0	0.4	3.5
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 Trading book and Banking Book (specifically FVtPL and FVtOCI positions) on a monthly basis and reported to the Top Management.

W-Recovery

It is assumed that the post-lockdown recovery in 2H20 is a bit less strong than in the baseline scenario and a new wave of contagion caused by the Covid-19 materializes in the first quarter 2021. This second wave leads to partial/localized restrictive measures that severely damage economic activity, although not to an extent that is comparable to the big contraction recorded in the first half 2020 when the virus first struck.

The main reason to expect a milder economic impact in case of a second wave is that governments and medical staffs would not be caught by surprise this time, firms have already set up infrastructure for remote working, households are getting more accustomed to on-line shopping and there is now better understanding of what sectors (for example construction) could avoid major disruption even if social distancing is required again.

In this context, it is assumed that national governments would beef up their fiscal response, but not to an extent that is enough to prevent a material weakening of the GDP outlook. Therefore, eurozone GDP would contract 13% in 2020 (-2pp compared to baseline), followed by an expansion of 4.5% in 2021 (-3.5pp) and 2.0% in 2022 (-0.2pp).

Weaker economic activity leads to a widening of the output gap which, together with lower oil prices, puts downward pressure on inflation, starting from already weak levels envisaged in the baseline scenario. In all three years of the projection, headline inflation for the eurozone remains below 1%.

Monetary policy has no choice but to respond to the deterioration in the outlook for growth and inflation. It is assumed that the ECB has already hit the lower bound on policy rates, therefore all the burden of the additional monetary expansion will be on asset purchases, most probably through an increase of the envelope of the Pandemic Emergency Purchase Programme (PEPP). Additional liquidity measures for the banking sector appear likely.

In this scenario, the slowdown in economic activity together with the additional easing provided by central banks slow-down significantly the repricing in long-maturity yields and contribute to keep the curve relatively flat. 10Y Bund yields revert to positive territory only at the end of 2022 while 10Y UST yields would be 50bp lower compared to our baseline. BTPs would suffer from the renewed GDP slowdown as well as the risk-off environment, with the 10Y BTP-Bund spread moving to 250bp in 2021, 50bp wider compared to our baseline. In this scenario we assume no tensions in MM rates, which continue to trade at stable spreads relative to the domestic policy rates. In FX, the EUR-USD would fall by 8% in 2021, reflecting deteriorating risk appetite as well as a stronger hit to GDP suffered by Europe compared to the US. Similarly, in this scenario we expect a strengthening by the JPY and the CHF to reflect the risk off mood.

In CEE, the growth shock will match that in the eurozone, the average being -3.6pp in 2021, with countries relying more on domestic demand, such as Turkey and Russia (2.9-3.1pp), faring better than open economies, such as Hungary, Czech Republic or Slovakia (where the shock is 3.8-3.9pp). The size of potential public support is also a differentiation factor. In this scenario, the unemployment rate falls less in 2021 than in the baseline scenario in Bosnia, Croatia, Russia, Serbia and Slovenia and is rising in all other countries in 2021 vs 2020. Like in the eurozone, we assume that potential lockdowns will be at most regional and unemployment rates are expected to decline in 2022 compared to 2021.

W-Recovery trade and sovereign tensions

It is assumed that the W-Recovery scenario described above leads to an intensification of global protectionist tensions and sovereign stress in Europe. Trade frictions increase as the Covid-19 crisis accelerates the process of de-globalization that was already in place before the pandemic, while much higher levels of government debt expose vulnerable eurozone countries to episodes of market stress. It is also assumed that in some of these counties anti-European attitudes might strengthen, potentially leading to the formation of governments that show hostility to the European project.

Part E - Information on risks and hedging policies

In this context, it is assumed that only national governments with fiscal space can afford to boost their fiscal stimulus further. Eurozone GDP would contract 13% in 2020 (-2pp compared to baseline), followed by an expansion of 3.0% in 2021 (-5pp) and 1.0% in 2022 (-1.2pp). At a country level, the growth shock compared to the baseline is largest in Germany (the country most affected by trade frictions), Italy (significantly affected by trade woes and sovereign stress), and Spain (hit hardest by the pandemic and also affected by sovereign stress).

Weaker economic activity leads to a widening of the output gap which, together with lower oil prices, puts material downward pressure on inflation, starting from already weak levels envisaged in the baseline scenario. Over the three years of the projection, headline inflation for the eurozone averages about 0.5%, well below any tolerance threshold of the ECB.

Monetary policy has no choice but to respond forcefully to the deterioration in the outlook for growth and inflation, and to the rising risks to the transmission mechanisms of monetary policy as sovereign stress pushes spreads wider. It is assumed that the ECB has already hit the lower bound on policy rates, therefore all the burden of the additional monetary expansion will be on asset purchases, most probably through a big increase of the envelope of the Pandemic Emergency Purchase Programme (PEPP). With its flexibility, the PEPP is the ideal tool to face a combination of negative macro developments coupled with intensification of sovereign stress. Given that the ECB remains fully committed to preserving a reasonably smooth functioning of the transmission mechanism, it is assumed that the front-loading of purchases will allow bringing the BTP-Bund spread down to an acceptable level that is consistent with such transmission not being derailed. Additional liquidity measures for the banking sector appear very likely.

In this scenario a combination of shocks led to a significant deterioration in market mood. The increase in uncertainty surrounding the outlook coupled with significant deterioration in risk-appetite keep demand for safe assets very strong. In the euro area, 10Y Bund yields remain well into negative territory until end 2022 and 10Y swap rates revert to positive only at the end of 2022. BTPs come under significant pressure which is to some extent cushioned by increased ECB action. In this scenario the 10Y BTP-Bund spread is 100bp wider compared to the baseline at end 2021, possibly registering an even higher peak during 2021. Importantly, most of the widening reflects lower Bund yields rather than higher BTP yields.
In this scenario we also assume that MM rates come under moderate pressure, with a widening relative to policy rates.
In FX, the EUR-USD would fall by 12% in 2021, reflecting deteriorating risk appetite as well as a stronger hit to GDP suffered by Europe compared to the US. Similarly, in this scenario we expect a strengthening by the JPY and the CHF to reflect the risk off mood.

In this scenario, the CEE growth shock is -5.3pp in 2021, with differentiation similar with the previous scenario (more open economies suffer more). Bosnia and Russia remain in recession in 2021 under this scenario, despite more government spending. We assume that unemployment increases in all countries in 2021 and remains very high in 2022. Trade restrictions are likely to affect employment throughout CEE for a longer time, despite governments keeping their budget deficits at very high levels. This shock's persistence results in inertia in both monetary and real variables.

Stress Test on Trading Book

(€ million)

	END OF JUNE 2020	
	W-RECOVERY	W-RECOVERY TRADE AND SOVEREIGN TENSIONS
UniCredit group Total	**-15**	**-23**
RC Germany	13	20
RC Italy	-18	-26
RC Austria	1	1
RC CEE	-10	-17

Conditional losses of Managerial Trading Book, as defined above, have been reported. Conditional losses are mainly coming from UniCredit S.p.A. and are driven by CIB Fixed Income & Currencies business line in all scenarios due to widening of Italian Government Credit Spread.
In UCB AG conditional profits are mainly driven by CIB Equity and Commodity Trade business line, due to negative shocks on Equities and on EUR Interest Rate.
Conditional losses in RC CEE are mainly due to widening of Credit Spread for local Governments.

Part E - Information on risks and hedging policies

2.4 Liquidity risk

Qualitative information

A. General aspects, operational processes and methods for measuring liquidity risk
Liquidity risk is defined as the risk that the Group may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardising its day-to day operations or its financial condition.

The key principles

The liquidity reference banks
The Group aims at maintaining liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.
To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, the Parent Company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at Group level, to ensure that liquidity position of any entity meets the requirements of the Group.

For these reasons, the Group is organised on a managerial perspective, according to the concept of the liquidity reference bank.
The liquidity reference banks are legal entities that act in their responsibility as liquidity hub. They are in charge:
- of the liquidity management and concentration process of liquidity flows of the legal entities falling within their perimeter of responsibility;
- of the funding optimisation carried out on the relevant local markets and are responsible to coordinate the access to short-term and medium-long-term markets of the legal entities belonging to their perimeter;
- finally, of the implementation of the Group's liquidity rules at local level in line with Group's Governance Guideline and Policy and with local regulations.

A particularly important role is played by the Parent Company, as a "supervisory and overarching liquidity reference bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Parent company has the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or legal entities. In particular, the Parent company functions are responsible for the following:
- outlining Group overall liquidity risk management strategies;
- developing liquidity risk metrics and methodologies;
- setting specific limits for liquidity risk exposures, in line with the Group risk appetite;
- optimising liquidity allocation amongst legal entities, in compliance to the local regulations and transferability limitation;
- coordinating access to financial markets for liquidity management;
- outlining the yearly Group funding and contingency funding plan, coordinating and monitoring their execution;
- assessing the adequacy of the liquidity reserves buffers at legal entity and Group level;
- coordinating the refinancing transactions with the ECB;
- defining, periodically reviewing the Group ILAAP and approving the Group ILAAP Report on yearly basis.
- The Parent Company 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[35].

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.

