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UniCredit Group Disclosure (Pillar III)

as at 31 December 2020

Banking that matters. UniCredit

Content

Notes:

- All amounts, unless otherwise specified, are expressed in millions of euro.
- Data refer to the prudential scope of consolidation.
- Any discrepancies between data disclosed in this document are solely due to the effect of rounding.
- The amounts reported are coherent with the most recent submissions of the regulatory reporting for each period; as a result, some amounts may differ from those disclosed in previous publications.
- With regard to both the standardised approach and the IRB methodology, non-weighted amounts concerning "guarantees given and commitments to disburse funds" were considered based on the credit equivalent, unless otherwise specified.
- It should be noted that the disclosures to be provided by the systemically important banks were published on the UniCredit group's website according to the deadline defined in the relevant regulations (https://www.unicreditgroup.eu/en/investors/financial-reports.html).
- The Disclosure by UniCredit group is prepared in accordance with a formal policy (Internal Regulation) adopted in the application of the CRR Article 431(3), that sets out the internal controls and procedures. The key elements of this policy are:
  - identification of roles and responsibilities of the corporate bodies, departments and Legal Entities involved in the process of producing the Disclosure;
  - identification of the information to be published (in accordance with EBA GL/2014/14 and EBA GL 2016/11 and CRR Article 432 and 433 and, with reference to 31 December 2020, subsequent amendment in the Regulation No.876/2019);
  - instructions for Legal Entities contrbutions and related controls;
  - consolidation of the disclosure contributions and related controls;
  - approval by the Board of Directors;
  - publication on the UniCredit group website;
  - evaluation related to Pillar III re-publication, after the initial issuance, for alignment with the most recent submissions of regulatory reporting.
- The templates subject to reconciliation of data across disclosure's templates as represented in the Annex 3, report a specific note in order to facilitate their identification.

Contents cross reference to the regulatory disclosure requirements

In coherence with the EBA Guidelines “GL/2014/14”[1] and updates reported in the EBA Guidelines “GL/2016/11”[2], the tables below shows the cross reference to the information published annually, as included in the present document or in the document Annual Report and Accounts as at 31 December 2020.

Cross reference to the EDTF recommendations

On 29 October 2012 the document “Enhancing the risk disclosures of banks” was published by the Enhanced Disclosure Task Force - EDTF, established by the Financial Stability Board (FSB). The document contains 32 recommendations aiming at improving disclosure transparency for those risk profiles investors envisaged the need of more clear and complete information.

EDTF RECOMMENDATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		SECTION/PARAGRAPH/TABLE
General recommendations			
1.Disclosure - Indexing of risk information	P3	Index	The present disclosure represents the document where all related risk information is reported including reference to other report or means of disclosures
2.Disclosure - Risk terminology & measures	P3	Glossary	A Glossary / Abbreviations chapter is included at the end of this document. Specific parameters and definitions are found in the single risks' sections
3.Top and emerging risks	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.6 Other risks - Top and emerging risks
4. New key regulatory ratio	P3	Leverage	Quantitative information
		Liquidity risk	Liquidity Coverage Ratio
		Own Funds	Total Loss Absorbing Capacity
Risk governance & risk management strategies/business model			
5.Risk management organization	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Introduction
			Section 2 - Risks of the prudential consolidated perimeter:
			2.1 Credit risk
			Qualitative information: 1. General aspects 2. Credit risk management policies
			2.2 Market risk
			2.4 Liquidity risk
			2.5 Operational risks - A. General aspects, operational processes and methods for measuring operational risk
6.Risk management Risk culture	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Introduction - Risk Culture in UniCredit group
		UniCredit group website	https://www.unicreditgroup.eu/en/governance/compensation.html
7.Risk management and business model	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Introduction
			Section 2 - Risks of the prudential consolidated perimeter - Section 2.6 Other risks - Other risks included in Economic Capital (Business, real estate, financial investment); Reputational risk
		Notes to the Consolidated Accounts Part L - Segment Reporting	Section A. Primary segment - Table “A.2 - Breakdown by business segment: balance sheet amounts and RWA"
	P3	Capital requirements	“Risk Weighted Assets segmentation” table
8.Stress testing disclosures	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter:
			2.1 Credit risk - Qualitative information
			2.2 Market risk
			2.4 Liquidity risk
			2.5 Operational risks
	P3	Credit risk	Counterparty risk exposure

1 “Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013”.
2 “Guidelines on disclosure requirements under Part Eight of Regulation (EU) No.575/2013”.

Contents cross reference to the regulatory disclosure requirements

EDTF RECOMMENDATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		SECTION/PARAGRAPH/TABLE
Capital adequacy and risk-weighted assets			
9.Capital surcharges & buffers	P3	Capital requirements	"Capital Adequacy" Table
10.Regulatory capital - summary and reconciliation	P3	Own Funds	Tables:
			"Accounting and Regulatory Balance Sheet reconciliation, with cross-reference to Own Funds items"
			"Own Funds disclosure template"
11.Regulatory capital - changes over time	P3	Own Funds	"Flow Statement for Own Funds" Table
12.Capital planning - targeted level of capital	AR	Notes to the Consolidated Accounts Part F - Consolidated shareholders' equity	Section 1 - Consolidated Shareholders' Equity
		Consolidated report on operations	Group results - Capital and value management - Capital strengthening
13.RWAs and business activities	P3	Capital requirements	"Risk Weighted Assets segmentation" table
14.RWA calculation method and models	P3	Capital requirements	Tables:
			"Credit and Counterparty risks"
			"Capital Adequacy"
			"Market risk capital requirement"
		Credit risk	Use of the IRB approach
			Counterparty risk exposure
		Market risk	Exposure and use of internal models
		Operational risk	Use of Advanced Measurement Approaches (AMA)
	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.2 Market risk
15.RWA - IRB RWAs by internal rating grade	P3	Credit risk	Use of the IRB approach and tables:
			"Internal rating-based methodology - Advanced Method"
			"Internal rating-based methodology - Advanced Method - Retail exposures"
			"Rating Group Master Scale"
16.RWA - Changes overtime	P3	Capital requirements	Tables:
			"Yearly changes in Risk Weighted Assets"
			"EU OV1 - Overview of RWA"
17.RWA - Backtesting	P3	Credit risk	Use of the IRB approach - paragraphs:
			Expected loss versus actual loss comparison
			Model performance: comparison between estimated and actual results
	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.2 Market risk
Liquidity			
18.Liquidity	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.4 Liquidity risk
	P3	Liquidity risk	Liquidity Buffer and Funding Strategies
		Scope of application	Substantial or legal impediments, current or foreseeable, that hinder the rapid transfer of capital resources or funds within the Group

Contents cross reference to the regulatory disclosure requirements

EDTF RECOMMENDATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		SECTION/PARAGRAPH/TABLE
Funding			
19.Funding - Asset encumbrance	P3	Liquidity risk	Encumbered and unencumbered assets
20.Funding - Maturity Analysis	P3	Market risk	Exposures to interest rate risk on positions not included in the trading book
	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.4 Liquidity risk - "Time breakdown by contractual residual maturity of financial assets and liabilities" Table
21.Funding - Funding strategy	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.4 Liquidity risk
	P3	Liquidity risk	Liquidity Buffer and Funding Strategies
Market risk			
22.Market risk - linkages with positions included in the market risk disclosures	P3	Market risk	Exposure and use of internal models:
			"Risk measures" paragraph
			"Link between market risk metrics and Balance Sheet items" Table
23.Market risk - other significant risk factors	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.2 Market risk
24.Market risk - Model disclosures			
25.Market risk - techniques to assess the risk of loss beyond reported risk measures and parameters			
Credit risk			
26.Credit risk - Overall credit risk profile and credit risk concentrations	P3	Credit risk	Tables:
			"Breakdown of sovereign debt securities by country and portfolio"
			"Breakdown of sovereign loans by country"
			"EU CR1-A", "EU CRB-C", "EU CRB-D", "EU CRB-E"
			Template 8 "Changes in the stock of non-performing loans and advances"
			"Breakdown of loans and advances to non-financial corporations by NACE codes"
27.Credit risk - Impaired / NPLs policies	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.1. Credit risk - Qualitative information:
			3. Non-performing credit exposures - 3.1 Management strategies and policies
			4. Commercial renegotiation financial assets and forborne exposures
		Notes to the Consolidated Accounts Part A - Accounting policies	Section A.2 Main items of the accounts - 3 Financial assets at amortised cost
	P3	Credit risk	Template 4 "Performing and non-performing exposures and related provisions"
28.Credit risk - Impaired / NPLs opening v closing balances	P3	Credit risk	"EU CR2-A", "EU CR2-B" Tables
			Template 8 "Changes in the stock of non-performing loans and advances"
	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter - 2.1. Credit risk - Qualitative information - 4. Commercial renegotiation financial assets and forborne exposures
		Notes to the Consolidated Accounts Part B - Consolidated balance sheet	Section 4 - Financial assets at amortised cost - Item 40 (Tables 4.1 e 4.2)

Contents cross reference to the regulatory disclosure requirements

EDTF RECOMMENDATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		SECTION/PARAGRAPH/TABLE
29.Credit risk - Derivatives exposure	AR	Notes to the Consolidated Accounts Part B - Consolidated balance sheet	Section Other information - Table 6. Financial assets subject to accounting offsetting or under master netting agreements and similar agreements
			Section Other information - Table 7. Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements
		Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter:
			2.1 Credit risk - Information on structured trading derivatives with customers
			2.3 Derivative instruments and hedging policies - paragraphs 2.3.1 Trading financial derivatives, 2.3.2 Hedging policies - Quantitative information and 2.3.3 Other information on derivatives instruments (trading and hedging)
	P3	Credit risk	Counterparty risk exposure
30.Credit risk mitigation	P3	Credit risk	Use of risk mitigation techniques (CRM) - “Distribution of collaterals on credit exposures to banks and customers” Table
			Use of risk mitigation techniques (CRM) - “Distribution of guarantees on credit exposures to banks and customers” Table
			Use of risk mitigation techniques (CRM) - "EU CR3" Table
			Counterparty risk exposure
Other risks			
31.Other risks - Risk types and risk management	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Introduction
			Section 2 - Risks of the prudential consolidated perimeter - Section 2.6 Other risks
	P3	Operational risk	Description of the risk measurement methodology (AMA)
32.Other risks - Publicly known risk events	AR	Notes to the Consolidated Accounts Part E - Information on risks and hedging policies	Section 2 - Risks of the prudential consolidated perimeter:
			2.5 Operational risks - B. Legal Risks, C. Risks arising from employment law cases and D. Risks arising from tax disputes
			2.6 Other risks - Top and emerging risks
Additional information required by Taskforce on Disclosures about Expected Credit Losses in a “Recommendations on a comprehensive set of IFRS 9 Expected Credit Loss disclosures” of the Taskforce on Disclosures about Expected Credit Losses	AR	Notes to the Consolidated Accounts	Part A - Accounting Policies:
			A.1 - General; Section 2 - General Preparation Criteria
			A.2 - Main items of the accounts
			Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk:
			2.3 Measurement method for expected losses
			"A.1.3 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)” Table
			“A.1.2 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions” Table

Contents cross reference to the regulatory disclosure requirements

Cross reference to the EBA requirements

QUALITATIVE INFORMATION	QUANTITATIVE INFORMATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)	
EBA/GL/2016/11 - Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013			
Table 1 - EU OVA - Institution risk management approach		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies: - Introduction - Section 2 - Risks of the prudential consolidated perimeter - 2.6 Other risks
		P3	Credit risk - Use of risk mitigation techniques (CRM)
Table 2: EU CRA - General qualitative information about credit risk		AR	Notes to the Consolidated Accounts - 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 - 2. Credit risk management policies
Table 3: EU CCRA - Qualitative disclosure requirements related to CCR		P3	Credit risk - Counterparty risk exposure
Table 4: EU MRA - Qualitative disclosure requirements related to market risk		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.2. Market risk
Table 5: EU LIA - Explanations of differences between accounting and regulatory exposure amounts		P3	Scope of application
		AR	Notes to the Consolidated Accounts - Part A - Accounting policies - A.4 - Information on fair value
Table 6: EU CRB-A - Additional disclosure related to the credit quality of assets		AR	Notes to the Consolidated Accounts: - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1. Credit risk - Qualitative information - 3. Non-performing credit exposures - 3.1 Management strategies and policies - Part A - Accounting policies - A.2 - Main items of the accounts - 3 Financial assets at amortised cost
Table 7: EU CRC - Qualitative disclosure requirements related to CRM techniques		P3	Credit risk - Use of risk mitigation techniques (CRM)
Table 8: EU CRD - Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk		P3	Credit risk - Use of standardised approach
Table 9: EU CRE - Qualitative disclosure requirements related to IRB models		P3	Credit risk - Use of the IRB approach
Table 10: EU MRB - Qualitative disclosure requirements for institutions using the IMA		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.2 Market risk
	Template 1: EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	P3	Scope of application
	Template 2: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements		

Contents cross reference to the regulatory disclosure requirements

QUALITATIVE INFORMATION	QUANTITATIVE INFORMATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)	
	Template 3: EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)	P3	Annex 2 - Scope of application
	Template 4 - EU OV1 - Overview of RWA	P3	Capital requirements
	Template 5 - CR10 - IRB (specialised lending - Slotting criteria and equities)		
	Template 6: EU INS1 - Non-deducted participations in insurance undertakings	-	Not published as not applicable as at 31 December 2020
	Template 7: EU CRB-B - Total and average net amount of exposures	P3	Credit risk - Non-performing and forborne exposures
	Template 8: EU CRB-C - Geographical breakdown of exposures		
	Template 9: EU CRB-D - Concentration of exposures by industry or counterparty		
	Template 10: EU CRB-E - Maturity of exposures		
	Template 11: EU CR1-A - Credit quality of exposures by exposure class and instrument		
	Template 16: EU CR2-A - Changes in the stock of general and specific credit risk adjustments		
	Template 17: EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities		
	Template 18: EU CR3 - CRM techniques - Overview	P3	Credit risk - Use of risk mitigation techniques (CRM)
	Template 19: EU CR4 - Standardised approach - Credit risk exposure and CRM effects	P3	Credit risk - Use of standardised approach
	Template 20 - EU CR5 - Standardised approach		
	Template 21 - EU CR6: IRB - Credit risk exposures by exposure class and PD range (AIRB, FIRB, Equity Exposure)	P3	Credit risk - Use of the IRB approach
	Template 22: EU CR7 - IRB approach - Effect on the RWAs of credit derivatives used as CRM techniques		
	Template 23 - EU CR8 - RWA flow statement of credit risk exposures under IRB		
	Template 24: EU CR9 - IRB approach - Backtesting of PD per exposure class (AIRB, FIRB, Equity treated under PD/LGD approach)		
	Template 25: EU CCR1 - Analysis of CCR exposure by approach	P3	Credit risk - Counterparty risk exposure
	Template 26: EU CCR2 - CVA capital charge		
	Template 27: EU CCR8 - Exposures to CCPs		

Contents cross reference to the regulatory disclosure requirements

QUALITATIVE INFORMATION	QUANTITATIVE INFORMATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)	
	Template 28 - EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk	P3	Credit risk - Use of standardised approach
	Template 29 - EU CCR4 - IRB - CCR exposures by portfolio and PD scale (AIRB, FIRB)	P3	Credit risk - Counterparty risk exposure
	Template 30 - EU CCR7 - RWA Flow statements of CCR exposures under the Internal Model Method (IMM)		
	Template 31: EU CCR5-A - Impact of netting and collateral held on exposure values		
	Template 32: EU CCR5-B- Composition of collateral for exposure to CCR		
	Template 33: EU CCR6 - Credit derivatives exposures		
	Template 34 - EU MR1 - Market risk under standardised approach	P3	Capital requirements
	Template 35 - EU MR2-A - Market risk under the IMA	P3	Market risk
	Template 36 - EU MR2-B - RWA flow statements of market risk exposures under the IMA		
	Template 37: EU MR3 - IMA values for trading portfolios		
	Template 38: EU MR4 - Comparison of VaR estimates with gains/losses	AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.2 Market risk
EBA/GL/2017/01 - Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013			
Table EU LIQA on liquidity risk management		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.4 Liquidity risk
Templates EU LIQ1 (qualitative information)		P3	Liquidity risk - Liquidity Coverage Ratio
	Templates EU LIQ1 (quantitative information)		
EBA/GL/2018/10 - Guidelines on disclosure of non-performing and forborne exposures			
	Template 1: Credit quality of forborne exposures	P3	Credit risk - Non-performing and forborne exposures
	Template 2: Quality of forbearance		
	Template 3: Credit quality of performing and non-performing exposures by past due days		
	Template 4: Performing and non-performing exposures and related provisions		
	Template 5: Quality of non-performing exposures by geography		
	Template 6: Credit quality of loans and advances by industry		

Contents cross reference to the regulatory disclosure requirements

QUALITATIVE INFORMATION	QUANTITATIVE INFORMATION	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)	
	Template 7: Collateral valuation - loans and advances	P3	Credit risk - Non-performing and forborne exposures
	Template 8: Changes in the stock of non-performing loans and advances		
	Template 9: Collateral obtained by taking possession and execution processes		
	Template 10: Collateral obtained by taking possession and execution processes - vintage breakdown		
EBA/ITS/2020/06 - Final Report on draft ITS on disclosure and reporting on MREL and TLAC			
	EU KM2 - Key metrics	P3	Own Funds - Total Loss Absorbing Capacity
	EU TLAC1: TLAC composition (at resolution group level)		
	EU TLAC 3 - Resolution entity - Creditor rating		
EBA Statement on supervisory reporting and Pillar 3 disclosure in light of Covid-19			
EBA Statement issued on 31 March 2020 - Supervisory Reporting and Pillar 3 disclosure in the context of the Covid-19 outbreak		P3	"Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States" chapter
EBA/GL/2020/07 - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis			
	Template 1: Information on loans and advances subject to legislative and non-legislative moratoria	P3	Credit risk - Non-performing and forborne exposures
	Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria		
	Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis		
EBA/GL/2020/11 - Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic			
	LRCom: Leverage ratio common disclosure	P3	Leverage
EBA/GL/2020/12 - Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic			
	Template IFRS9-FL - Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	P3	Own Funds

Moreover, with reference to some **best practices identified by EBA** in the Report "*on assessment of Institutions' Pillar 3 Disclosure*" (EBA/Rep/2020/09), it is worth mentioning the following:

- **Sustainability and ESG risks** (Environmental, Social and Governance risks) disclosure is reported, on the basis of the current regulatory framework, on the Group website at link https://www.unicreditgroup.eu/en.html, "Sustainability" section. The section includes the UniCredit Integrated Report at link https://www.unicreditgroup.eu/en/a-sustainable-bank/sustainability-reporting.html. It should be noted that the information on environmental, social and governance risks required for Pillar 3 purpose will be provided as required by 449a Article of CRR2 starting from December 2022;
- in order to facilitate the understanding of the consistency of the quantitative data between the tables of the present document, the Annex 3 reports the **reconciliation of the main regulatory figures** represented in the various tables.

Contents cross reference to the regulatory disclosure requirements

Cross reference to the information required by CRR

The table refers to the disclosure required by Regulation (EU) No.575/2013 and subsequently amendment in Regulation (EU) No.2019/876 of the European Parliament and of the Council of 20 May 2019 (“CRR2”) with reference to the requirements into force as at 31 December 2020.

CRR ARTICLE	CONTENT	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		REFERENCE TO THE EXTERNAL DOCUMENTS
435	Risk management objectives and policies	AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies:	"Corporate Governance report" document on UniCredit Group website (https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html) that includes the information on Internal Control & Risk Committee and the number of times this committee has met
			Introduction	
			Section 2 - Risks of the prudential consolidated perimeter:	
			2.1 Credit risk - Qualitative information - 1. General aspects - 2. Credit risk management policies	
			2.2 Market risk	
			2.4 Liquidity risk	
			2.5 Operational risks - A. General aspects, operational processes and methods for measuring operational risk	
			2.6 Other risks	
		P3	Liquidity risk - Liquidity Coverage Ratio	
436	Scope of application	P3	Scope of application	
			Annex 2 - Scope of application	
437/437a	Own Funds/Owns Funds and eligible liabilities	P3	Own Funds	UniCredit Group website: - Full terms and conditions of all capital instruments (Article 437, paragraph 1, letter c) link https://www.unicreditgroup.eu/en/investors/funding-and-ratings/programs/bank-capital.html - Annex 1 in editable format (excel) to link https://www.unicreditgroup.eu/en/investors/third-pillar-basel-two-and-three.html)
			Own Funds - Total Loss Absorbing Capacity	
			Annex 1 Capital instruments and TLAC eligible instruments main features templates	
		AR	Notes to the Consolidated Accounts - Part F - Consolidated shareholders’ equity - Section 1 Consolidated Shareholders’ Equity - tables:	
			B.1 Consolidated Shareholders' Equity: breakdown by type of company	
			B.2 Revaluation reserves of financial assets at fair value through other comprehensive income: breakdown	
			B.3 Revaluation reserves of financial assets at fair value through other comprehensive income: annual change	
			B.4 Revaluation reserves related to defined benefit plans: annual changes	
438	Capital requirements	P3	Capital requirements	
		AR	Notes to the Consolidated Accounts - Part F - Consolidated shareholders’ equity - Section 1 Consolidated Shareholders’ Equity	
			Consolidated report on operations - Group results - Capital and value management - Capital strengthening	

Contents cross reference to the regulatory disclosure requirements

CRR ARTICLE	CONTENT	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		REFERENCE TO THE EXTERNAL DOCUMENTS
439	Exposure to counterparty credit risk	P3	Credit risk - Counterparty risk exposure	
		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.3 Derivative instruments and hedging policies - paragraphs 2.3.1 Trading financial derivatives, 2.3.2 Hedging policies - Quantitative information and 2.3.3 Other information on derivatives instruments (trading and hedging)	
440	Capital buffers	P3	Capital requirements	
441	Indicators of global systemic importance			UniCredit Group website link https://www.unicreditgroup.eu/en/investors/financial-reports.html - (G-SIBs Disclosure section)
442	Credit risk adjustments	P3	Credit risk - Non-performing and forborne exposures	
		AR	Notes to the Consolidated Accounts:	
			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 - 2. Credit risk management policies - 3. Non-performing credit exposures - 4. Commercial renegotiation financial assets and forborne exposures	
			Part A Accounting policies - Section A.2 Main items of the accounts - 3 Financial assets at amortised	
443	Unencumbered assets	P3	Liquidity risk - Encumbered and unencumbered assets	
444	Use of ECAIs	P3	Credit risk - Use of standardised approach	
			Credit risk - Use of the IRB approach ("Group Master Scale" Table)	
			Securitization exposures (Use of ECAIs' ratings)	
445	Exposure to market risk	P3	Market risk	
			Capital requirements - EU MR1 Template	
		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.2 Market risk	
446	Operational risk	P3	Operational risk	
		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.5 Operational risks - A. General aspects, operational processes and methods for measuring operational risk	
447	Key metrics	P3	Own Funds	
			Own Funds - Total Loss Absorbing Capacity	
			Capital requirements - EU OV1 Template	
			Leverage	
			Liquidity risk - Liquidity Coverage Ratio	

Contents cross reference to the regulatory disclosure requirements

CRR ARTICLE	CONTENT	REFERENCE TO THE PRESENT DOCUMENT (P3)/ANNUAL REPORT AND ACCOUNTS AS AT 12.31.2020 (AR)		REFERENCE TO THE EXTERNAL DOCUMENTS
448	Exposure to interest rate risk on positions not included in the trading book	P3	Market risk - Exposures to interest rate risk on positions not included in the trading book	
449	Exposure to securitisation positions	P3	Securitisation exposures	
			Capital requirements - EU OV1 Template	
		AR	Annex 3 “Securitisation”: - tables showing the features both of traditional (including self-securitisations and synthetic securitisations)	
			Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 Risks of the prudential consolidated, 2.1 Credit Risk - C. Securitisation transactions (losses recognised during the current period regarding to the exposures securitised - C.1 and C.2 tables)	
450	Remuneration policy			UniCredit Group website link https://www.unicreditgroup.eu/en/governance/compensation.html
451/451a	Leverage/Disclosure of liquidity requirements	P3	Leverage	
			Liquidity risk - Liquidity Coverage Ratio	
452	Use of the IRB Approach to credit risk	P3	Credit risk - Use of the IRB approach	
453	Use of credit risk mitigation techniques	P3	Credit risk - Use of risk mitigation techniques (CRM)	
454	Use of the Advanced Measurement Approaches to operational risk	P3	Operational risk - Use of Advanced Measurement Approaches	
455	Use of Internal Market Risk Models	P3	Market risk - Exposure and use of internal models	
			Market risk - Exposures to interest rate risk on positions not included in the trading book	
		AR	Notes to the Consolidated Accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.2. Market risk	
			Notes to the Consolidated Accounts - Part A Accounting policies - A.4 - Information on fair value	

Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States

The Section below is prepared according to the document "Statement on supervisory reporting and Pillar 3 disclosures in light of Covid-19" issued by EBA on 31 March 2020[3].