35 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

In the absence of official limits valid at national level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their national banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.
For these reasons, the "Liquidity management & control group policy" provides for a further principle in order to enhance a sound liquidity risk management; each legal entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition, the Group rule states that each LE (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This self-sufficiency principle is reflected in a specific "limit structure": limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among legal entities.

This type of organisation promotes the self-sufficiency of the legal entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimising: i) the liquidity surpluses and deficits within the Group's legal entities ii) the overall costs of funding across the Group.

Roles and responsibilities
At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the Group Financial Office competence line, and the Treasury function (within the "Markets" Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d'Italia).

Specifically, the Risk Management function is responsible for the independent control of liquidity risk and of balance sheet interest rate and FX risk at Group level and for the internal and regulatory stress testing. In detail:
- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independent internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the risk tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the risk appetite framework;
- assessing and monitoring liquidity risk exposure trends at Group and Country level and confronting them with the respective limits and triggers;
- verifying the correct implementation of the agreed mapping rules;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- developing and performing the liquidity stress test at Group level, analysing the outcome, delineating new scenarios to be taken into account and centralising the action plan relating to the stress test results; it is also responsible of periodically reviewing the liquidity stress test framework;
- monitoring the liquidity risk and producing regular risk reporting at Group level in alignment with Basel Committee's "Principles for effective risk data aggregation and risk reporting", setting common standards in terms of presentations and communications.
- performing internal validation activities at Group level on systems for measuring liquidity risks on related processes and data quality and IT components, as well as on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;
- developing and back-testing the behavioural models for the measurement of the liquidity risk;
- validating, controlling the implementation and releases independent assessments on the models to map the liquidity profile of balance sheet items (i.e. deposit stickiness, prepayment, behavioural models, etc.).

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.

Part E - Information on risks and hedging policies

All the relevant issues that concern the liquidity risk and management perspective of the Group are discussed in GALCO (Group assets & liabilities committee). The main responsibilities of GALCO are:

- participating by advising and proposing the definition of the strategies, policies, methodologies and limits for liquidity risk, fund transfer pricing, funding plan and contingency funding plan;
- contributing to the definition of the Risk Appetite in terms of thresholds for liquidity risk, interest rate risk of the banking book and FX risk;
- optimising the liquidity risk profile of the Group within the defined limits;
- controlling the liquidity risk, including the periodical reports that have to be delivered to regulators;
- approving and validate the liquidity stress test scenarios and the related assumptions;
- approving the ILAAP proposal and the regulatory reporting to be submitted to Group risk & internal control committee (GR&ICC);
- approving the operational strategies for the evolution of the balance sheet and the application of fund transfer price for the Italian perimeter.

The optimisation of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual liquidity reference banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the Group's Risk Management to ensure that they comply with the metrics and the objectives of the Group's liquidity framework.
In addition, the regional rules must comply with national laws and regulatory requirements.

Risk measurement and reporting systems

Techniques for risk measurement

The different types of liquidity risk managed by the bank are:

- short term liquidity risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year);
- market liquidity risk is the risk that the bank may face a considerable (and unfavourable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions;
- intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions";
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution;
- contingency risk, or stress liquidity relates to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business;
- intragroup liquidity risk, that might generate from an excessive exposure or dependency towards/from specific Group counterparts;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems;
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

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.

Part E - Information on risks and hedging policies

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 hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks relating to the transformation of maturity.
In addition, the liquidity risk is included in the Group's risk appetite framework through some specific liquidity indicators.

Short-term liquidity management

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:

- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilisation (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the liquidity reference banks.

The *operative maturity ladder* is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.
The *operative maturity ladder* is composed of the following building-blocks:

- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The counterbalancing capacity is considered at its "liquidity value" (i.e. the market value minus the applicable haircut).
- cumulative gap, which is the sum of the previous components;
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the Group risk appetite framework, with a limit of 0 on the 3 months bucket.
The Group also adopts the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

Structural liquidity management

The Group's structural liquidity management aims at limiting refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, national markets, currencies of issuance and instruments used (realisation of the yearly funding plan).

The main metric used to measure the medium/long-term position is the net stable funding ratio, as described by Basel III.

Part E - Information on risks and hedging policies

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 slightly higher than 101% means that stable liabilities have to fully cover the requirements of funding generated by the assets.
A key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap (an improved loans-to-deposits gap). It measures the need of funding the bank has to finance on the wholesale market. The indicator is integrated in the risk appetite framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through Treasury/Finance activity.

Liquidity under stress
Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward-looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular, the results of the stress tests are used to:
- determine liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the liquidity reference banks, the Group has a centralised approach to stress testing, requiring each local liquidity reference bank to run the same scenario set under the coordination of the Group risk management. The Group runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

The Group identifies three different types of potential liquidity crisis:
- market (systemic, global or sector): market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events relating to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or other Group legal entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the committed lines is considered.

The *combined scenario* is defined as a general negative development in the market environment and also as a factual or market-hypothesised problem specific to the Group.
In the first half of 2020 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 €9,057 million as at 30 June 2020.

Part E - Information on risks and hedging policies

Risk mitigation

Monitoring and reporting

In the Group the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions managerial and regulatory aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels.

The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

In case of limit breach or warning level activation at Group level, the Group risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

Mitigation factors

Liquidity risk is considered a relevant risk category for the risk appetite determination of the Group. The practices and processes are included in the "Liquidity management & control Group policy", that defines the principles that the Parent company and the legal entities have to apply for hedging and mitigating this risk and the roles to be interpreted by the different committees and functions.
Additionally to an adequate liquidity buffer to face unexpected outflows and robust and regular up-to-date stress testing performed on a regular basis, the main liquidity mitigation factors for UniCredit group are:

- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective contingency liquidity policy with feasible and up-to-date contingency action plan to be executed in case of crisis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Group to restore its safe liquidity profile.

Funding plan

The funding plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The funding plan, defined at each level (i.e. Group, liquidity reference bank and legal entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position.
The funding plan is updated at least on a yearly basis and is approved by the Board of Directors. In addition, it is aligned with the budgeting process and the risk appetite framework.
The Parent Company accesses the market for Group capital instruments.

The parent company 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 crisis 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.

Part E - Information on risks and hedging policies

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 2020, the Group liquidity situation is deemed adequate and the liquidity risk management arrangements of the institution ensure that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The framework of measurement systems and of limits in place aims to ensure that the Group has always an internal liquidity buffer/reserve that allows it to face expected and unexpected payments.
In the daily Treasury activity, the (managerial) liquidity reserve is represented by the Counterbalancing Capacity (CBC). Group Treasury, in its role of operational liquidity management function is entitled to monetise also the bonds belonging to the trading book, if this is necessary to restore the liquidity positions, prevailing on any existing business or risk management strategies.

From a regulatory perspective, the liquidity reserve is represented by the amount of high quality liquid assets (HQLA). This is the numerator of the LCR and is made of assets, which can be easily and immediately converted into cash at little or no loss of value even in periods of severe idiosyncratic and market stress. These assets are unencumbered, which means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign them.

The adequacy of the liquidity reserve under both perspectives is monitored and controlled through the limitations set on the operative maturity ladder (managerial) and on the liquidity coverage ratio (regulatory), as described above.
In the first half of 2020, 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 the first half of 2020, 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.

Part E - Information on risks and hedging policies

Effects arising from Covid-19 pandemic

The slowdown in economic activity caused by lockdowns across Europe and the measures the Governments have taken to face the effects of the current health and economic emergency impacted the Group operations in the different countries of its perimeter. The business continuity management plans were activated in order to ensure the regular execution of Treasury activities and the proper information flows to the senior management and the Supervisors. Despite the overall liquidity situation of the Group is safe and under constant control, some risks may materialize in the coming months, depending on the length of the current lockdown and expected economic recovery.

The most relevant risks that the Group may face are: i) an exceptionally high usage of the committed and uncommitted lines granted to corporate customers; ii) the capacity to roll over the expiring wholesale funding and the potential cash or collateral outflows the Group may suffer in case of rating downgrades of both the banks or the sovereign debt in the geographies in which it operates.
In addition to this, some risks may arise from the limitations applied to the cross-border lending among banks, which have been increased in some countries.
An important mitigating factor to these risks are the contingency management policies in place in the Group system of rules and the measures announced by the European Central Bank, which have granted a higher flexibility in the management of the current liquidity situation by leveraging on the available liquidity buffers.

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 department and applied to all Legal Entities. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, which is under the responsibility of the Group Internal Validation department of the Group and is independent from the Group Operational & Reputational Risks Department.

Since March 2008 the UniCredit Group applies the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main Legal Entities of the Group.

Effects arising from Covid-19 pandemic
Referring to operational risks, analysis were carried out in order to identify risks arising from process changes adopted time by time to protect the health of employees and customers.
With reference to the operational risks identified, the effectiveness of the risk mitigation measures was then assessed also through a comparative analysis between different Group Legal Entities.
In addition, specific second-level controls were activated to oversee those areas that were subject to the most significant changes. A specific monitoring of operational incidents linked, even indirectly, to the entire Covid-19 epidemic has been created in order to promptly intercept potential process criticalities or inappropriate behaviors.

Part E - Information on risks and hedging policies

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;
  - 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.

Part E - Information on risks and hedging policies

The Group Operational & Reputational Risks department reports to the Head of Group Risk Management and is responsible for the governance and control of operational and reputational risks of the Group (including operational risks bordering on credit risk, alias Cross Credit risks); the department is also responsible for the evaluation of the exposure to operational and reputational risks, grating their continual and independent monitoring, as well as of the definition of strategies to mitigate such risks and contain related losses for UniCredit S.p.A. perimeter.
In addition, the department is responsible for the definition of operational risk losses optimisation program, leveraging on specific risk models and methodologies it has furthermore the responsibility of coordinating the activities performed by the subsidiaries of UniCredit S.p.A. that apply the AMA model (limited to Legal Entities not included in other Hub perimeter) according to Group Operational and Reputational Risks Framework and of coordinating, for the perimeter of competence, the corresponding functions within the Group Legal Entities, according to Group Managerial Golden Rule ("GMGR" and "GMGR Evolution").
Furthermore, the department ensure that risk control activities on related risks assumed in the foreign branches of UniCredit S.p.A. are monitored and reported to the Group Chief Risk Officer and is responsible for ensuring integrated reporting between the control functions (e.g. Compliance, Audit) on the main operational and reputational risks of the Group.

The structure is additionally responsible for the governance and control of ICT/Cyber Risks, through:
a) the definition of the framework for the management of ICT/Cyber risks, the coordination and monitoring of the Legal Entities in the implementation of it;
b) the measurement, assessment and control of ICT/Cyber risks for UniCredit S.p.A.;
c) the monitoring at Group level of the implementation and results of mitigation actions to oversee ICT/Cyber risks in cooperation with the competent functions (e.g. "Group Information & Security Office"), also through the analysis of risk indicators.

The 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 activity. The unit is responsible for defining risk capital measurement methodologies, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group's exposure to operational risk also based on operational risks analytics models. The unit is furthermore responsible for the reporting of operational risks and of the definition process of the Risk Appetite Framework/RAF metrics for competence risks, as well as the related periodical monitoring;
- "Operational & Reputational Risks Assessment and Strategies" responsible for defining and monitoring the strategic areas for the management of operational risk consistent with the RAF and the Group's strategic objectives, keeping the responsibility for coordinating/monitoring risk mitigation actions and coordinate the monitoring of operational risks in the CEE perimeter, directly supporting the "CRO CEE" structure. The unit furthermore develops ad hoc analysis on specific issues of operational and reputational risk. Finally it is responsible of defining methodologies for assessing reputational risk by verifying its correct implementation and controlling the risk assessment activities for Italian transactions within the scope of the Global Rules related to reputation risk (e.g. weapons and nuclear energy sectors);
- "Operational Risks Management Italy & 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.

Part E - Information on risks and hedging policies

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 and Group TOR (Top Operational Risks).

The Legal Entity shall assess the relevance of each key risk driver supplied providing a qualitative risk evaluation with rationales and estimations on 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 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 30 June 2020, the parent company UniCredit S.p.A. and other UniCredit group companies were named as defendants in about 26,100 legal proceedings, of which approximately 9,300 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

Part E - Information on risks and hedging policies

business and its reorganisation over time, there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.
In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of possible losses. Where it is possible to estimate reliably the amount of possible losses and the loss is considered as likely to occur, provisions have been made in the financial statements to the extent the parent company UniCredit S.p.A., or any of the Group companies involved, deemed appropriate based on the circumstances of the case and in compliance with the International Accounting Standards (IAS).
To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labour law and tax cases), as at 30 June 2020, UniCredit group set aside a provision for risks and charges of €704.2 million, of which €411.1 million for the parent company UniCredit S.p.A.
As at 30 June 2020, the total amount of claimed damages relating to judicial proceedings other than labour, tax and debt collections proceedings amounted to approximately €9.9 billion, of which approximately €6.4 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 companies' business.
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 or debt collections proceedings 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 30 June 2020, there were several pending civil proceedings against UniCredit Bank Austria AG ("UCB Austria") for the total claimed damages amount of €5.2 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 had been 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 by the public prosecutor. Private parties appealed and a decision is awaited.

Part E - Information on risks and hedging policies

Proceedings arising out of the purchase of UniCredit Bank AG ("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
On 15 April 2019, the parent company UniCredit S.p.A., UCB AG and UCB Austria reached a resolution with the U.S. and New York Authorities regarding investigations concerning historical compliance with applicable U.S. sanctions law and regulations. 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, the parent company UniCredit S.p.A., UCB AG and UCB Austria 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 AG 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. On 23 July 2020, the court granted motions to dismiss the third amended complaint by certain defendants, including UCB AG and UniCredit Capital Markets LLC, without prejudice. Plaintiffs must inform the court by 12 August 2020, whether they will seek to further amend their complaint to replead the case against the dismissed defendants.

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 30 June 2020 (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 €1,134 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 €716 million, mediations included) and the German market (for which the claimed amount against UCB AG was €43 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CEE countries (for which the claimed amount was around €117 million).

Part E - Information on risks and hedging policies

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. At present, the parent company UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.

With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, 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 ("FX") loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out these types of loans and mortgages denominated in a foreign currency. 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 2015, the Republic of Croatia enacted amendments to the Consumer Lending Act and Credit Institutions Act mandating the conversion with retroactive effect of Swiss franc (CHF)-linked loans into Euro-linked (the "Conversion Amendments").
In September 2016, UCB Austria and Zagrebačka Banka ("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 the Conversion Amendments. 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.
In 2019, the Supreme Court of the Republic of Croatia ruled that the CHF currency clause contained in certain loan and mortgage documentation was invalid. Accordingly, in the course of 2019, court decisions, recent court practice related to FX matters along with the expiration of the statute of limitation for filing individual lawsuits in respect of the invalidity of the interest rate clause, led to a significant increase in the number of new lawsuits against Zaba. In 2020, the Supreme Court ruled that agreements entered into following the Conversion Amendments whereby customers converted their CHF mortgages and/or loans into EUR are valid and accordingly no additional payments are due. The matter of the validity of the FX clauses contained in mortgages and loan documentation is still pending before the Constitutional Court of the Republic of Croatia. Provisions have been booked which are deemed appropriate.

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 approximately $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 in June 2020, the New Mexico Court of Appeals affirmed that judgment. A motion for rehearing was subsequently denied. The settlement cannot be effectuated while the appeal remains pending and the objecting former employee has until 30 July 2020 to seek review from the New Mexico Supreme Court. If the judgment continues to be 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.

Part E - Information on risks and hedging policies

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 approximately €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.

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.
On 31 July 2020, Mr. Bolici's business partner sued the parent company UniCredit S.p.A., seeking damages based on analogous facts to those alleged in the 2014 proceedings.

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 court of first-instance acquitted the defendants. This decision was reversed by the Court of Appeal of Rome, which found all the defendants guilty.
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 approximately €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 approximately €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, in particular in light of the criminal judgment by the Court of Appeal of Rome.

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.DeCo., 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. So.De.Co. appealed the judgment and reduced its claim to approximately €17 million. 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.

Part E - Information on risks and hedging policies

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. In line with the suggestion of the Regional Court of Munich I, the conflicting parties settled the dispute out of court.
In addition, criminal investigations have been conducted against current or former employees of UCB AG by the Prosecutors in Frankfurt am Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. UCB AG cooperated, and continues to cooperate, with the aforesaid Prosecutors who investigated offences that include 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 am 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, UCB AG was informed by the Cologne prosecutor 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, a 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 dates, 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.

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 and 2011. Bondholders’ claims are mainly referred to prospectus liability of the joint lead manager, whereas a minority of the cases is based on mis-selling 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.
Most recently, the expert appointed by the Court in the majority of the civil proceedings has issued a report largely in favour of UCB Austria and the other issuing banks. Investors have a different reading of the report and have requested that the expert answers supplementary questions. Therefore, the final outcome of the expert report cannot be assessed as of yet.

Part E - Information on risks and hedging policies

In addition to the ongoing proceedings against UCB Austria stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UCB Austria. Despite the favourable expert opinion mentioned above, it is not, at the moment, possible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any.

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.

Lawsuits filed against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund
Lawsuits brought against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund aimed to reconstitute the patrimony of the fund, ascertain and quantify social security individual position of each member. Claims' value is about €384 million. The litigation is now pending before the Supreme Court after two degrees decisions favorable to the Bank. No provision has 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 2020 and to those already pending at the beginning of the fiscal year, which have been decided or otherwise defined. For the litigations which are not mentioned, reference must be made to the financial statements of previous fiscal years.

Pending cases arising during the period
In the first half of 2020 no new cases of significant amount were born.

Updates on pending disputes and tax audits
With reference to the first half of 2020, 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 filed a claim with the Italian Supreme Court against a second degree decision, completely favourable to the bank, relating to a notice of assessment bearing a total amount of €6.3 million, subsequently reduced by the Tax Authorities to €0.43 million. The bank filed a counterclaim with the Supreme Court;
- with reference to the litigation arising from the payment requests of the higher IRAP due in connection to the higher tax rates provided for by the Regions Veneto and Toscana, the Italian Supreme Court, with the decision No.1476/2020, issued for a payment request notified for 2006 to the merged company UniCredit Corporate Banking S.p.A., definitively stated applicable an increase of 0.5% in the tax rate (instead of 1%), and stated that penalties are not applicable. The total value of the litigation, equal to €0.11 million, reduced to €0.08 million. Moreover, the Tax Authorities of Bologna canceled a payment request of €0.15 million served to the merged company UniCredit Banca S.p.A. for IRAP 2006;
- the second degree Tax Court of the Region Liguria, with three decisions, judged in favour of the bank for the refund of IRPEG 2000 e 2001 and IRAP 2001 credits, for a total amount of €9.3 million. The legal term for the filing of claims with the Supreme Court is pending.