Overview of the measures from European Central Bank and European Banking Authority

During 2020, the Governing Council of the European Central Bank (ECB) has decided a number of measures to ensure that its directly supervised banks can continue to fulfill their role in funding the real economy given the economic effects of the Covid-19.
As well, the European Banking Authority (EBA) issued several statements to explain a number of interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment. These clarifications help ensure consistency and comparability in risk metrics across the whole EU banking sector, which are crucial to monitor the effects of the current crisis.

Among the measures above outlined, the following ones can be mentioned:

- **ECB measures issued on 12 March 2020:**
  - **Capital & Liquidity buffers**: banks can fully use capital and liquidity buffers; specifically banks can operate temporarily below:
    - Pillar 2 Guidance requirements,
    - Capital conservation buffer (moreover National authorities might revise the Countercyclical Buffer rates);
    - Liquidity Coverage Ratio (LCR) threshold.
  - **Pillar 2 requirement**: 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); this brings forward a measure initially scheduled to come into effect in January 2021, as part of the revision of the Capital Requirements Directive (CRD V).
  - **TLTROIII**: ECB announced easing of conditions for targeted longer-term refinancing operations. The Governing Council of the ECB decided to modify some of the key parameters of the third series of TLTRO III to support the continued access of firms and households to bank credit in the face of disruptions and temporary funding shortages associated with the outbreak.
  - **Other relief measures**: discussion with banks of individual measures, such as adjusting timetables, processes and deadlines (e.g., the ECB will consider rescheduling on-site inspections and extending deadlines for the remediation actions stemming from recent on-site inspections and internal model investigations). Later, ECB also communicated the postponement, by six months, of the issuance of TRIM[4] decisions, On-Site follow up letters and internal model decisions not yet communicated to institutions, unless the bank explicitly asks for a decision.

- **EBA measures issued on 12 March 2020:**
  - **Flexibility embedded in the regulatory framework to support the banking sector**: coordination between EBA and national competent authorities for a joint effort to alleviate the immediate operational burden for banks at this challenging juncture.
  - **EBA Stress Test:** the EBA has decided to postpone the EU-wide stress test exercise to 2021; this will allow banks to focus on and ensure continuity of their core operations, including support for their customers.

- **ECB measures issued on 20 March 2020:**
  - **Pro-cyclicality in Expected Credit Loss (IFRS9):** within the international accounting standards framework, ECB recommended institutions to give a greater weight to long-term stable outlook evidenced by past experience when estimating-long-term expected credit losses for the purposes of IFRS9 provisioning policies; this appears particularly important where banks face uncertainty in generating reasonable and supportable forecasts.
  - **Moratorium and public guarantee:** flexibility (within the ECB Guidance on NPL[5] and the Addendum[6]) regarding the classification of obligors as unlikely to pay, when institutions call on the Covid-19 related public guarantees; the ECB also extended flexibility to the unlikely-to-pay classification of exposures covered by legally imposed payment moratoriums related to Covid-19 in regard to timing and scope of the assessment. With regards to public guarantees, the FAQs indicate that ECB will apply a 0% minimum coverage expectation on new non-performing exposures that have public guarantees, for the first seven years of the NPE vintage count.
  - **Transitional IFRS9**: ECB recommended that institutions that had not already done so, to implement the transitional IFRS9 arrangements foreseen in the European Regulation No.575/2013 - Capital Requirements Regulation (CRR).

3 The section includes the measures issued up to end of January 2021 and which have an impact over UniCredit group figures and ratios as at 31 December 2020. EBA document is available at the following link: https://eba.europa.eu/eba-provides-additional-clarity-on-measures-mitigate-impact-covid-19-eu-banking-sector.
4 Targeted Review of Internal Models.
5 European Central Bank: "Guidance to banks on non-performing loans", issued in March 2017.
6 European Central Bank: "Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures", issued in March 2018.

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- **EBA measures issued on 25 March 2020** (on this topic, refer also to the EBA measures issued on 2 April 2020):
  - **Flexibility in prudential framework:** the EBA called for flexibility and pragmatism in the application of the prudential framework and clarified that, in case of debt moratoria, there is no automatic classification in default, to forborne, and of the worsening of the stage IFRS9.
  - **Risk measurement**: the EBA, nonetheless, insisted on the importance of adequate risk measurement expecting institutions to prioritise individual assessments of obligors' likeliness to pay when possible.

- **ECB measures issued on 27 March 2020:**
  - **ECB asked banks not to pay dividends until at least October 2020**: the ECB updated its recommendation to banks on dividend distributions. To boost the capacity to absorb losses and support lending to households, small businesses and corporates, the banks should not pay dividends for the financial years 2019 and 2020 until at least 1 October 2020. Banks should also refrain from share buy-backs aimed at remunerating shareholders.

- **EBA measures issued on 31 March 2020:**
  - **Sound capital base**: the EBA supported all the measures taken so far to ensure banks maintain a sound capital base and provide the needed support to the economy; in this respect, the EBA reiterated and expanded its call to institutions to refrain from the distribution of dividends or share buybacks for the purpose of remunerating shareholders and assess their remuneration policies in line with the risks stemming from the economic situation.

- **ECB measures issued on 1 April 2020:**
  - **Guidance on and references to the use of forecasts**: avoid excessively procyclical assumptions in expected credit loss (ECL) estimations during the Covid-19 pandemic; in particular, the guidance covered: i) the collective assessment of the significant increase in credit risk (SICR); ii) the use of long-term macroeconomic forecasts; iii) the use of macroeconomic forecasts limited to specific years.

- **EBA guidelines issued on 2 April 2020:**
  - **Guidelines on the treatment of legislative and non-legislative moratoria applied before 30 June 2020**: clarified which legislative and non-legislative payment moratoria could trigger forbearance classification; in particular, the guidelines supplemented the EBA Guidelines on the application of the definition of default as regards the treatment of distressed restructuring (they clarified that the payment moratoria, if based on the application of national laws, or on initiatives agreed at industry / private sector level, where widely applied by the relevant credit institutions, do not trigger forbearance classification and it is not necessary to verify the existence of the requirements for tracing between the distressed restructuring).

- **ECB statement issued on 14 April 2020:**
  - **ECB supported the action taken by Euro area macroprudential authorities to address the financial sector impact of the coronavirus outbreak by releasing or reducing capital buffers**: the ECB has assessed the notifications submitted by national macroprudential authorities for each proposed measure provided for in the CRR and CRD, and has issued a non-objection decision, thereby endorsing the measures taken to reduce capital requirements, including the countercyclical capital buffer.

- **ECB press release issued on 16 April 2020:**
  - **ECB Banking Supervision announced a temporary relief for capital requirements for market risk**, by allowing banks to reduce the market risk multiplier by its qualitative component, if any; the market risk multiplier is used to compensate the possible underestimation by banks of their capital requirements for market risk. The reduction of the market risk multiplier by its qualitative component aims at compensating for the quantitative multiplier which can rise when market volatility has been higher than predicted by the bank's internal model.

- **EBA statements issued on 22 April 2020:**
  - Further measures and guidance on the use of flexibility in relation to Covid-19 on:
    - Market Risk - Prudent Valuation: draft regulatory standards to mitigate the excessive procyclical effect of the current framework (effects should materialize not before second quarter 2020, and transitorily applicable till 31 December 2020);
    - Market Risk - VaR: clarification of the existing flexibility in the CRR regarding back-testing multipliers and indication that the review of the stressed VaR window could be postponed to the end of 2020;
    - Market Risk - Fundamental Review of the Trading Book (FRTB) - Standardised Approach (SA): postponement to 30 September 2021 (as reference date) of the first reporting related to FRTB-SA figures under CRR2;
    - Supervisory Review and Evaluation Process 2020: clarification that this year's supervisory assessment is focused on material risks and vulnerabilities driven by the current crisis, and the banks' ability to respond;

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- Securitisation: clarification on the application to securitisations of the beneficial treatment for forborne/NPE classification in case of public/private moratoria; the significant risk transfer - for deals envisaging such approach - will not be unduly affected;
- Digital operational resilience: EBA emphasised the importance - in this extraordinarily stressful situation - of operational continuity resilience and cyber security risk management.

- **EBA press release issued on 18 June 2020:**
  - **EBA extends deadline for the application of its Guidelines on payment moratoria to 30 September 2020.**
    Acknowledging the crucial role played by banks in providing financing to European businesses and citizens during the ongoing Covid-19 pandemic, the EBA has decided to extend the application date of its Guidelines on payment moratoria (legislative and non-legislative) by 3 months, thus till 30 September 2020 (ref. "EBA guidelines issued on 2 April 2020").

- **Publication of the Regulation (EU) 2020/873 (CRR "Quick fix") in the Official Journal of the EU, on 26 June 2020, making targeted amendments to the Capital Requirements Regulation (EU) 575/2013 (CRR) and the revised Capital Requirements Regulation (EU) 2019/876 (CRR2) which enters into force and is applicable starting from 27 June 2020:**
  Starting from the second quarter 2020 reporting date, the following changes are applied:
  - application of the SME supporting factor according to the art. 501 of CRR2, concerning the adjustment of own funds requirements for non-defaulted SME exposures;
  - application of a more favourable prudential treatment of loans to pensioners or employees with a permanent contract that are backed by the borrower's pension or salary according to the art. 123 of the CRR2;
  - application of a temporary treatment of public debt issued in the currency of another Member State according to the new art. 500a of the CRR2. Until 31 December 2022 the risk weight applied to the exposure values evaluated according to the standardized methodology shall be 0% of the risk weight assigned to these exposures in accordance with paragraph 2 of Article 114;
  - extension by 2 years of transitional arrangements for mitigating the impact on Own Funds from the introduction of IFRS 9 (Article 473a (8) of Regulation (EU) No.575/2013);
  - introduction of temporary prudential filter for unrealised gains and losses measured at fair value through other comprehensive income, corresponding to exposures to central governments, to regional governments or to local authorities referred, during the period from 1 January 2020 to 31 December 2022.

- **ECB press release issued on 28 July 2020:**
  - **ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers.**
    The ECB extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021, and asked banks to be extremely moderate with regard to variable remuneration. It also clarified that it will give enough time for banks to replenish their capital and liquidity buffers in order not to act pro-cyclically.
    This updated recommendation on dividend distributions remains temporary and exceptional and is aimed at preserving banks' capacity to absorb losses and support the economy in this environment of exceptional uncertainty.
    The ECB will review whether this stance remains necessary in the fourth quarter of 2020, taking into account the economic environment, the stability of the financial system and the reliability of capital planning.
    For the same purpose, i.e. preserving banks' capacity to absorb losses and support lending to the real economy, the ECB also issued a letter to banks asking them to be extremely moderate with regard to variable remuneration payments, for example by reducing the overall amount of variable pay, deferring a larger part of the variable remuneration and consider payments in instruments, e.g. own shares.
    The same applies for replenishing the Liquidity Coverage Ratio (LCR), which will be assessed by the ECB considering both bank-specific (e.g. access to funding markets) and market-specific factors (e.g. demand for liquidity from households, corporates and other market participants).
    In any case, the ECB commits to allow banks to operate below the P2G and the combined buffer requirement until at least end-2022, and below the LCR until at least end-2021, without automatically triggering supervisory actions.

- **ECB press release issued on 17 September 2020:**
  - **ECB allows temporary relief in banks' leverage ratio after declaring exceptional circumstances due to pandemic (Decision (EU) 2020/1306).**
    The ECB announced the decision on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the Covid-19 pandemic in order to facilitate the implementation of monetary policies, and confirmed that there are exceptional circumstances due to the Covid-19 pandemic (for the purposes of Article 500b(2) of the Regulation (EU) 2020/873 – "CRR Quick Fix" amending Regulations (EU) No.575/2013 and (EU) No.2019/876). Banks to benefit from relief measure until 27 June 2021.

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- **EBA press release issued on 21 September 2020:**
  - **EBA phases out its Guidelines on legislative and non-legislative loan repayments moratoria.**
    EBA phases out its Guidelines on legislative and non-legislative payment moratoria in accordance with its end of September deadline (ref. "EBA guidelines issued on 2 April 2020" and "EBA press release issued on 18 June 2020"). The regulatory treatment set out in the Guidelines will continue to apply to all payment holidays granted under eligible payment moratoria prior to 30 September 2020. Banks can continue supporting their customers with extended payment moratoria also after 30 September 2020; such loans should be classified on a case-by-case basis according to the usual prudential framework.

- **EBA press release issued on 2 December 2020:**
  - **EBA has decided to reactivate its Guidelines on legislative and non-legislative moratoria**. This reactivation ensures that loans, which had previously not benefitted from payment moratoria, can now also benefit from them. With the reactivation of these Guidelines, the EBA recognises the exceptional circumstances of the second COVID-19 wave. The revised Guidelines, which applies until 31 March 2021, include additional safeguards against the risk of an undue increase in unrecognised losses on banks' balance sheet (ref. "EBA guidelines issued on 2 April 2020"; "EBA press release issued on 18 June 2020" and "EBA press release issued on 21 September 2020).

- **ECB press release issued on 15 December 2020:**
  - **ECB asks banks to refrain from or limit dividends until September 2021.**
    The ECB recommended that banks exercise extreme prudence on dividends and share buy-backs. To this end, the ECB asked all banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. The recommendation also reflects an assessment of the stability of the financial system and was made in close cooperation with the European Systemic Risk Board.
    Given the persisting uncertainty over the economic impact of the Covid-19 pandemic, the ECB expects dividends and share buy-backs to remain below 15% of the cumulated profit for 2019-20 and not higher than 20 basis points of the Common Equity Tier 1 (CET1) ratio, whichever is lower. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories. Banks should refrain from distributing interim dividends out of their 2021 profits. The previous recommendation for a temporary suspension of all cash dividends and share buy-backs of 27 March 2020 (and its subsequent extension on 28 July) reflected the exceptional and challenging circumstances which the European economy faced in 2020. The revised recommendation aims to safeguard banks' capacity to absorb losses and lend to support the economy.
    The recommendation is related to the current exceptional circumstances and will remain valid until the end of September 2021. At that time, in the absence of materially adverse developments, the ECB intends to repeal the recommendation and return to assessing banks' capital and distribution plans based on the outcome of the normal supervisory cycle.
    Banks should continue to use their capital and liquidity buffers for lending purposes and loss absorption. The ECB will not require banks to start replenishing their capital buffers before the peak in capital depletion is reached.
    In a letter to banks, the ECB also reiterated its expectations that banks adopt extreme moderation on variable remuneration following the same timeline foreseen for dividends and share buy-backs (30 September 2021). The supervisor will closely assess banks' remuneration policies, with a specific focus on their impact on banks' ability to maintain a sound capital base.

- **Basel Committee on Banking Supervision guidance on the measures introduced by Governments and Authorities:**
  For the sake of completeness, it is worth mentioning that the **Basel Committee on Banking Supervision** (BCBS), through the document issued on 3 April 2020, reported its guidance about the measures introduced by Governments and Authorities to reflect the impact of Covid-19; specifically, the Committee agreed that the risk-reducing effects of the various extraordinary support measures taken in its member jurisdictions should be fully recognised in risk-based capital requirements. As well, the Committee agreed that the extraordinary support measures should be taken into account by banks when they calculate their Expected Credit Losses.

Overview of the main measures from National Member States

- **Italy:**
  - **Moratorium on mortgages for private Individuals (UniCredit initiative)**; main features: I) suspension of the installment (principal) for clients which - before the crisis - were not suffering financial difficulties and whose transaction is not forborne; II) maximum duration: 12 months.

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- **Moratorium on mortgages for private Individuals (Government initiative)**; main features: I) the scope is extended also to clients suffering financial difficulties before crisis, as long as the delay in payments does not exceed 90 days, as well as self-employed works and professionals; II) maximum duration: 18 months; III) fund will pay interest accrued on the residual debt during the suspension period up to 50%; IV) moratorium already in force for employees is extended to self-employed workers and professionals who have incurred as a result of emergency a decrease in turnover of more than 33%; V) suppressed the ISEE[7] requirement (income limit);VI) suspension of the whole installment (principal + interests). The “Ristori” Decree (in force since 25 December 2020) prorogated: i) until 31 December 2021 the possibility for banks to suspend the loan installments without waiting for Consap outcome; II) until 9 April 2022: the access to Fund benefits for loans in amortization for less than 1 year (no prorogation Fund interventions for professionals and entrepreneurs).

- **Moratorium for SME (Italian Banking Association and UniCredit initiative)**; main features: I) suspension of the installment (principal); II) maximum duration 12 months; III) performing counterparties, excluding lending positions for which the suspension or extension has already been granted within the 24 months prior to the application date.

- **Moratorium for Micro Enterprises and SME (Government initiative)**; main features: I) irrevocability (until 06.30.2021) of the credit lines granted "until revoked" and of loans granted on advance on credits (the guarantee covers 33% of the increased credit line used between the date of entry into force of the decree and 06.30.2021); II) postponement (until 06.30.2021 under the same conditions) of the repayment of non-installment loans due to mature before 06.30.2021 (guarantee covers 33%); III) suspension (06.30.2021) of the payment of the instalments of loans (principal and interests) due to mature before 06.30.2021 (guarantee covers 33%).

- **“Liquidity” Decree** of 8 April 2020, converted with modifications into Law n. 40 of 5 June 2020, containing temporary measures to support liquidity of corporates. It envisages, until 31 December 2020, the possibility of granting SACE[8] guarantees between 70 and 90% for loans to businesses, including SMEs that have made full use of their ability to access the “Fondo Centrale di Garanzia”, with a duration of up to 6 years and with a specific purpose (personnel costs, costs related to rental/lease of a business branch, investments or working capital for production facilities and business activities located in Italy). The guarantee is at first request, unconditional, explicit, irrevocable, and in compliance with the requirements of the prudential regulations for the purpose of risk mitigation.
  The same Decree also provides for changes to the Central Guarantee Fund with effect until 31 December 2020, with improvements and simplifications including extending the guarantee to MID CAPs (up to 499 employees), increasing the coverage up to 90% (100% in case of reinsurance), and the increase of the maximum guaranteed amount to €5 million, the simplified procedure for loans up to 25,000 Euro with a duration of 7 years (increased to 30,000 Euro, max duration 10 years by the Conversion Law no. 40 of June 2020), and renegotiation/consolidation of debt with minimum additional finance (10%, limit increased to 25% by the aforementioned Conversion Law).
  In addition, this Decree provides for the granting of the guarantee on loan portfolios and minibond portfolios from the Fund's availability (it being understood that 85% of the Fund's endowment must be allocated to individual loans).

- **Tax measures** (measures for supporting economy regarding tax matters): art. 55 of the Decree n. 18/2020 provides the possibility to convert existing Deferred Tax Assets related to IRES Tax Losses Carried Forward (regardless of whether or not a corresponding Deferred Tax Assets has been recognized) and to the ACE[9] surpluses into tax credits, following the disposal - by 31 December 2020, outside the Group and with accounting derecognition – of credits from defaulting debtors for at least 90 days. Against the transformed amount, the payment (starting from 2021) of a 1.5% fee is due. Under the regulatory capital perspective, CET1 capital will benefit from such potential conversion; on the other side, such assets represent current credit positions towards the Authority, hence to be risk weighted at 0%.

- **“Rilancio” Decree** of 19 May 2020, n. 34, converted into Law n. 77 of 17 July 2020, containing, among other things, multiple urgent measures in the field of health, support for work and the economy, connected to the Covid-19 pandemic. Among the interventions, this Law:
  - recognizes, for counterparties (non-banks) which habitually carry out business activities or arts and professions in premises open to the public, a tax credit of 60% of the expenses incurred in 2020 (up to a maximum of € 80,000) for the adaptation interventions of the working environments to contain the spread of the Covid-19 virus. The tax credit can be combined with other concessions for the same expenses, can only be used in compensation and can be transferred to other subjects, including banks and other financial institutions, with the right to subsequently transfer the credit;
  - recognizes, for counterparties which habitually carry out business activities or arts and professions, a tax credit of 60% of the expenses incurred in 2020 (up to a maximum of € 60,000) for sanitization interventions and the purchase of protective devices. The tax credit can be combined with other concessions for the same expenses, can only be used in compensation and can be transferred to other subjects, including banks and other financial institutions, with the right to subsequently transfer the credit;

7 Indicatore della Situazione Economica Equivalente (Indicator of the Equivalent Financial Situation).
8 SACE: joint stock company of the Italian group Cassa Depositi e Prestiti, specialized in the insurance-financial sector; with the Decree it assumes the role of state reference and reinsurance subject for the credit institutions that will provide support to corporate.
9 Aiuto alla Crescita Economica (Allowance for corporate equity).

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- raises the deduction rate for expenses incurred from 1 July 2020 to 31 December 2021 to 110% for specific interventions regarding energy efficiency, anti-seismic interventions, installation of photovoltaic systems or infrastructures for charging electric vehicles in buildings. The new provisions make it possible to benefit from a tax deduction of 110 per cent of the expenses incurred for the aforementioned purposes, under certain conditions, and are added to those already in force which regulate the deductions of expenses due for the recovery of the real estate assets, including those of seismic risk reduction (i.e. Sismabonus) and energy requalification of buildings (i.e. Ecobonus). The deduction is normally divided in 5 annual installments, within the limits of the capacity of the annual tax resulting from the tax return. As an alternative to the direct use of the deduction, the Taxpayer (mainly Individuals and Condominiums) can opt for an advance contribution in the form of a discount from the suppliers of goods or services, or, also in this case, for the transfer of the tax credit - corresponding to the deduction due - to other subjects, including banks and other financial institutions, with the option of subsequent transfer;
- provides 2 new tax credit for the investments of individuals in innovative start up and innovative SME's: a tax credit of 50% of the investment (direct or through UCITS). The investment must be kept for 3 years and cannot exceed €100,000 (€300,000 for investments in innovative SME's);
- introduces a double tax benefit for capital injections in middle companies: a tax credit of the 20% of the injection for the transferor; a tax credit of the 50% of the losses exceeding the 10% of net worth for the transferee company.

- "**August" Decree Law** of 14 August 2020, n. 104, converted into Law n. 126 of 13 October 2020, containing several urgent measures in support of health, work and economy, linked to the Covid-19 emergency. Main measures introduced by the Law:
  - extension of the moratorium for SME set by the Decree Cura Italia until 31 January 2021 (previous 30 September 2020). The extension operates automatically, unless expressly waived by the beneficiary company;
  - introduction of some technical changes to the possibility (art. 55, DL Cura Italia n. 18/2020) to convert the DTAs into tax credits (application to special regimes, such as consolidated and transparency);
  - extension of the "Fondo Centrale di Garanzia" guarantee scope to companies that have obtained (on financial transactions guaranteed by the Fund) an extension of the guarantee due to temporary difficulties of the beneficiary, if they meet certain requirements;
  - extension of the "Fondo Centrale di Garanzia" €30.000 Guarantee scope to individuals carrying out activities referred to in section K of the ATECO code (this section includes financial intermediation activities, including insurance, reinsurance and pension funds, as well as activities auxiliary to financial intermediation. Also included are the activities of assuming and holding financial assets, such as the activities of holding companies, trust companies, fund management companies and other financial intermediaries);
  - extension of the SACE guarantee scope also to companies admitted to the arrangement procedure with business continuity (or certified plans and restructuring agreements) if their exposures are not classifiable as non performing exposures (at the date of submission of the application), they don't present amounts in arrears and the lender can reasonably assume the full repayment of the exposure at maturity;
  - extension to 31 March 2021 of the moratorium for the tourist sector, for mortgage payments only, specifying that tourism-sector companies are: tourism-accommodation companies, travel and tourism agencies and tour operators, spas and physical wellness centers, subjects that manage amusement parks or theme parks, subjects that carry out tourist guide and assistance activities.

- **Budget Law 2021**: Budget Law 2021 provides that Mid Cap (enterprises with employees up to 499) can benefit from the "Garanzia Italia -SACE" tool from 1 March 2021 to 30 June 2021 at following terms: free guarantees, coverage of 90% and max amount of guaranteed loan up to 5 Euro million. In order for the guarantee to be issued, it is expected that: I) the enterprise which benefits the guarantee doesn't have to manage employment levels through Trade Unions agreement, II) simplified procedure to issue the guarantee. From 1 July 2021, Mid Cap can benefit from SACE guarantees at market conditions and with a coverage of 80%. Furthermore, Budget Law 2021 provides for: i) extension of "Garanzia Italia -SACE" also to the renegotiations of existing loans (if there is additional credit of at least 25% more, and if the issue of the guarantee determines a lower cost and/or a longer duration of the loan), II) extension of the "Garanzia Italia -SACE" to enterprises accessing to financing instruments alternative to banking financing, such as credit transfers. The same Law extends FCG guarantee until 30 June 2021 (28 February 2021 for Mid-Cap) and provides for a duration up to 15 years for loans up to 30k (DL Liquidità, Art.13, par.1, letter m, DL 23/2020) even if they are already in progress at 1 January 2021.

  It is also introduced a measure to improve and clarify some operational aspects of securitization transactions: I) SVPs are allowed to be borrowers to finance the securitization operation, II) it is clarified that the sums paid by anyone (as long as in relation to loans) are intended to fulfil the rights incorporated in the securities issued; III) it is clarified that the SPVs can be the recipient of goods not only as a result of buying and selling operations, but also of extraordinary operations.