As at 30 June 2020, the provision for tax risks, referred to tax litigation, tax audit and tax credits, amounts to about €182.1 million, of which €6.5 million for legal expenses.

Tax proceedings in Germany
Reference is made to the paragraph of Explanatory notes in Part E - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risk - Qualitative information - B Legal risks.

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 baking 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 National Central Bank, 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 30 June 2020, UniCredit:

- received reimbursement requests for a total amount of about €398 million (cost originally incurred by the Clients) from No.11,741 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 (€398 million), reimbursed No.7,038 customers for about €263 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 €67 million in item ”130. Other assets” of the balance sheet. This value is consistent with the main parameters of the reference market, and also reflects the likely effects associated with the liquidity crisis in the sector, heavily affected by the Covid-19 outbreak which characterised the economic scenario in the last four months of the first half 2020.

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 Art.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. Following the notification of the notice pursuant to Art.415 bis, if the Public Prosecutor determines to request the indictment for all or part of the subjects involved, the preliminary hearing phase will take place.

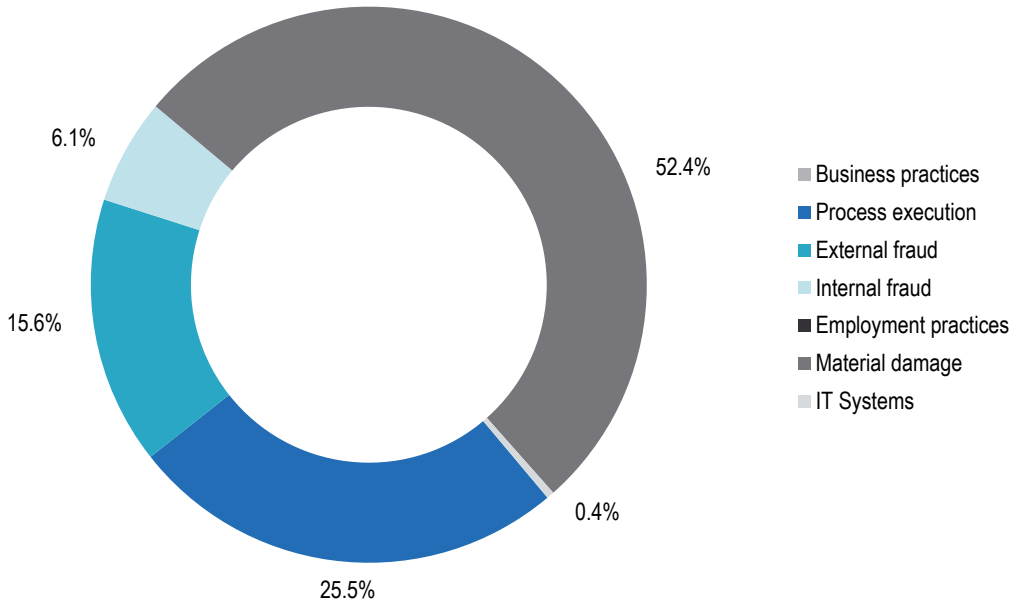
Quantitative information

Detailed below is the percentage composition at Group Level, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2013 (Circular No.285/2013 and following updates).

The risk categories for event type are the following:

- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- clients, products and business practices: losses arising from non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

Operational losses 1H 2020 divided by risk category



The categories "clients, products and business practices" 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.

Part E - Information on risks and hedging policies

In the first half of 2020, the main source of operational risk was "damage from external events", which has been impacted by the extraordinary expenses to restore the business after to Covid-19 pandemic event.
The second largest contribution to losses refers to process execution. There were also, in decreasing order, losses stemming from external fraud, internal fraud and IT systems related problems.

2.6 Other risks

Other risks included in Economic Capital
The so-called Pillar 1 risk types (credit risk, market risk, operational risk, as described in dedicated chapters) are considered as primary risks, but there are also other risks the Group considers as significant, namely:
1. Business risk;
2. Real estate risk;
3. Financial investments risk.

These risks are defined as follows.

1. Business risk
Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. Business risk can result, above all, from changes in the competitive situation or customer behaviour, but may also result from changes in the reference regulatory framework.
The exposure data used to calculate business risk are taken from the income statements of each Entity of the Group for which the risk is significant. Volatility and correlations are estimated from the time series of relevant items of Income statement reports. Business risk focuses on the impact of unexpected shocks on future margins on a one-year time horizon; in this context the margin is defined as the difference between earnings and costs not explained by risk factors already included e.g. in credit, market, operational risk.
Business risk is calculated on a quarterly basis for monitoring and for planning purposes according to the relevant time scheduling.

2. Real estate risk
Real estate risk is defined as the potential loss resulting from market value fluctuations of the Group's real estate portfolio, including real estate Special purpose vehicles. It does not take into consideration properties held as collateral which are evaluated inside credit risk.
The relevant data for the real estate risk calculation include general information relating to properties and area or regional price indexes for each property to enable calculation of volatility and correlation in the model.
The real estate risk model estimates the maximum potential loss with a confidence level set according to the regulation 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 planning purposes according to the relevant time scheduling.

3. Financial investments risk
Financial investments risk stems from the equity investments held in companies not included in the Group consolidation perimeter and encompassed in the Market Risk managerial framework.
The relevant portfolio mainly includes listed and unlisted shares, private equity, units of mutual, hedge and private equity funds. For all the Group equity positions, capital charges may be calculated using either a PD/LGD-based approach or a market-based one. The PD/LGD approach is used for unlisted, 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 regulation 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 planning purposes according to the relevant time scheduling.

Risk measurement methods
Within the Internal Capital Adequacy Assessment Process (ICAAP) and in line with the proportionality principle defined in Pillar II of Basel II, the risk profile of the Group and the main Group legal entities is assessed for all the Pillar II risk types.
Credit, market, operational, reputational, business, participation and real estate risks are measured quantitatively, by:
- Economic Capital and aggregation as an input for Internal Capital;
- Stress tests.

Part E - Information on risks and hedging policies

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and takes into consideration all the Pillar II risk types identified by the Group and which are quantifiable in terms of Economic Capital: credit, market, operational, reputational, business, participation and real estate risks. The effect of the diversification between risk types ("inter-risk diversification") and of the diversification at portfolio level ("intra-risk diversification") is calculated. In addition a Capital add-on is calculated as prudential cushion in order to account for model risk uncertainty.

Internal Capital is calculated using a Bayesian Copula with a one year time horizon and a confidence level in line with the regulation. For control purposes, the Internal Capital is calculated quarterly and disclosed to Senior Management quarterly through RAF Monitoring & Integrated Risk reporting; it is also calculated for planning purposes according to the relevant time scheduling.

The multidimensional nature of risk requires to supplement the measurement of economic capital with stress testing, not only in order to estimate losses in certain scenarios, but also to assess their impacts in terms of capital requirements. Stress testing is a key risk management tool for the management of the relevant risks in order to assess the bank's vulnerability with respect to exceptional but plausible events, providing additional information to the monitoring activities.
Stress testing activities, in compliance with regulatory requirements, are performed on the basis of a set of internally defined stress scenarios, that include the Group main geographies 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 stress test methodology considers the impacts on the various risks generated from the materialization of the macro-economic adverse scenarios. These scenarios are drawn analysing both current macro-economic events and plausible future events that could take place and that are considered penalizing for the Group.

The stress test exercise is performed both with reference to single risk types and as an overall considering possible interactions. The results of the exercise are represented by the additional expected losses and by the stressed Economic Capital. The overall results consider both the single risk variations as well as any possible benefit of diversification.

Since 2017, two complementary approaches are considered in stress testing activities: the so called "Normative Perspective" focuses on the impacts of stressed scenarios on regulatory capital metrics while the "Economic Perspective" quantifies impacts of scenarios on the Economic Capital.

The Group Senior Management is involved in the Group-wide stress test in the following phases:
- macro-economic stressed scenarios approval used to estimate the impacts on regulatory and economic capital;
- after the exercise is finalised, with the approval of the results and impacts and a potential discussion of actions to return into the predetermined limits of capital.

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, the function Group Integrated Risk of UniCredit S.p.A. is responsible for the Group Economic and Internal Capital methodology development and their measurement, as well as for the setting and implementation of the Group related processes. The "Group Rules", after the approval, are submitted to relevant legal entities for approval and implementation.

Reputational risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, other relevant parties), shareholders/investors, regulators or employees (stakeholders).
Reputational risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g. business risk, strategy risk, ESG risk which considers the environmental, social and governance aspects of responsible investments). Reputational risk could also be generated from material events.

Since 2010 UniCredit group has ruled the reputational risk and the policy currently in place is the Group Reputational Risk management policy which aims at defining a general set of principles and rules for assessing and controlling reputational risk. In addition, since 2017 the Global Process Regulation "Reputational Risk management for Material Events" has been in force with the aim of defining a straightforward escalation process to the Parent company's Senior Management for events not managed via existing Reputational Risk processes in order to allow it to react promptly in managing the potential consequences.
The reputational risk management is in charge to the Group Operational & Reputational Risks Department of UniCredit S.p.A. and to dedicated functions within the Group legal entities.