  Finally, Budget Law 2021 provides the extension of "Super bonus 110%" up to June 2022 (previous deadline 31 December 2021) with some improvements aimed at extending the scope of the benefit.

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- **Other main countries:**

Several countries in which the Group operates have passed laws for concession of payment moratorium in order to grant private entities and enterprises sufficient liquidity to counteract the effect of the lockdown measures:

- **Croatia:**
  - No specific moratorium Law passed; until 30 September 2020 commercial banks were offering moratorium and stand-still measures to retail and corporate customers, which became effective upon application by customers.
  - For retail customers, the moratorium has foreseen payment holidays up to 6 months since the approval; for corporate customers: (i) stand-still measures up to 3 months; (ii) moratorium with extension of final maturity up to 6 months (up to 12 months for selected industries with significant seasonality, e.g. tourism).
  - Interests has been accrued on delayed payments with reference to the capital component of the instalment being delayed.
  - Commercial banks continue, also after 30 September 2020, to offer support to customers' through moratorium and stand-still measures.

- **Hungary:**
  - Law requiring banks to provide moratorium to retail, corporate and financial institution different from banks was passed on 18 March 2020; such law determines the automatic change in the payment plan of existing loans with no need for the customer to apply.
  - For all customers, the payment moratoria refer to the period 18 March 2020 - 31 December 2020 (clients are allowed to opt-out the moratoria any time and opt-in again, without limitation on the number / timing of opting in/out); therefore payments due on this time frame will be delayed in 2021 thus determining an increase in the maturity of the loan.
  - Interests are accrued on delayed payments with reference to the capital component of the instalment being delayed; interests accrued at the end of moratorium are suspended and linearly spread over the remaining instalments.
  - On 22 December 2020 the Hungarian Government enacted the extension of the moratorium until 30 June 2021 for the same scope of customers.
  - The customers who were under protection of moratorium regarding payment obligations in December do not have to apply for the extension of moratorium, which is granted automatically from 1 January 2021.
  - The customers who were not under moratorium in December 2020 they have to declare that they want to opt-in from January 2021.
  - For the effected and eligible deals the same rules (opt in / out, maturity extension, spreading of accumulated interest, etc.) must be applied like before 31 December 2020.

- **Slovakia:**
  - Law requiring banks to provide moratorium to retail and corporate customers was passed as of 9 April 2020; for all the customers, it covers a maximum period of 9 months (6 months for leasing products), upon request of customers.
  - Debtors may apply for deferral of instalments during the period of pandemic which officially started on 12 March 2020. In case of consumer (retail) loans, debtors may apply for deferral of all installment (i.e. principal and interests); in the case of corporate loans debtors can choose whether apply for deferral of all installment (i.e. principal and interests) or only of principal repayments (interest would be still paid during the deferral) or for deferral of loan repayable in one bullet payment.
  - Interests are accrued during the period of deferral; however, the accrued interest for the period of delay shall not be capitalized into the principal.

- **Bosnia and Herzegovina:**
  - Decisions by Banking Regulators (in Federation of Bosnia and Herzegovina and in Republic of Srpska) requiring banks to provide temporary moratorium to all customers per their requests, passed by the end of March 2020. According to those Decisions, a first temporary moratorium can be approved, upon request by the customer, until the repeal of extraordinary situation.
  - After expiration of temporary moratorium, further special measures can be approved by banks, upon request by the customer, up to a maximum period of 6 months.
  - Interests are accrued on delayed payments with reference to the capital component of the instalment being delayed.
  - Regulators adopted new decisions (in Federation of Bosnia and Herzegovina at the end of August and in Republic of Srpska at the beginning of September) according to which special measures can be approved by the Bank upon request by customer.
  - Customers can apply for special measures until 31 December 2020.
  - Maximum period on which moratorium can be approved is 6 months while other measures can be approved up to 12 months. Earlier approved temporary or special measures (according to the Decisions from March) are not included in maximum period prescribed by new decisions.

Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States

- **Slovenia:**
  - The first legislative moratorium, passed by end of March 2020, required banks to provide moratorium to retail and corporate customers was passed by end of March.
    The Act applies to: (i) banks and savings banks with seat in Slovenia and Slovenian branches of EU banks, on the lenders' side; (ii) companies, co-operatives, foundations, institutes (all with seat in Slovenia), sole entrepreneurs, farmers, natural persons (all if Slovenian citizens residing in Slovenia), on the borrowers' side.
    Debtors could apply for deferral of instalments, including accrued interests, during the period of pandemic which officially started as of 12 March 2020. Expiration date for application was 15 November 2020.
  - The second legislative moratorium published as of the end of November 2020 extends the date for application until 31 January 2021 and also includes changes in beneficiaries of the moratoria where natural non-citizens persons with permanent residence in Republic of Slovenia were included.
    The State Guarantee is applicable also for this legislative moratorium with the limit of €200 million which remains unchanged and applies jointly for both legislative moratoriums.
  - The third legislative moratorium published in the end of December 2020 states that all moratoria granted under the second law are limited to period of 9 months (in the second law the expiration date was 31 January 2021) whereas other requirements from the second and the first law remain unchanged.
  - All moratoria (legislative or private) are subject to forbearance measures in line with EBA guidelines.

- **Czech Republic:**
  - Law requiring banks to provide moratorium to retail and corporate customers was passed as of 17 April 2020; for all the customers, it covers the period starting on1 May 2020 and ending on 31 October 2020, upon request from customers.
  - Debtors may apply for shorter period ending 31 July 2020; in the case of consumer (retail) loans, debtors may apply for deferral of all installment (i.e. principal and interests); in the case of corporate loans, debtors may apply only for deferral of principal repayments (interest would be still paid during the deferral).
  - Interests are accrued during the period of deferral; however the accrued interest for the period of delay must not be capitalized into the principal, i.e. the calculation and accrual of "interests on interests" is not carried out).

- **Romania:**
  - The Emergency Governmental Ordinance 37/2020 requiring banks to provide moratorium to all customers was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; it covers a maximum period of 9 months of payment postponement, but not later than 31 December 2020, upon request from customers.
  - Interest accruing during the moratorium for all loans except mortgage loans to private individuals shall be capitalized and its payment will be spread over the duration of the loan. For private individuals mortgage loans, the interest deemed during the suspension period will be treated as an individual claim, to be recovered in maximum 5 years after the suspension ends with no interest applied to it, having 100% guarantee from Ministry of Finance, while the principal will be spread over the extended duration of the loan.
  - In addition, on 31 December 2020 the government issued an ordinance prolonging the moratoria until 31 March 2021, applicable starting from 1 January 2021. Such new moratoria is applicable for loans granted to individuals, SME and corporate before March 2020 which have or not have benefited from first moratoria tranche.
  - Maximum grace period allowed (for principal and interest) is 9 months (in case the debtor has benefited from previous moratoria also – legislative or non-legislative, a 9 months cumulated grace period from both moratoria programs is the maximum one).
  - For mortgage loans, the interest is to be covered by the State and payable into 5 years while for non individuals debtors it is requested a declaration for income lower with 25% for the last 3 months compared with the previous year period.

- **Bulgaria:**
  - No specific moratorium Law passed; moratorium and other relief measures are offered by commercial banks in the country to retail and corporate customers and they will become effective upon application by the customer. This is defined in a non-legislative moratorium (as per EBA guidelines from 25 March 2020) proposed by the Association of the Bulgarian Banks and approved by the Bulgarian National Bank on 10 April 2020.
  - According to the above mentioned non-legislative (private public-like type) moratorium, customers were able to apply for a moratorium up to 22 June 2020 in order to obtain a payment holiday of principal and/or interests for 6 months. In any case extension of payments in grace was allowed not later than 31 December 2020. At the end of June 2020, the proposed by the Association of the Bulgarian Banks and approved by the Bulgarian National Bank moratoria was prolonged with three more months, thus allowing customer application till 21 September 2020.
  - With a decision of the Bulgarian National Bank dated 11 December 2020 a proposal by Association of the Bulgarian Banks moratoria prolongation was approved, thus allowing the customers to apply for a moratorium up to 23 March 2021. Clients can obtain payment holiday for principal and/or interests up to 9 months cumulatively for all moratoria measures applied. Extension of payments in grace is allowed not later than 31 December 2021.

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- By Law during the declared by the Bulgarian Parliament on 13 March 2020 "state of emergency", no penalty interests were accrued on delayed payments. Regular interests were accrued with reference to the capital component of the instalment being overdue. Penalty interest accruals were restored with the end of the emergency state.
- On 19 March 2020, the Bulgarian National Bank has announced three further measures to mitigate the negative impact by the Covid-19 outbreak:
  - forbidding dividend distribution for all banks in Bulgaria, aiming at strengthening their capital positions;
  - revoking the previously scheduled for 2020 and 2021 increases of the anti-cyclical capital buffers;
  - introducing ad hoc limits on cross-border liquidity placements.

- **Germany:**
  - Law requiring banks to provide moratorium to private individuals and small business was passed on 1 April 2020; according to the law, customer can apply for a moratorium of payments falling between 1 April and 30 June 2020.

- **Serbia:**
  - Bylaw issued by National Bank of Serbia requiring banks to provide moratorium to all customers was passed on 17 March 2020 (the first moratoria), 27 July 2020 (the second moratoria) and on 14 December 2020 (the relief to the debtor). The regulation related to the first and second moratoria determines the automatic change in the payment plan of existing loans with no need for the customer to apply unless customers explicitly want to opt-out. For the third moratoria the request is needed from the debtor who has / may have in the future difficulty due to the circumstances caused by the Covid-19 pandemic, and the debtor must not be in NPL status before pandemic appeared.
  - For all customers, moratoria duration refers to:
    - the first moratoria: the period 31 March 2020 - 30 June 2020, except for those who applied for earlier moratoria start-date once the bylaw was passed;
    - the second moratoria: the period 1 August 2020 - 30 September 2020; July unpaid obligations can be included as well;
    - the third moratoria: relief to the debtor, reprogramming and refinancing of loans. The relief requests can be submitted to the bank in the period 15 December 2020 – 30 April 2021, with the approval of a grace period of six months and a corresponding extension of the repayment period. The bank is obliged to decide on the request and inform the debtor within 30 days.
  - By the first and the second moratoria, principal due (without interest part) by both moratoria, on the mentioned time frames would have been capitalized after moratoria ends and rescheduled payment plan would have been defined effectively extending the maturity of the loan.
  - During moratoria, annuities and due regular interest payments will be postponed; at the end of the payment holiday, a new amortization plan, at the original interest rate, will be calculated for period extended by the duration of moratorium. The base for the new amortization plan by both moratoria is original capital without interest accrued during the period of moratorium, on which the equal part of due interest accrued during the period of moratorium is distributed. By the third moratoria, during the grace period the bank calculates interest, whereby the debtor, in the request itself, decides whether to pay interest during the grace period or after its expiration. In the latter case, it can be agreed that the interest calculated during the grace period is to be repaid after the end of that period or can be capitalized to the debt and distributed evenly over the repayment period.

- **Austria:**
  - Legal credit moratoria (Covid-19 JuBG) concern the deferral of claims (repayment of capital and payment of interest due between 1 April 2020 and 31 January 2020), and apply to credit agreements with consumers and micro-enterprises concluded before 15 March 2020, provided that the resulting payment bottlenecks are due to the Covid-19 pandemic.
  - In addition to the Legal Credit moratoria also EBA-compliant Private credit moratoria were granted, after finalization of the bank sector agreement and notification to EBA in September. The private moratoria were applied especially to clients not covered by the Legal credit moratoria, especially non-financial corporations.
  - In addition to the EBA-compliant moratoria (according to the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*", "EBA/GL/2020/02", "EBA/GL/2020/08", "EBA/GL/2020/15"), bank specific moratoria and other Forbearance Measures are also granted independently of the legal regulations.
  - Under the legal context, loans secured with state guarantees were granted in order to secure customer liquidity, whereby up to 100% of the loan is secured according to the specifications, depending on the guarantee scheme.

- **Russia:**
  - A "Loan holidays" law (specifically, the Federal Law N106-FZ) was passed on 3 April 2020 for individuals, entrepreneurs and SME clients, belonging to 24 industries stated by the government (e.g. tourism, aviation, culture, sport, etc.) which suffered the most from Covid-19 issues.

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- The term of the program, as of 30 September 2020, envisages the following items:
  - a deferral payment or a decrease of the payment, or a loan rollover; for SME: deferrals of principal and interest;
  - interests and fines for overdue payment incurred up to the start of the grace period were suspended;
  - the interests incurred during the grace period are paid in the end of the loan (for credit cards during 720 days after Credit holidays are over by equal payments every 30 days);
  - the grace period can be up to 6 months.

In accordance with ESMA's declaration[10] which clarified that it is unlikely that the contractual changes resulting from these moratoria can be considered as substantial, the Group has not derecognised the related credit exposures[11]. A modification loss is consequently recognised in item “140. Gains/Losses from contractual changes with no cancellations" if the increase in future payments is not sufficient to remunerate the Group for the postponement period also in light of local laws and regulations. As at 31 December 2020 the amount deriving from the modification loss recognizing through Profit & Loss was equal to €13 million.

With reference to the assessment of the Significant Increase in Credit risk (SICR) refer to the Notes to the Consolidated Accounts, Part E Section 2 - Risks of the prudential consolidated perimeter, 2.1 Credit risk, 2.3 Measurement method for expected losses.

10 ESMA public statement: "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS9" of 25 March 2020.
11 According to IFRS9, the contractual modifications must be accounted for (i) if significant, through the derecognition, (ii) if not significant, through the recalculation of the gross exposure by discounting the contractual cash flows after the modification at the original effective interest rate. The standard does not provide any indication as to whether a change is significant or not.

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Impacts on UniCredit group figures and ratios

The set of the measures above outlined generated either impacts on UniCredit group figures and ratios, or triggered certain decisions; the related description is reported under the specific sections of the present document, as summarized in the table below (unless the table itself already contains a direct explanation of the item):

MEASURE	IMPACTS FOR UNICREDIT GROUP	REFERENCE TO THE SECTION/TEMPLATE OF PRESENT DOCUMENT OR OTHER DISCLOSURE
ECB press release on dividends distribution and share buybacks *(issued on 27 March 2020)*	UniCredit S.p.A. Board of Directors resolved to withdraw - without modifying the agenda of the Shareholders' Meeting convened on 9 April 2020 - the proposal related to the distribution of a dividend. Consequently, as of 31 March 2020, the Common Equity Tier 1 Capital of UniCredit group, as well as UniCredit S.p.A.'s one, are increased for €1,404 million, not deducting anymore such amount.	Own Funds
ECB press release on dividends distribution and share buybacks *(issued on 27 March 2020)*	UniCredit S.p.A. Board of Directors resolved to withdraw - without modifying the agenda of the Shareholders' Meeting convened on 9 April 2020 - the proposal related to the authorization of shares buy back and the subsequent cancellation. Such withdrawal is neutral on 1Q2020 Common Equity Tier 1 Capital, as no deduction was envisaged when calculation Own Funds as of 4Q2019.	-
ECB Recommendation of 15 December 2020 on dividend distributions during the Covid-19 pandemic and repealing Recommendation ECB/2020/35 (ECB/2020/62)	The UniCredit S.p.A. Board of Directors's meeting of the 10 February 2021 approved the update of the "Dividend Policy" for the remuneration to the Shareholders only related to financial year 2020, in accordance with ECB's recommendations issued on 15 December 2020, that updates the communication of 28 July 2020. Such recommendation, titled "ECB asks banks to refrain from or limit dividends until September 2021", requires banks to limit dividends to the lower between (i) 15% of cumulated 2019-20 adjusted profits and (ii) 20 basis points of CET1 ratio. For UniCredit, the lower value is represented by the 15% ("ECB cap") of the cumulated stated net profits for the years 2019 and 2020, adjusted, as per ECB recommendation. In particular, in accordance with the ECB recommendation, the cumulated 2019-20 adjusted profit at consolidated level, on which the 15% payout ratio is applied, is calculated by adjusting the profit/loss result for the following items: (i) goodwill and intangible assets impairment, (ii) impairment of deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities, (iii) reclassifications from other comprehensive income into profit and (iv) distribution related to AT1 instruments charged against equity. The amount resulting from such calculation is equal to a total amount of €447 million, whose distribution is envisaged for (i) 60% via cash dividends (equal to €268 million) and for (ii) 40% via shares buy-back (equal to €179 million). The cash component is deducted from Own Funds as of 4Q2020, while the shares buy-back component will be deducted once the ECB authorization will be released.	Own Funds
ECB recommended that institutions that had not already done so, to implement the transitional IFRS 9 arrangements foreseen in the CRR *(issued on 20 March 2020)*	Starting from 1 January 2018, the IFRS9 accounting standard was adopted, envisaging a new framework for provisioning computation based on expected credit loss rather than on incurred loss. As of first-time adoption, UniCredit group decided not to apply the transitional arrangements for IFRS9. Then, being still in the position to benefit of the IFRS9 transitional arrangements stemming from the possibility allowed by the Regulation to reverse once during the transitional period the choice made at the inception, 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	Own Funds

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MEASURE	IMPACTS FOR UNICREDIT GROUP	REFERENCE TO THE SECTION/TEMPLATE OF PRESENT DOCUMENT OR OTHER DISCLOSURE
	as of 1 January 2018) and for the dynamic component (i.e. considering separately (i) the increase of LLP between 1 January 2018 and 1 January 2020 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 2Q 2020 (refer to paragraph "Transitional arrangements related to the application of IFRS9" in the Own Funds chapter for the impacts on the figures and ratio).	
ECB allowance to partially use capital instruments that do not qualify as Common Equity Tier 1 capital (e.g. Additional Tier 1 or Tier 2 instruments), to meet the Pillar 2 Requirements *(issued on 12 March 2020)*	Starting from 12 March 2020, for the purposes of own funds requirements, the Total SREP Capital requirements (TSCR) shall include: • the minimum own funds requirement of 8% to be met at all times in accordance with CRR Article 92(1); • Pillar 2 additional own funds requirement, to be held in excess of the minimum own funds requirement and to be met at all times in accordance with Article 16(2)(a) of Regulation (EU) No 1024/2013; as a result of the anticipated application of the CRDV Directive article 104a, 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). Considering the above, with reference to the 4Q2020, UniCredit group shall respect - on a consolidated basis - an Overall Capital Requirement[12] (OCR) in terms of Total Capital of 13.29% (9.75% TSCR + 3.54% for the combined capital buffer requirement), of which 9.03% composed by CET1 according to the following components: • 4.50% as per Pillar 1 requirement; • 0.98% as per Pillar 2 requirement; • 3.54% for the Combined Buffer capital requirement[13].	Own Funds
Reducing of some countercyclical capital buffer (CCyB) measures operated by the Authorities during the 2020.	• Denmark: from 1.00% (4Q19) to 0.00% (1Q20) • United Kingdom: from 1.00% (4Q19) to 0.00% (1Q20) • Iceland: from 1.75% (4Q19) to 0.00% (1Q20) • Norway: from 2.50% (4Q19) to 1.00% (1Q20) • Sweden: from 2.50% (4Q19) to 0.00% (1Q20) • Hong Kong: from 2.00% (4Q19) to 1.00% (1Q20) • France: from 0.25% (1Q20) to 0.00% (2Q20) • Ireland: from 1.00% (1Q20) to 0.00% (2Q20) • Lithuania: from 1.00% (1Q20) to 0.00% (2Q20) • Czech Republic: from 1.00% (2Q20) to 0.50% (3Q20) • Slovakia: from 1.50% (2Q20) to 1.00% (3Q20) During the 2020, some National Authorities have reviewed the countercyclical capital buffer rate applicable to the states. With reference to the 4Q2020 the countercyclical rates were unchanged in comparison to the 3Q2020; specifically, the countercyclical capital reserve for UniCredit group was equal to 0.04% (vis-à-vis: 0.10% as of 1Q2020; 0.06% as of 2Q2020 and 0.04% as of 3Q2020). For the sake of completeness, it is worth mentioning that several jurisdictions (e.g. Bulgaria, France, Germany) cancelled the increase of the rates that were already foreseen for the next periods.	Own Funds

12 Overall Capital Requirement = TSCR + Combined capital buffer requirement.
13 Countercyclical capital buffer requirement, which is part of the Combined Buffer capital requirement together with the Capital Conservation Buffer and the Global Systemically Important Institution buffer, shall be calculated on quarterly basis.

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MEASURE	IMPACTS FOR UNICREDIT GROUP	REFERENCE TO THE SECTION/TEMPLATE OF PRESENT DOCUMENT OR OTHER DISCLOSURE
Irrevocability of the credit lines granted in Italy *(Art. 56 of the Law Decree 17/3 2020, No.18)*	According to the mentioned Italian Law Decree, revocable credit lines and credit advances cannot be revoked by the banks for the period between 29 February and 30 September 2020 (the scope refers to the SMEs with exposures classified as performing). Under the regulatory perspective, the classification of such lines and credit advances was however kept unchanged, also given the temporality of such measures, and in order to avoid unintended consequences for liquidity and capital profiles of the Banks; indeed, although the Bank shall comply with such Decree, the revocability / irrevocability is defined in the underlying contracts, which are not currently subject to amendments.	-
ECB assumptions in calculating IFRS9 expected credit loss (ECL) for updating macro-economic scenario *(issued on 1 April 2020, recalling IASB[14] communication issued on 27 March 2020)*	The statements issued by IASB and ECB were interpreted by UniCredit group in the sense of executing an update of the macro-economic scenarios, especially considering: (I) the usage of data coming from institutions' macroeconomic research and reliable external sources; (II) the application of post-model overlays or adjustments when changes cannot be reflected in models. Thus, UniCredit group executed further deep-dive and analyses, including the update of macroeconomic forecasts by its internal Research Unit, published[15] in the quarterly "The UniCredit Economics Chartbook". As a result, UniCredit group decided to review, as of 31 March 2020, the macroeconomic scenario for all the regions.These macroeconomic scenarios was confirmed both in the second and in the third quarter 2020. With reference to the fourth quarter of 2020 the Group, consistently with its internal processes, has further updated the macroeconomic scenarios used for ECL IFRS9 calculation. In detail 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). Similarly, to other processes (ICAAP) the scenarios are provided by the independent function of UniCredit Research function. Specifically, the Group has selected three macroeconomic scenarios to determine the forward-looking component of expected losses: a baseline scenario, an improved scenario ("positive scenario") with respect to baseline and a worsened scenario ("negative Scenario") with respect to baseline and applying proper weighting factors. Positive and negative 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 and differ from the baseline scenario in term of expectations about the macroeconomic effects arising from pandemic evolution, vaccines distribution and economic policies adopted by the government.	Press Release issued on 22 April 2020 Consolidated report on operations as at 31 December 2020 (Part A - Accounting policies, Section 2 - General preparation criteria; and Part E - Information on risks and hedging policies, Section 2 - Risks of the prudential consolidated perimeter, 2.1 Credit risk, 2.3 Measurement method for expected losses)

14 On 27 March 2020, IASB (Statement "IFRS9 and Covid-19") recommended to include in the forecast of future conditions both the specific effects of Covid-19 and the associated support measures. In particular, it clarified that changes in economic conditions should be reflected in macroeconomic scenarios and in their weightings, also through post-model overlays or adjustments when such changes cannot be reflected in models.
15 Ref. to the following link: https://www.research.unicredit.eu/DocsKey/economics_docs_2020_176448.ashx?EXT=pdf&KEY=C814QI31EjqIm_1zIJDBJFQWHqiVh6iWv-rRmfm0wlw=&T=1.