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.

Part E - Information on risks and hedging 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)”, “Coal fired power generation” and Non-Conventional Oil & Gas and Arctic Region Oil &Gas Industry Sector.

Top and emerging risks

In UniCredit, the management and monitoring of risks is based on a dynamic approach; Top Management is promptly informed on top risks and/or emerging risks through a strict monitoring process embedded in the risk assessment process.
The Risk Management identifies and estimates these risks and submits them regularly to senior/top management and Board of Directors which take the appropriate actions to manage and mitigate risks.
The following top and/or emerging risks already detected at the end of 2019 are still relevant, further most of them heavily impacted by the Covid-19 pandemic outbreak happened in the first half of 2020:
1. Covid-19 pandemic outbreak;
2. Macroeconomic and (geo-)political challenges around the globe;
3. Risks accompanying the “Brexit”;
4. Climate change risk;
5. Cyber security risks;
6. Risks stemming from the current Regulatory developments.

1. The Covid-19 pandemic outbreak

The Covid-19 pandemic outbreak triggered a global health crisis and has already had an unprecedented impact on the global economy due to the massive lock-down measures and travel/trade restrictions. In terms of the macroeconomic and (geo-)political risks, the Covid-19 pandemic shifted the focus across the world towards world-wide and country-level efforts and measures to deal with this crisis. It had impact in accelerating the massive digitalization of financial institutions and a shift towards new operating model with more remote-based/online channels of client servicing.
The outlook of the pandemic normalization path in terms of its timeline and further evolution remains highly uncertain, as well as the magnitude of the economic downturn.
The global economic downturn can be further impacted by the potential new rounds of general lockdowns that might be induced by some Countries across the world, with the risk of further slowing down the expected recovery.
UniCredit put in place pre-emptive measures to face the Covid-19 emergency, including the tightening of risk monitoring, and continues to proactively manage the evolving situation across all dimensions of its risk profile.
For further information on impact of Covid-19 pandemic outbreak impact on risks, refer to paragraph “Effects arising from Covid-19 pandemic” contained in each section of this Part E (Credit risk, Market risk, Liquidity risk and Operational risks).

2. Macroeconomic and (geo-)political risks

Some global trends emerged in 2019 continued to unfold also in the first half of 2020: trade tensions, especially between U.S. and China, geopolitical instability across the globe spanning from EU (e.g. EU fragmentation) to the Middle-East region was still relevant as well as political uncertainties in some emerging markets including India and Latin America. At the same time the Gulf tensions risk has decreased closer to the mid-2020 due to the lower likelihood of the direct confrontation between U.S. and Iran.
The first quarter of the year has been characterised by the oil price war with Saudi Arabia and Russia as the main actors, having impact on other countries highly dependent on oil exports, such as OPEC members (Iraq, Algeria and Nigeria) as well as U.S. shale producers. In the beginning of the year the oil markets have been very volatile initially due to the tensions between large oil suppliers, what has been than intensified with the Covid-19 pandemic outbreak affecting global demand. The situation with the oil markets is characterized with the oversupply and substantial declines in demand due to, initially, increases in production by Saudi Arabia and Russia and, subsequently, due to the Covid-19 spread across the globe. All these factors, together with the Covid-19 pandemic outbreak, substantially worsening the downside for the global economy and financial markets, have been weighing on business/investor sentiment and translating to an unprecedented economic slowdown.
In light of the oil price war mentioned above and direct impact on the GDP and local currency strength with respect to USD and UE, the Russian economy has been already heavily hit in the first quarter of 2020. The country’s budget is strictly tied with a certain level of oil prices and has been re-assessed under different scenarios resulting in a yet uncertain final long-term outlook on the budget deficit. The Covid-19 pandemic spread affecting Russia directly in the second quarter 2020 with measures of “self-isolation” resembling lock-down measures adopted in other countries triggered economic slowdown hitting firstly SMEs, individual entrepreneurs across different sectors as well as some large corporations (e.g. airlines).
The magnitude of the domestic economic downturn considering also the global uncertainty remains to be yet estimated.

Part E - Information on risks and hedging policies

3. Risks related to the UK's exit from the European Union (Brexit)

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.

4. The climate-related and environmental risks

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 other types of risks.

In context of an evolving regulatory framework that in 2020 put even more emphasis on the climate risk topic, the Group aims to continue proactively addressing 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 analyses 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°ii).The Group also supports 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.

5. Cyber Security Risk

Along with the continuous digitalisation of banking services, that has been accelerated in light of the Covid-19 pandemic outbreak, 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.

6. 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.

Part E - Information on risks and hedging policies

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. EU Commission new work programme in light of Covid-19 delays to the end of 2020 publication of the proposals to implementation of Basel III in EU while on March 27, the Basel Committee's oversight body, the group of central bank Governors and Heads of Supervision (GHOS) changed the implementation timeline of the outstanding Basel III standards. In particular the implementation date of the Basel III standards finalised in December 2017 (credit risk and operational risk) has been deferred by one year to 1 January 2023.
- In March 2018 the ECB published the "Addendum to the Guidance on Non Performing Exposures" ("NPEs") which sets out supervisory expectations for the provisioning of exposures reclassified from performing to non-performing exposures 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. 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%.
- In May 2020 the European Banking Authority (EBA) published its Guidelines on loan origination and monitoring that expect institutions to develop robust and prudent standards to ensure newly originated loans are assessed properly. The Guidelines also aim to ensure that the institutions' practices are aligned with consumer protection rules and respect fair treatment of consumers. In the context of the Covid-19 pandemic, institutions need to maintain good credit risk management and monitoring standards that is essential for supporting lending to the economy. To address the current circumstances the new Guidelines, contain additional transition periods for recently renegotiated loans to help institutions better focusing on their immediate operational priorities. The Guidelines will apply from 30 June 2021. But positively, institutions will benefit from a series of transitional arrangements: (1) the application to the already existing loans and advances that require renegotiation will apply from 30 June 2022, and (2) institutions will be allowed to address possible data gaps and adjust their monitoring frameworks and infrastructure until 30 June 2024.
- 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 in June 2019.In March 2020, the group of central bank Governors and Heads of Supervision revised the implementation timeline of the final elements of the Basel III framework. While most of the final elements still need to be implemented in Union law, the leverage ratio buffer requirement for global systemically important institutions has already been implemented through the amendments introduced by Regulation (EU) 2019/876. Therefore, and in order to ensure a level playing field internationally for institutions established in the Union and operating also outside the Union, the date of application for the leverage ratio buffer requirement set out in that Regulation has been deferred by one year to 1 January 2023. With the application of the leverage ratio buffer requirement postponed, during the postponement period there would be no consequences resulting from a failure to meet that requirement as set out in Article 141c of Directive 2013/36/EU and no related restriction on distributions set out in Article 141b of that Directive.
- 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 2019 and will apply from June 2021.

Part E - Information on risks and hedging policies

- 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, was implemented in Europe through the CRRII/CRDV, published in June 2019. 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-SII; "Pillar 2" MREL instead is bank-specific and was introduced by the BRRD in 2014 and later amended in June 2019 (BRRD2). TLAC (Pillar 1 MREL) has become binding in June 2019 as a transitional requirement, equal to 16% of Risk Weighted Assets (RWAs) + the Combined Buffer Requirement and will reach its fully loaded level (18% of RWAs + Combined Buffer Requirement) in January 2022 (with intermediate levels envisaged in terms of calibration). MREL, instead, is being phased-in and reaches its fully loaded level in January 2024 (with an intermediate binding target in January 2022).
- 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.
- Climate risk and environmental risk regulation updates:
  - ECB published its Guide on climate-related and environmental risks in draft for the consultation setting out its expectations for how banks have to assess whether their current practices are safe and prudent in light of climate risks and to start adapting their practices when implementing their business strategies, governance and risk management frameworks, with a forward-looking and comprehensive approach;
  - EBA, EIOPA and ESMA published joint consultation paper on the proposed Environmental, Social and Governance ("ESG") disclosure standards.

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).

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 H - Related-party transactions

Introduction

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) No.632/2010 of 19 July 2010, the text of IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure should include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Pursuant to IAS24, UniCredit S.p.A.'s related parties include:

- companies belonging to UniCredit group and companies controlled by UniCredit S.p.A. but not consolidated[36];
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "Key management personnel";
- close family members of "key management personnel" and companies controlled (or jointly controlled) by key management personnel or their close family members;
- UniCredit group employee post-employment benefit plans.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer.

Also for the management of related-party transactions refer to the discipline established by Consob Regulation No.17221/2010 (deriving from the provisions of Art.2391-bis of the Italian Civil Code) and by Banca d'Italia Circular No.263/2006 (Title V, Chapter 5) introduced in 2011 as well as the provisions pursuant to Art.136 of Legislative Decree No.385/1993, under which corporate officers may assume obligations towards the bank they manage, direct or control, only upon unanimous approval of the board of the bank and the positive opinion of the Board of Statutory Auditors.