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MEASURE	IMPACTS FOR UNICREDIT GROUP	REFERENCE TO THE SECTION/TEMPLATE OF PRESENT DOCUMENT OR OTHER DISCLOSURE
ECB temporary relief for capital requirements for market risk *(issued on 16 April 2020)*	The ECB granted permission to exclude the overshootings evidenced by the back-testing on hypothetical or actual changes, having occurred in the time period from 1 March 2020 until 31 March 2020, from the calculation of the addend set out in Article 366(3) of Regulation (EU) No.575/2013. This decision was adopted pursuant Article 550c of the "CRR quick-fix" approved in June 2020 and revokes previous relief measures on addend applied for 1Q2020 reporting. With reference to 4Q2020 at UniCredit group level, no overshootings evidenced by the back-testing on hypothetical or actual changes occurred; therefore the RWA relief obtained in the 2Q2020 for approx. -€1.9 billion remained unchanged as of 4Q2020.	Templates EU OV1 and EU MR2-B of the Pillar III document as at 30 June 2020[16]
ECB revised the conditions for targeted longer-term refinancing operations (TLTRO III) *(issued on 12 March 2020)*	On 18 June 2020, UniCredit confirmed borrowing via the ECB's latest TLTRO III operation of €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, • €1.9 billion by CEE banks. The outstanding TLTRO II borrowings have been repaid by the end of June 2020.	Liquidity risk
Regulation (EU) 2020/873 of 24 June 2020 (CRR "Quick fix") amending Regulations (EU) 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the Covid-19 pandemic	The treatments applied at Group level as at 31 December 2020 are listed below: • application of the SME supporting factor; • application of the favourable prudential treatment of loans to pensioners or employees with a permanent contract; • application of a temporary treatment of all exposures to the central governments or central banks of Member States denominated and funded in the domestic currency of another Member State; • application of transitional arrangements related to the application of IFRS9, arising from additional capital requirement in relation with the benefit on CET1 deriving from the lower LLPs, hence higher exposures value, determined in accordance with CRR Article 111(1) and connected with the static component of the IFRS9 transitional adjustment on standard portfolio.	Owns Funds (paragraph "Transitional arrangements related to the application of IFRS9") Leverage
ECB temporary relief in banks' leverage ratio after declaring exceptional circumstances due to Covid-19 pandemic *(issued on 17 September 2020)*	With reference to 4Q 2020, UniCredit Group applied the temporary exemption of Central Bank exposures as per article 500b of Regulation (EU) 2020/873.	Leverage

Moreover, refer to the following sections of the Notes to the consolidated accounts as at 31 December 2020 for a complete description of the impacts, also including the accounting ones:

- Part A - Accounting policies, Section 2 - General preparation criteria and Section 5 - Other matters;
- Part B - Consolidated balance sheet – Assets (including information related to EBA/non EBA compliant moratoria loans):
  - Section 4 - Financial assets at amortised cost - Item 40 ("4.4a Financial assets at amortised cost subject to Covid-19 measures: gross value and total accumulated impairments" template);
- Part C Consolidated income statement:
  - Section 8 - Net losses/recoveries on credit impairment - Item 130 ("8.1a Net impairment losses for credit risk relating to financial assets at amortised cost subject to Covid-19 measures: breakdown" template);

16 The EU OV1 and EU MR2-B templates are published quarterly, therefore show the comparison with the amounts of the previous quarter; for this reason, the relief impact occurred during the first half of 2020, is represented in the templates of the Pillar III document as at 30 June 2020.

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- Part E - Information on risks and hedging policies, Section 2 – Risks of the prudential consolidated perimeter, 2.1 Credit risk:
  - Qualitative information:
    - 2. Credit risk management policies, 2.3 Measurement methods for expected losses;
    - 4. Financial assets subject to commercial renegotiations and forborne exposures
  - Quantitative information (including information related to EBA/non EBA compliant moratoria loans), A. Credit quality, A.1 Non-performing and performing credit exposures: amounts, writedowns, changes, distribution by business activity; templates:
    - A.1.3a Other loans and advances subject to Covid-19 measures: transfers between impairment stages (gross values);
    - A.1.5a Other loans and advances subject to Covid-19 measures: gross and net value.

Comments on risk management

The Covid-19 pandemic outbreak triggered a global health crisis, swiftly implicating an unprecedented impact on the global economy due to the prolonged lock-down measures - both at national and local levels – as well as 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 evolution path still remains highly uncertain, as well as the magnitude of the economic impact.
The rapid progress on first Covid-19 vaccines development and approval by relevant authorities is encouraging to speed up the recovery. However, their roll-out and distribution process still appears to be slower than originally planned in many countries and their effectiveness, also considering the new strains of virus recently declared to be more contagious, is yet to be assessed.
Since the pandemic outbreak in the first months of the year, UniCredit addressed the crisis putting in place and constantly enhancing pre-emptive measures and guidelines to face the Covid-19 emergency, proactive managing 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 each type of risk section below.

Credit risk

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 arranged several 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 have met the definition of “General Payment” (either legislative or assimilated non-legislative ones) according the “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis”[17] issued by EBA in April 2020 (and updated in September and December 2020), 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 above-mentioned EBA GLs 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; 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.

17 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”) and subsequent amendment EBA/GL/2020/15.

Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States

Specific guidelines have been established for rating assignment with the request for a forward-looking perspective to be adopted for the qualitative component of the 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.

Liquidity risk
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 lockdown and mobility limitations imposed by the Government 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 of the bank as described in the Group system of rules and the measures set up 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.

Market risk
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. In response to the Covid-19 pandemic the European Parliament approved an amendment to Regulation (EU) 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; this allowed to reduce the impact in terms of Internal Model Market Risk RWAs. Anyway, the evolution of the crisis and the related risk metrics development is under strict monitoring by both risk and business functions. The cautious approach adopted in positions management since the beginning of the crisis resulted in a progressive relief in limits usage.

Operational risks
Referring to operational risks, analysis were carried 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 behaviours.

Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States

References to ECB and EBA publications

- **12 March 2020:**
  - ECB: Monetary policy decisions;
  - ECB: Banking Supervision provides temporary capital and operational relief in reaction to coronavirus;
  - ECB: announces measures to support bank liquidity conditions and money market activity;
  - ECB: announces easing of conditions for targeted longer-term refinancing operations (TLTRO III);
  - EBA: Statement on actions to mitigate the impact of Covid-19 on the EU banking sector.

- **20 March 2020:**
  - ECB: Banking Supervision provides further flexibility to banks in reaction to coronavirus;
  - ECB: FAQs on ECB supervisory measures in reaction to the coronavirus.

- **25 March 2020:**
  - EBA: Statement on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of Covid-19 measures;
  - EBA: Statement on consumer and payment issues in light of Covid-19;
  - EBA: Postponed EBA activities.

- **27 March 2020:**
  - EBA: Press Release through which banks were asked not to pay dividends until at least October 2020, and also refraining from share buy-backs aimed at remunerating shareholders.

- **31 March 2020:**
  - EBA provides additional clarity on measures to mitigate the impact of Covid-19 on the EU banking sector (Statement on supervisory reporting and Pillar 3 disclosures in light of Covid-19; Statement on dividends distribution, share buybacks and variable remuneration; Statement on actions to mitigate financial crime risks in the Covid-19 pandemic).

- **1 April 2020:**
  - ECB: IFRS 9 in the context of the coronavirus (Covid-19) pandemic.

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

- **3 April 2020:**
  - BCBS: Measures to reflect the impact of Covid-19 (guidance on extraordinary measures to alleviate the financial and economic impact of Covid-19).

- **14 April 2020:**
  - ECB supports macroprudential policy actions taken in response to coronavirus outbreak.

- **16 April 2020:**
  - ECB Banking Supervision provides temporary relief for capital requirements for market risk.

- **22 April 2020:**
  - EBA provides further guidance on the use of flexibility in relation to Covid-19 and calls for heightened attention to risks.

- **18 June 2020:**
  - EBA extends deadline for the application of its Guidelines on payment moratoria to 30 September 2020.

- **26 June 2020:**
  - Publication in the Official Journal of the EU Regulation (CRR “quick fix”) making targeted amendments to the Capital Requirements Regulation (CRR) and the revised Capital Requirements Regulation (CRR2).

- **28 July 2020:**
  - ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers.

Measures issued in the context of the Covid-19 outbreak, provided by the European regulatory authorities and National Member States

- **17 September 2020:**
  - ECB decision on temporary relief in banks' leverage ratio after declaring exceptional circumstances due to Covid-19 pandemic.

- **21 September 2020:**
  - EBA phases out its Guidelines on legislative and non-legislative loan repayments moratoria.

- **2 December 2020:**
  - EBA decides to reactivate the Guidelines on legislative and non-legislative moratoria.

- **15 December 2020:**

ECB asks banks to refrain from or limit dividends until September 2021.

Scope of application

Name of the bank to which the disclosure requirements apply
UniCredit S.p.A., Parent Company of "UniCredit" banking group registered in the Register of Banking Groups.

Outline of the differences in the basis of consolidation for accounting and prudential purposes
In this section of the UniCredit group disclosure the prudential scope of consolidation of the UniCredit group is reported.
The scope of consolidation is determined according to the prudential regulations and differs from the scope of the Consolidated Financial Statements, determined under IAS/IFRS, with consequent differences between the financial data disclosed in this document and included in the Consolidated Financial Statements at the same date.

Such different treatments are disclosed in the lists of this section:
- Consolidated entities
  - banking, financial and instrumental companies directly or indirectly controlled by UniCredit S.p.A. to which the line-by-line consolidation method is applied;
  - banking, financial and instrumental companies in which UniCredit S.p.A. holds, directly or indirectly, a 20% stake or more, when they are jointly controlled with other entities and/or according to agreements signed with them; to these subsidiaries the proportional consolidation method is applied;
  - other banking and financial companies in which UniCredit S.p.A. holds, directly or indirectly, a 20% stake or more or anyway subject to significant influence, to which the equity method is applied;
  - companies, other than banking, financial and instrumental companies, directly or indirectly controlled by UniCredit S.p.A., exclusively or jointly, or subject to significant influence, to which the equity method is applied.
- Entities subject to the treatment for Own funds pursuant to articles 46 and 48 of CRR
  - companies of the financial sector in which a non-significant/significant shareholding is owned, subject to deduction from Own funds.

This disclosure, which refers to the consolidated data, does not include equity investments that individually hold a total balance sheet assets lower than €1,000:
- No.54 subsidiaries and joint ventures
- No.7 associate companies
- No.152 minority interests included in the “Financial assets mandatorily at fair value” or “Financial assets at fair value through other comprehensive income” portfolios.

It should be noted that in the Consolidated Financial Statements are enclosed within investments n.130 entities (n.126 as at 31 December 2019) controlled either directly or through consolidated subsidiaries accounted for at cost, of which:
- No.15 belonging to the banking group (n.13 as at 31 December 2019, see Annex 2 “Scope of application”);
- No.115 not belonging to the banking group (n.113 as at 31 December 2019).

As at 31 December 2020 No..66 controlled entities are not consolidated and not listed within investments item in Regulatory Balance Sheet.

In the Annex 2 “Scope of application” to the present document are reported the following information:
- basis of consolidation for accounting and prudential purposes as at 31 December 2020;
- names of all subsidiaries not included in the basis of consolidation and aggregate amount of their capital deficiencies with respect to any mandatory capital requirements.

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):
- 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, compared to the initial 40.95%.

Scope of application

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 2019); the RWA reduction related to the first quarter 2020 was equal to approx. €20 billion; (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 2019); (iv) the templates included in the present disclosure does not include Yapi Ve Kredi Bankasi A.Ş proportional contribution any more, being the entity evaluated according to the net equity method for regulatory purposes.

Scope of application

EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories(*)

(€ million)

	A	B	C	D	E	F	G
			CARRYING VALUES OF ITEMS(**)				
DESCRIPTION	CARRYING VALUES AS REPORTED IN PUBLISHED FINANCIAL STATEMENTS(*)	CARRYING VALUES UNDER SCOPE OF REGULATORY CONSOLIDATION(*)	SUBJECT TO THE CREDIT RISK FRAMEWORK	SUBJECT TO THE CCR FRAMEWORK	SUBJECT TO THE SECURITISATION FRAMEWORK	SUBJECT TO THE MARKET RISK FRAMEWORK(***)	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL(****)
ASSETS							
Cash and cash balances	101,707	101,707	101,707	-	-	-	-
Financial assets at fair value through profit or loss:	87,825	87,822	14,862	50,910	213	72,635	112
a) Financial assets held for trading	72,705	72,705	-	49,707	70	72,635	-
a.1) Reverse Repos	1,887	1,887	-	1,887	-	1,887	-
a.2) Derivatives instruments	45,162	45,162	-	45,092	70	45,092	-
b) Financial assets designated at fair value	226	226	165	157	61	-	-
c) Other financial assets mandatorily at fair value	14,894	14,891	14,697	1,046	82	-	112
Financial assets at fair value through other comprehensive income	72,737	72,690	71,562	17,856	1,128	-	-
Financial assets at amortised cost:	623,501	623,992	546,761	82,202	15,663	-	731
a) Loans and advances to banks	117,489	117,487	91,680	25,080	-	-	727
a.1) Reverse Repos	25,080	25,080	-	25,080	-	-	-
b) Loans and advances to customers	506,012	506,505	455,081	35,757	15,663	-	4
b.1) Reverse Repos	35,757	35,757	-	35,757	-	-	-
Hedging derivatives	3,802	3,802	-	3,802	-	-	-
Changes in fair value of portfolio hedged items (+/-)	3,886	3,886	3,886	-	-	-	-
Equity investments	4,354	4,781	4,716	-	-	-	65
Insurance reserves charged to reinsurers	-	-	-	-	-	-	-
Property, plant and equipment	9,939	9,164	9,164	-	-	-	-
Intangible assets	2,117	2,117	857	-	-	-	1,219
of which: goodwill	-	-	-	-	-	-	-
Tax assets:	13,098	13,097	11,854	-	-	-	828
a) current	1,737	1,736	1,736	-	-	-	-
b) deferred	11,361	11,361	10,118	-	-	-	828
Non-current assets and disposal groups classified as held for sale	2,017	2,034	2,034	-	-	-	-
Other assets	6,473	7,118	7,074	-	-	-	44
Total assets	**931,456**	**932,210**	**774,478**	**154,769**	**17,003**	**72,635**	**2,998**
LIABILITIES							
Financial liabilities at amortised cost:	775,747	776,078	-	68,774	-	-	707,304
a) Deposits from banks	172,473	172,415	-	30,278	-	-	142,137
a.1) Repos	30,278	30,278	-	30,278	-	-	-
b) Deposits from customers	500,750	501,139	-	38,496	-	-	462,643
b.1) Repos	38,496	38,496	-	38,496	-	-	-
c) Debt securities in issue	102,524	102,524	-	-	-	-	102,524
Financial liabilities held for trading	47,787	47,787	-	38,295	-	47,787	-
a) Derivatives instruments	35,843	35,843	-	35,843	-	35,843	-
b) Repos	2,452	2,452	-	2,452	-	2,452	-
Financial liabilities designated at fair value	10,568	10,568	-	-	-	-	10,568
Hedging derivatives	5,699	5,699	-	5,699	-	-	-
Value adjustment of hedged financial liabilities (+/-)	6,065	6,065	-	-	-	-	6,065
Tax liabilities:	1,358	1,306	1,194	-	-	-	1,067
a) current	792	775	-	-	-	-	775
b) deferred	566	531	1,194	-	-	-	292
Liabilities associated with assets classified as held for sale	761	700	-	-	-	-	700
Other liabilities	12,749	13,306	-	-	-	-	13,306
Provision for employee severance pay	592	591	-	-	-	-	591
Provisions for risks and charges	10,188	10,124	-	-	-	-	10,124
Total liabilities	**871,514**	**872,224**	**1,194**	**112,768**	**-**	**47,787**	**749,725**

Notes:

(*)

The differences between the amounts under the columns a) and b) substantially depend on the composition of IAS/IFRS versus regulatory perimeters (ref. Annex 2 – Scope of application).