In this regard, UniCredit S.p.A., as a listed issuer and subject to Banca d'Italia regulations, has adopted the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA", approved by UniCredit's Board of Directors with the positive opinion of the Related-Parties Committee and of the Board of Statutory Auditors, which is published on UniCredit S.p.A. website (www.unicreditgroup.eu), designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit S.p.A., including those conducted through subsidiaries, with related parties, and the manner in which information is disclosed to corporate bodies, the supervisory authorities and the market. Specific guidelines contained in the Global Policy have been distributed to the company's functions and Group Legal Entities in order to systematically abide to the abovementioned reporting requirements.
UniCredit S.p.A. has also established, in accordance with those guidelines, the abovementioned Related-Parties Committee and Equity Investments, consisting of three members appointed by the Board of Directors among its members qualified as "independent" pursuant to Art.3 of the Corporate Governance Code.
In addition UniCredit S.p.A. applies specific procedures regarding internal controls on risk activities with subjects in conflit of interests regulated in the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA".

In 2020 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.

36 For the purposes of this Consolidated first half financial report as at 30 June 2020 transactions and outstanding balances between consolidated companies were written off as described in Part A.

Part H - Related-party transactions

Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

Related-party transactions: balance sheet items

(€ million)

	AMOUNTS AS AT 06.30.2020								
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
Financial assets at fair value through profit or loss	-	-	112	-	-	112	0.13%	132	0.15%
a) Financial assets held for trading	-	-	33	-	-	33	0.05%	132	0.20%
c) Other financial assets mandatorily at fair value	-	-	79	-	-	79	0.43%	-	-
Financial assets at fair value through other comprehensive income	-	-	127	-	-	127	0.17%	-	-
Financial assets at amortised cost	1	22	2,933	1	2	2,959	0.45%	-	-
a) Loans and advances to banks	-	-	1,658	-	-	1,658	1.26%	-	-
b) Loans and advances to customers	1	22	1,275	1	2	1,301	0.24%	-	-
Non-current assets and disposal groups classified as held for sale	-	-	4	-	-	4	0.20%	-	-
Other assets	-	-	106	-	-	106	1.52%	-	-
Total assets	**1**	**22**	**3,282**	**1**	**2**	**3,308**	**0.39%**	**132**	**0.02%**
Financial liabilities at amortised cost	10	1	9,247	8	208	9,474	1.30%	-	-
a) Deposits from banks	-	-	7,820	-	-	7,820	4.74%	-	-
b) Deposits from customers	10	1	1,427	8	208	1,654	0.35%	-	-
Financial liabilities held for trading and designated at fair value	-	-	31	-	-	31	0.06%	26	0.05%
Other liabilities	-	-	6	-	-	6	0.04%	-	-
Total liabilities	**10**	**1**	**9,284**	**8**	**208**	**9,511**	**1.17%**	**26**	**-**
Guarantees given and commitments	-	1	3,196	-	2	3,199	-	-	-

Notes:
(*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.
(**) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

Part H - Related-party transactions

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

Related-party transactions: profit and loss items

(€ million)

	AMOUNTS AS AT 06.30.2020								
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
10. Interest income and similar revenues	-	-	66	-	-	66	0.96%	1	0.01%
20. Interest expenses and similar charges	-	-	(24)	-	-	(24)	1.23%	-	-
30. Net interest margin	**-**	**-**	**42**	**-**	**-**	**42**	**0.85%**	**1**	**0.02%**
40. Fees and commissions income	1	-	325	-	-	326	9.09%	1	0.03%
50. Fees and commissions expenses	(2)	-	(2)	-	-	(4)	0.69%	-	-
60. Net fees and commissions	**(1)**	**-**	**323**	**-**	**-**	**322**	**10.71%**	**1**	**0.03%**
70. Dividend income and similar revenues	2	-	21	-	-	23	17.42%	-	-
80. Net gains (losses) on trading	-	-	8	-	-	8	2.20%	6	1.65%
120. Operating income	**1**	**-**	**394**	**-**	**-**	**395**	**4.71%**	**8**	**0.10%**
130. Net losses/recoveries on credit impairment relating to	-	-	10	-	-	10	0.46%	-	-
a) Financial assets at amortised cost	-	-	10	-	-	10	0.46%	-	-
190. Administrative expenses	-	-	(206)	-	(5)	(211)	3.18%	-	-
a) Staff costs	-	-	3	-	(5)	(2)	0.05%	-	-
b) Other administrative expenses	-	-	(209)	-	-	(209)	9.27%	-	-
200. Net provisions for risks and charges	-	-	1	-	-	1	0.60%	-	-
230. Other operating expenses/income	-	-	(16)	-	-	(16)	4.69%	-	-
240. Operating costs	**-**	**-**	**(221)**	**-**	**(5)**	**(226)**	**3.49%**	**-**	**-**

Note:
(*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.

The "Other related-parties IAS" category includes:
- close family members of key management personnel (i.e. those family members who, as is expected, may influence, or be influenced by, the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

The main related-party transactions are the following:
- In 2012 the subsidiary UniCredit Services S.C.p.A. (US) formerly UniCredit Business Integrated Solutions S.C.p.A. (UBIS), assumed the role of operating sub-holding to provide the Group's support services both in Italy and abroad.
  On 19 April 2013, the Board of Directors of US approved the executive plan of the project aimed at establishing a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data 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 extention of expiry to December 2026, between US and V-TService has been concluded with the aim of increasing value creation and ability to catch new opportunities from technological evolution.
  The services provided to UniCredit group by the abovementioned companies result in an exchange of fees (administrative costs).
- With reference to transactions with Mediobanca S.p.A. ("Mediobanca"), 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".

Part H - Related-party transactions

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 2020 the fourth installment referred to the 2018 result has been paid for €31 million and the first installment referred to the 2019 result has been paid for €30 million.

- 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.;
  - Creditras Assicurazioni S.p.A.;
  - Creditras Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit S.p.A. employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

Part L - Segment reporting

Organisational structure

The format for segment information reflects the organisational structure currently used in management reporting for monitoring the Group's results, which is broken down into the following business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Corporate & Investment Banking (CIB), Central and Eastern Europe (CEE), Group Corporate Center and Non-Core.

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network 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 Center 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 Center.

Different service models are applied in line with the needs of its various customer groups: retail customers, private banking customers, small business and corporate customers, real estate customers and wealth management customers.
Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Private Customer Bank) that covers private individuals, ranging from mass-market to affluent customers, high net-worth individuals and business customers; it includes Schoellerbank, a well-established subsidiary servicing wealthy customers;
- "Unternehmerbank" (Corporate Customer Bank, excluding CIB clients) servicing the entire range of SMEs, medium-sized and large companies, which do not access capital markets (including real estate and public sector); it includes the product factory Leasing;
- local Corporate Center.

A broad coverage of individual clients and companies is ensured through its nation-wide branch network. Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.
Commercial Banking Austria applies an integrated service model, allowing clients to decide when, where and how they contact UniCredit Bank Austria. This approach combines classic branches which are continuously 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.
The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive commercial network in Western Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines that consolidate the breadth of the Group's CIB know-how).

Part L - Segment reporting

The dedicated commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network, Financial Institutions Group) are responsible for the relationships with corporate clients, banks and financial institutions as well as the sale of a broad range of financial products and services, ranging from traditional lending and merchant banking operations to more sophisticated services with high added value, such as project finance, acquisition finance and other investment banking services and operations in international financial markets.
The three following Product Lines supplement and add value to the activities of the commercial networks:

- **Financing and Advisory (F&A)** - F&A is the expertise center for all business operations related to credit and advisory services for corporate and institutional clients. It is responsible for providing a wide variety of products and services ranging from plain vanilla and standardized products, extending to more sophisticated products such as Capital Markets (Equity and Debt Capital Markets), Corporate Finance and Advisory, Syndications, Leverage Buy-Out, Project and Commodity Finance, Real Estate Finance, Structured Trade and Export Finance.
- **Markets** - Markets is the centre specialized for all financial markets activities and serves as the Group's access point to the capital markets. This results in a highly complementary international platform with a strong presence in emerging European financial markets. As a centralized product line, it is responsible for the coordination of financial markets-related activities, including the structuring of products such as FX, Rates, Equities and credit related activities.
- **Global Transaction Banking (GTB)** - GTB is the centre for Cash Management, e-banking, Supply Chain Finance, Trade Finance products, Factoring 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 10 Central and Eastern Europe countries: Bosnia- Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia. 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 it is present. This approach is vital due to the variety of global products offered, particularly cash management and trade finance solutions to corporate customers operating in more than one CEE country.

Group Corporate Center

The Group Corporate Center's objective is to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence. In this framework, an important objective is to optimize costs and internal processes guaranteeing operating excellence and supporting the sustainable growth of the Business Lines. In the Group Corporate Center 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 securitization operations.

Part L - Segment reporting

A - Primary segment

A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2020
Net interest	1,534	800	311	1,190	1,202	(136)	(15)	4,887
Dividends and other income from equity investments	56	0	23	13	(6)	77	-	164
Net fees and commissions	1,692	365	287	360	308	(15)	3	3,001
Net trading income	(1)	12	4	234	264	29	(12)	530
Net other expenses/income	(35)	27	20	12	14	(68)	(3)	(34)
OPERATING INCOME	**3,246**	**1,205**	**645**	**1,809**	**1,783**	**(114)**	**(27)**	**8,548**
Payroll costs	(1,056)	(480)	(266)	(390)	(302)	(527)	(13)	(3,034)
Other administrative expenses	(949)	(351)	(225)	(291)	(455)	719	(55)	(1,608)
Recovery of expenses	192	6	-	21	1	26	6	253
Amortisation, depreciation and impairment losses on tangible and intangible assets	(44)	(10)	(4)	(94)	(7)	(390)	(0)	(548)
Operating expenses	**(1,856)**	**(835)**	**(495)**	**(753)**	**(763)**	**(172)**	**(62)**	**(4,937)**
OPERATING PROFIT	**1,390**	**370**	**150**	**1,056**	**1,019**	**(286)**	**(89)**	**3,610**
Net writedowns of loans and provisions for guarantees and commitments	(1,096)	(225)	(84)	(495)	(400)	14	89	(2,198)
OPERATING NET PROFIT	**295**	**145**	**66**	**560**	**620**	**(272)**	**(1)**	**1,412**
Other charges and provisions	(92)	(53)	(78)	(148)	(157)	(188)	3	(713)
Integration costs	(1,029)	(1)	(0)	(15)	(28)	(265)	(14)	(1,352)
Net income from investments	(8)	0	(56)	(4)	(77)	(1,090)	(120)	(1,353)
PROFIT BEFORE TAX	**(834)**	**91**	**(68)**	**393**	**358**	**(1,815)**	**(132)**	**(2,007)**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2020
CUSTOMERS LOANS (NET REPOS AND IC)	132,998	89,542	44,164	64,974	95,700	1,988	1,626	**430,992**
CUSTOMERS DEPOS (NET REPOS AND IC)	159,581	95,128	49,957	71,756	54,351	2,070	440	**433,283**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	90,253	37,673	23,615	58,423	91,083	40,437	9,187	**350,670**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2020
STAFF								
Employees (FTE)	27,941	8,967	4,754	24,238	3,494	14,012	280	**83,685**

Part L - Segment reporting

A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2019
Net interest	1,674	767	340	1,286	1,093	(124)	8	5,044
Dividends and other income from equity investments	50	2	76	13	1	180	-	321
Net fees and commissions	1,829	359	293	405	242	(29)	6	3,106
Net trading income	21	11	10	271	552	(73)	(8)	784
Net other expenses/income	(12)	46	22	17	37	(69)	(12)	31
OPERATING INCOME	**3,563**	**1,185**	**741**	**1,991**	**1,926**	**(115)**	**(6)**	**9,285**
Payroll costs	(1,086)	(470)	(260)	(392)	(316)	(534)	(17)	(3,075)
Other administrative expenses	(988)	(338)	(217)	(289)	(455)	751	(99)	(1,635)
Recovery of expenses	213	4	0	24	1	27	32	301
Amortisation, depreciation and impairment losses on tangible and intangible assets	(44)	(9)	(3)	(93)	(8)	(393)	(0)	(549)
Operating expenses	**(1,905)**	**(813)**	**(479)**	**(750)**	**(778)**	**(149)**	**(84)**	**(4,958)**
OPERATING PROFIT	**1,658**	**372**	**262**	**1,241**	**1,148**	**(264)**	**(90)**	**4,328**
Net writedowns of loans and provisions for guarantees and commitments	(522)	(26)	10	(186)	(151)	(3)	(297)	(1,175)
OPERATING NET PROFIT	**1,136**	**347**	**271**	**1,056**	**998**	**(267)**	**(387)**	**3,153**
Other charges and provisions	(150)	41	(60)	(145)	161	(194)	(104)	(450)
Integration costs	(1)	(0)	1	(2)	(0)	(2)	(0)	(5)
Net income from investments	(83)	73	9	(2)	(232)	41	(27)	(221)
PROFIT BEFORE TAX	**902**	**461**	**221**	**907**	**927**	**(422)**	**(518)**	**2,478**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2019
CUSTOMERS LOANS (NET REPOS AND IC)	134,974	87,172	44,521	67,534	85,970	2,295	1,886	**424,352**
CUSTOMERS DEPOS (NET REPOS AND IC)	153,283	89,798	48,454	70,745	55,349	2,332	488	**420,449**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	96,067	36,171	23,141	67,560	85,081	59,733	10,966	**378,718**

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
STAFF								
Employees (FTE)	28,379	9,096	4,798	24,142	3,494	14,042	295	**84,245**

Condensed Interim consolidated financial statements certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned Jean Pierre Mustier (as Chief Executive Officer) and Stefano Porro (as the Manager 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 application

of the administrative and accounting procedures employed to draw up the Condensed interim consolidated financial statements, in the first half of 2020.

2. The adequacy of administrative and accounting procedures employed to draw up the 2020 Condensed interim consolidated financial statements has been evaluated by applying a model devised by UniCredit S.p.A. in accordance with "Internal Control - Integrated Framework (CoSO)" and "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and, specifically, for financial reporting.

3. The undersigned also **certify** that:

3.1 the 2020 Condensed interim 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) are consistent with accounting books and records;

c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and the group of companies included in the scope of consolidation;

3.2 the Interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, 5 August 2020

Jean Pierre MUSTIER

Stefano PORRO

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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
UniCredit S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements of UniCredit S.p.A. and subsidiaries (the "UniCredit Group"), which comprise the balance sheet as of June 30, 2020 and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the six month period then ended and the related explanatory notes. The Directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of UniCredit Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
August 7, 2020

This report has been translated into the English language solely for the convenience of international readers.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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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

(€ million)

	AMOUNTS AS AT	
ASSETS	**06.30.2020**	**12.31.2019**
Cash and cash balances	17,342	17,305
Item 10. Cash and cash balances	*17,342*	*17,305*
Financial assets held for trading	67,236	63,280
Item 20. Financial assets at fair value through profit and loss: a) Financial assets held for trading	*67,236*	*63,280*
Loans to banks	126,541	97,888
Item 40. Financial assets at amortised cost: a) Loans and receivables with banks	*131,749*	*101,669*
less: Reclassification of debt securities in Other financial assets	*(5,278)*	*(3,826)*
+ Reclassification of loans from Other financial assets - Item 20 c)	*70*	*45*
Loans to customers	479,253	482,574
Item 40. Financial assets at amortised cost: b) Loans and receivables with customers	*531,366*	*524,794*
less: Reclassification of debt securities in Other financial assets	*(54,574)*	*(45,093)*
less: Reclassification of leasing assets IFRS16 in Other financial liabilities	*(52)*	*(56)*
+ Reclassification of loans from Other financial assets - Item 20 c)	*2,513*	*2,929*
Other financial assets	155,884	149,091
Item 20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value	*18,232*	*18,600*
less: Reclassification of loans in Loans to banks	*(70)*	*(45)*
less: Reclassification of loans in Loans to customers	*(2,513)*	*(2,929)*
Item 30. Financial assets at fair value through other comprehensive income	*76,184*	*79,702*
Item 70. Equity investments	*4,147*	*4,787*
+ Reclassification of debt securities from Loans to banks - Item 40 a)	*5,278*	*3,826*
+ Reclassification of debt securities from Loans to customers - Item 40 b)	*54,574*	*45,093*
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	*52*	*56*
Hedging instruments	11,445	9,230
Item 50. Hedging derivatives	*7,297*	*5,934*
Item 60. Changes in fair value of portfolio hedged items (+/-)	*4,148*	*3,296*
Property, plant and equipment	10,242	11,097
Item 90. Property, plant and equipment	*10,242*	*11,097*
Goodwill	878	886
Item 100. Intangible assets of which: goodwill	*878*	*886*
Other intangible assets	1,957	1,914
Item 100. Intangible assets net of goodwill	*1,957*	*1,914*
Tax assets	12,978	12,922
Item 110. Tax assets	*12,978*	*12,922*
Non-current assets and disposal groups classified as held for sale	1,984	2,512
Item 120. Non-current assets and disposal groups classified as held for sale	*1,984*	*2,512*
Other assets	6,994	6,949
Item 130. Other assets	*6,994*	*6,949*
Total assets	**892,735**	**855,647**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
LIABILITIES AND SHAREHOLDERS' EQUITY	**06.30.2020**	**12.31.2019**
Deposits from banks	164,843	135,563
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	*164,851*	*135,572*
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	*(9)*	*(9)*
Deposits from customers	468,315	470,570
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	*470,708*	*472,967*
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	*(2,393)*	*(2,397)*
Debt securities issued	95,902	96,301
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	*95,902*	*96,301*
Financial liabilities held for trading	45,551	41,483
Item 20. Financial liabilities held for trading	*45,551*	*41,483*
Other financial liabilities	12,656	12,083
Item 30. Financial liabilities designated at fair value	*10,255*	*9,678*
+ Reclassification of leasing liabilities IFRS16 from Deposits from banks	*9*	*9*
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	*2,393*	*2,397*
Hedging instruments	15,029	12,150
Item 40. Hedging derivatives	*8,290*	*7,186*
Item 50. Value adjustment of hedged financial liabilities (+/-)	*6,739*	*4,964*
Tax liabilities	1,454	1,378
Item 60. Tax liabilities	*1,454*	*1,378*
Liabilities included in disposal groups classified as held for sale	615	725
Item 70. Liabilities referrable to disposal groups classified as held for sale	*615*	*725*
Other liabilities	27,186	23,608
Item 80. Other liabilities	*16,613*	*12,549*
item 90. Provision for employee severance pay	*619*	*661*
Item 100. Provisions for risks and charges	*9,953*	*10,398*
Minorities	437	369
Item 190. Minority shareholders' equity (+/-)	*437*	*369*
Group shareholders' equity:	60,748	61,416
- Capital and reserves	63,034	58,042
Item 120. Valuation reserves	*(5,473)*	*(6,120)*
Item 140. Equity instruments	*6,841*	*5,602*
Item 150. Reserves	*31,223*	*24,344*
Item 160. Share premium	*9,386*	*13,225*
Item 170. Share capital	*21,060*	*20,995*
Item 180. Treasury shares (-)	*(3)*	*(3)*
- Net profit (loss)	(2,286)	3,373
Item 200. Profit (Loss) for the period (+/-)	*(2,286)*	*3,373*
Total liabilities and shareholders' equity	**892,735**	**855,647**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

Consolidated income statement

(€ million)

	H1	
	2020	2019
Net interest	4,887	5,044
Item 30. Net interest margin	*4,924*	*5,182*
less: Reclassification "loss of control" on FinecoBank S.p.A.(*)	*-*	*(51)*
less: Reclassification net Interest contribution deriving from Trading Book instruments	*(13)*	*(88)*
+ Derivatives instruments - Economic Hedges - Others - Interest component	*(25)*	*1*
Dividends and other income from equity investments	164	321
Item 70. Dividend income and similar revenue	*132*	*177*
less: Dividends from held for trading equity instruments included in Item 70	*(91)*	*(151)*
less: Dividends on equity investments, shares and equity instruments mandatorily at fair value	*(25)*	*(11)*
Item 250. Profit (Loss) of equity investments - of which: Profit (Loss) of equity investments valued at equity	*148*	*307*
Net fees and commissions	3,001	3,106
Item 60. Net fees and commissions	*3,006*	*3,112*
+ Non-recoverable expenses incurred for customers financial transactions taxes (from Item 190 b)	*(6)*	*(7)*
Net trading income	530	784
Item 80. Net gains (losses) on trading	*(364)*	*465*
less: Derivatives instruments - Economic Hedges - Others - Interest component	*25*	*(1)*
Item 90. Net gains (losses) on hedge accounting	*(18)*	*22*
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	*10*	*(6)*
Item 100. Gains (Losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income	*127*	*103*
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit and loss	*456*	*(136)*
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - different from loans (from Item 100 a)	*73*	*47*
+ Dividends from held for trading equity instruments (from Item 70)	*91*	*151*
+ Dividends on equity investments, shares and equity instruments mandatorily at fair value (from Item 70)	*25*	*11*
+ Net results from trading of gold and precious metals (from Item 230)	*92*	*39*
+ Reclassification net Interest contribution deriving from Trading Book instruments	*13*	*88*
Net other expenses/income	(34)	31
Item 230. Other operating expenses/income	*343*	*409*
less: Recovery of expenses	*(236)*	*(284)*
less: Transitional revenues	*(1)*	*-*
less: Net value adjustments/write-backs on leasehold improvements (on non-separable assets)	*30*	*27*
less: Other operating income - Other income from invoicing JVs	*(16)*	*(17)*
less: Net results from trading of gold, precious stones and metals	*(89)*	*37*
+ Result of industrial companies	*(1)*	*(75)*
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	*(1)*	*(3)*
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	*(64)*	*(65)*
+ Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	*1*	*2*
OPERATING INCOME	**8,548**	**9,285**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	H1	
	2020	2019
OPERATING INCOME	**8,548**	**9,285**
Payroll costs	(3,034)	(3,075)
Item 190. Administrative expenses: a) staff costs	*(4,386)*	*(3,078)*
less: Staff costs of industrial companies	*-*	*2*
less: Integration costs	*1,352*	*1*
Other administrative expenses	(1,608)	(1,635)
Item 190. Administrative expenses: b) other administrative expenses	*(2,255)*	*(2,241)*
less: Administrative expenses: b) other administrative expenses of industrial companies	*1*	*6*
less: Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	*671*	*619*
less: Integration costs	*(1)*	*1*
less: Non-recoverable expenses incurred for customers financial transactions taxes	*6*	*7*
+ Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets" (from Item 230)	*(30)*	*(27)*
Recovery of expenses	253	301
+ Recovery of expenses (from Item 230)	*236*	*284*
+ Transition revenues (from Item 230)	*1*	*-*
+ Other operating income - Other income from invoicing JVs	*16*	*17*
Amortisation, depreciation and impairment losses on intangible and tangible assets	(548)	(549)
Item 210. Net value adjustments/write-backs on property, plant and equipment	*(523)*	*(743)*
less: Reversal of impairment losses/write backs on property owned for investment	*-*	*27*
less: Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	*1*	*-*
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*112*	*259*
less: Net value adjustments/write-backs of tangible in operating lease assets	*64*	*65*
less: Integration costs	*2*	*-*
Item 220. Net value adjustments/write-backs on intangible assets	*(202)*	*(316)*
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	*-*	*63*
less: Purchase Price Allocation effect	*-*	*96*
Operating costs	**(4,937)**	**(4,958)**
OPERATING PROFIT (LOSS)	**3,610**	**4,328**
Net write-downs on loans and provisions for guarantees and commitments	(2,198)	(1,175)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	*110*	*48*
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	*1*	*3*
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	*(73)*	*(47)*
Item 130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	*(2,160)*	*(1,179)*
less: Net losses/recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	*46*	*3*
Item 130. Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income	*(36)*	*(8)*
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	*36*	*8*
Item 140. Gains/Losses from contractual changes with no cancellations	*(10)*	*(3)*
Item 200. Net provisions for risks and charge - of which: a) commitments and financial guarantees given	*(114)*	*(2)*
less: Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS)	*2*	*2*
NET OPERATING PROFIT (LOSS)	**1,412**	**3,153**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	H1	
	2020	2019
NET OPERATING PROFIT (LOSS)	**1,412**	**3,153**
Other charges and provisions	(713)	(450)
Item 200. Net provisions for risks and charges - of which: b) other net provision	*(53)*	*166*
less: Net provisions for risks and charges of industrial companies	*-*	*3*
less: Integration costs	*-*	*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	*13*	*-*
+ Contributions to Resolution Funds (SRF), Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA (from Item 190	*(671)*	*(619)*
+ Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS) - (from Item 200)	*(2)*	*(2)*
Integration costs	(1,352)	(5)
+ Payroll costs - Administrative expenses - of which a) staff costs - integration costs (from Item 190)	*(1,352)*	*(1)*
+ Other administrative expenses - Administrative expenses - of which b) other administrative expenses - integration costs (from Item 190)	*1*	*(1)*
+ 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)	*(2)*	*-*
+ Other charges and provisions - Net provisions for risks and charges - integration costs (from Item 200)	*-*	*(2)*
+ Net other expenses/income - Other operating expenses/income - integration costs (from Item 230)	*-*	*-*
Net income from investments	(1,353)	(221)
Item 250. Profit (Loss) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity escluded IFRS5	*(1,666)*	*36*
Item 260. Net gains (losses) on tangible and intangible assets measured at fair value	*(9)*	*45*
Item 280. Gains (Losses) on disposal on investments	*464*	*77*
less: Gains (Losses) on disposals on investments in operating lease assets (from Item 280)	*(1)*	*(2)*
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	*(46)*	*(3)*
+ Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	*(36)*	*(8)*
+ Impairment losses/write backs on property owned for investment (from Item 210)	*-*	*(27)*
+ Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	*(1)*	*-*
+ Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*(127)*	*(261)*
+ Net results from trading of precious stones (from Item 230)	*(4)*	*(76)*
less: Purchase Price Allocation effect	*72*	*-*
PROFIT (LOSS) BEFORE TAX	**(2,007)**	**2,478**
Income tax for the period	(213)	(670)
Item 300. Tax expense (income) from continuing operations	*(190)*	*(639)*
less: Tax expense related to profit from continuing operations of industrial companies	*-*	*1*
less: Purchase Price Allocation effect	*(23)*	*(32)*
NET PROFIT (LOSS)	**(2,219)**	**1,808**
Profit (Loss) from non-current assets held for sale after tax	1	1,372
Item 320. Profit (Loss) after tax from discontinued operations	*1*	*1,321*
+ Reclassification "loss of control" on FinecoBank S.p.A.(*)	*-*	*51*
PROFIT (LOSS) FOR THE PERIOD	**(2,219)**	**3,180**
Minorities	(10)	(88)
Item 340. Minorities' profit (loss) for the period	*(10)*	*(88)*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**(2,229)**	**3,092**
Purchase Price Allocation effect	(50)	(64)
Goodwill impairment	(8)	-
Item 270. Goodwill Impairment	*(8)*	*-*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**(2,286)**	**3,028**

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".

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.

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 ("Sofferenze")
Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any, secured or personal, guarantees covering the exposures).

Banking Book
Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

Bank Levy
Charges applied at national level specifically to financial institutions, mainly based on Balance Sheet figures, or parts of it.

Basel 2
New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.
The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.
- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- Pillar 2: this requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures;
- Pillar 3: this introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3
As a consequence of the crisis that, since 2008 has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as at 1 January 2014. These rules have been implemented at the European level through the CRDIV "Package".

Best practice
Behaviour 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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