Shareholder’s equity items are not reported among the balance sheet liabilities of this template as they are already disclosed in template “Accounting and Regulatory Balance Sheet reconciliation, with cross-reference to Own Funds items”, under the section “Own Funds” of the present document.

Scope of application

(**)
The allocation of the amount in column b) among columns from c) to f) is based on the following approach:
- for balance sheet assets' items depending on the risk categories they may be subject to, also considering those items having nil capital requirement;
- for balance sheet liabilities' items considering the amount of liabilities that is relevant for the calculation of risk-weighted assets or is used for offsetting balance sheet assets' items.

The sum of amounts disclosed in columns from c) to g) may be different than the amount in column b) for the following reasons:
- some items may be subject to capital requirements for more than one risk under the regulatory framework (e.g. derivative instruments and reverse repos classified in item "Financial assets held for trading");
- with reference to tax assets and liabilities the amounts disclosed in columns c) and g): (i) include the effects arising from IFRS9 transitional adjustments; (ii) are calculated net of deferred tax liabilities according to CRR netting rules, which are different from the accounting netting rules reflected into the carrying values under column b).

(***)
The amount disclosed in column f) does not correspond to the amount under column "VaR perimeter" of the table "Link between market risk metrics and Balance Sheet items" under the section "Market risk" of the present document, as carrying values reported in such template are referred to the accounting (IFRS) perimeter.

(****)
The amount disclosed under the column g) includes:
- for items under the balance sheet assets side, the items subject to deduction from Own Funds for a total amount of €2,998 billion (coherently, with reference to the "Own Funds disclosure template", under the section "Own Funds" of the present document, with the sum of items 8, 10, 15, 20a, 55; the sum of such items differs for an amount equal to 39 million since the positive effect arising from the IFRS9 transitional adjustment related to the item 10 is reported in item 9);
- for item "Tax Assets", the amount (equal to 828 million) includes the positive effect arising from the IFRS9 transitional adjustments (equal to 39 million). With reference to "Own Funds disclosure template", the item 10 does not include the positive effect arising from the IFRS9 transitional adjustments that is included in item 9;
- for item "Intangible Assets" the amount: (i) reflect the new methodology for software assets deduction calculation in line with article 36 (1) (b) of CRR; (ii) is represented net of deferred tax liabilities which are used for reducing the amount of deduction;
- for items under the balance sheet liabilities side, in addition to the liabilities which are not included in the regulatory framework for risk-weighted assets (for a total amount equal to €750 billion), the amount of deferred tax liabilities (equal to €292 million) includes the effects arising from IFRS9 transitional adjustments and are used for reducing the amount deferred tax assets which rely on future profitability and do not arise from temporary differences which are subject to deduction from Own Funds.

Scope of application

EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements(*)

(€ million)

	DESCRIPTION	A TOTAL	B ITEMS SUBJECT TO CREDIT RISK FRAMEWORK	C CCR FRAMEWORK	D SECURITISATION FRAMEWORK
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1) (**)**	**946,251**	**774,478**	**154,769**	**17,003**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1) (***)	113,962	1,194	112,768	-
3	Total net amount under the regulatory scope of consolidation (****)	946,251	774,478	154,769	17,003
4	Off-balance-sheet amounts	342,611	80,710	-	-
5	Differences due to Securitisation (A)	669	-	-	669
6	Differences due to SFT (B)	(95,355)	-	(95,355)	-
7	Differences due to Derivatives (C)	(17,892)	-	(17,892)	-
8	Differences due to credit risk adjustments (D)	13,423	13,423	-	-
9	Prefunded default fund contributions	1,763	-	1,763	-
10	Differences due to on-balance sheet amounts (E)	(12,737)	(12,737)	-	-
11	**Exposure amounts considered for regulatory purposes**	**916,832**	**855,874**	**43,285**	**17,673**

Note:
The exposure amount considered for regulatory purposes (i.e. EAD) reported in this template (€916,832 million) does not reconcile with the amount of item A.1 of "Capital Adeguacy" table, column "unweighted assets" (€902,348 million) because the following elements are included:
- Exposures with or central counterparties as pre-funded contributions to the default fund;
- Other non-credit risk obligations assets.

EU LIA – Explanations of differences between accounting and regulatory exposure amounts (notes referred to the template above)

(*)
This template provides the reconciliation between (i) the carrying value amount under the scope of regulatory consolidation (as reported in template EU LI1), and (ii) the exposure amount considered for regulatory purposes (i.e. EAD) for the exposures subject to credit risk, CCR and securitisation framework.
It is worth mentioning that the template does not include (i) the exposures subject to market risk for which EAD is not strictly applicable, and (ii) the exposures subject to deduction from Own Funds.

(**)
With reference to the row 1, the amounts disclosed in columns from b) to d) correspond to the carrying value under the scope of regulatory consolidation of the balance sheet assets, as reported in columns from c) to e) of template EU LI1 in the present document.

(***)
With reference to the row 2, the amounts disclosed under the columns b) and c) correspond to the carrying value under the scope of regulatory consolidation of the balance sheet liabilities reported respectively under the columns c) and d) of template EU LI1 in the present document.

(****)
The amount disclosed in row 3 coincides with the row 1 since any on-balance sheet netting of assets and liabilities are already reflected in the amounts reported in row 1.

A.
The positive change related to the row "**Differences due to securitisation**" mainly refers to:
- securitisation positions where Group acts as a sponsor. Adopting the line-by line consolidation method, the following items are recognised in the consolidated accounts:
  - assets held by consolidated vehicles in place of the loans provided to them or the liabilities subscribed by Group companies, now eliminated on consolidation;
  - loans to purchase companies for non-consolidated subordinated vehicles.

Scope of application

With respect to non-consolidated Purchase companies, the Consolidated financial statements, while not including the assets recorded in their books, show the maximum amount of the risk borne by the Group which, with respect to purchase companies wholly financed by the consolidated conduits, corresponds to the value of the assets of these purchase companies.
Under the regulatory point of view, the risk is measured on liquidity facility provided to each purchase companies within the ABCP Conduit Programme (for more details please refer to the section “Securitisation Exposures” of the present document);

- credit risk mitigation techniques affecting the exposure amount.

B.
The negative change related to the row “**Differences due to SFT**” mainly refers to the following effects recognized in the calculation of the exposure amount considered for regulatory purposes (i.e. EAD) according to CRR:

- recognition of master netting agreements;
- use of EEPE models for EAD calculation;
- recognition of collateral under the financial collateral comprehensive method.

C.
The negative change related to the row “**Differences due to derivatives**” mainly refers to the following effects recognized in the calculation of the exposure amount considered for regulatory purposes (i.e. EAD) according to CRR:

- inclusion of derivatives with negative fair value booked among balance sheet liabilities in the perimeter for counterparty risk;
- use of EEPE models for EAD calculation;
- recognition of master netting agreements and offsetting with collateral on OTC derivatives.

D.
The positive change related to the row “**Differences due to credit risk adjustments**” refers to the recognition of credit risk adjustments (i.e. LLP) in the calculation of EAD for exposures under IRB methods.

E.
The negative change related to the row “**Differences due to on-balance sheet amounts**” mainly refers to the exemption from credit risk framework of the following:

- cash collateral posted for OTC derivatives with negative fair value subject to master netting agreement, which amount is recognized in the EAD calculation for counterparty risk (ref. note C);
- assets posted as collateral to a CCP that are bankruptcy remote in the event that the CCP becomes insolvent (Segregated initial margin), which exposure value is zero according to CRR article 306;
- credit risk mitigation techniques affecting the exposure amount.

Scope of application

Application of disclosure requirements on a consolidated basis and on significant subsidiaries

In according to the Article 13 of the Regulation (EU) No.575/2013 ("CRR") and subsequent amendments, UniCredit group, as "EU parent institutions", complies with the obligations laid down in Part Eight on the basis of its consolidated situation.
Moreover, the large subsidiaries and those of material significance for their local market disclosing the information specified in Articles 437, 438, 440, 442, 450, 451, 451a and 453 (on individual or sub-consolidated basis), are the following:

- Disclosure on individual basis:
  - UniCredit Bank AG.

- Disclosure on sub-consolidated basis:
  - UniCredit Bank Austria AG;
  - UniCredit Banka Slovenija DD;
  - Zagrebačka Banka DD;
  - UniCredit Bulbank AD;
  - UniCredit Bank Czech Republic and Slovakia, a.s.;
  - UniCredit Bank Hungary Zrt;
  - UniCredit Bank SA (Romania).

Substantial or legal impediments, current or foreseeable, that hinder the rapid transfer of capital resources or funds within the Group

Shareholder agreements, regulatory requirements and contractual agreements can limit the ability of the Group to access the assets or settle the liabilities of its subsidiaries or restrict the latter from distribution of capital or dividends.

- With reference to shareholder agreements, it should be noted that to the consolidated entities UniCredit BPC Mortgages S.r.l. and UniCredit OBG S.r.l. companies established according to Law 130/99 for the execution of securitisation transactions or the issuance of covered bonds, shareholders' agreements allow the distribution of dividends only when the credit claims of guaranteed lenders and bearer of covered bonds are satisfied.

- In the course of the demerger of the CEE Banking Business from UniCredit Bank Austria AG (UCBA) to UniCredit S.p.A. effected in 2016, UniCredit S.p.A. undertook an agreement with UniCredit Bank Austria AG and its minority shareholders that until 30 June 2024, envisaging: (i) the restriction, as shareholder of UniCredit Bank Austria AG, from resolving on any dividend distributions of the latter in case UniCredit Bank Austria AG's consolidated and solo CET1 ratios, as a consequence thereof, fall below (a) 14% or (b) the higher minimum CET1 ratio required at the time by the applicable regulatory framework, plus any required buffers, and (ii) the support to any management decision and board resolution of UCBA aimed at safeguarding such CET1 ratios.

- UniCredit group is a banking group subject to the rules provided by Directive (EU) 2019/878 of the European Parliament and of the Council (so-called CRD V), amending Directive 2013/36/EU on "access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" and by Regulation EU) 2019/876 of the European Parliament and of the Council (so-called CRR 2), amending Regulation (EU) No.575/2013 on "prudential requirements for credit institutions and investment firms" and that controls financial institutions subject to the same regulation.
  The ability to distribute capital or dividends of the banks and of the other regulated entities controlled may be restricted to the fulfilment of these requirements in terms of both capital ratios and "Maximum Distributable Amount" as well as further eventual regulation applicable at national level and recommendation by competent authorities provided time by time.
  In particular, with reference to the measures adopted in the context of the Covid-19 epidemic by the European Supervisory Authorities, the European Central Bank (ECB) on 15 December 2020 has issued a recommendation *"on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 (ECB/2020/62)"* asking banks to refrain from dividend distribution and shares buy-back until 30 September 2021. According to this recommendation, dividends shall remain below 15% of the cumulated profit for 2019 and 2020 adjusted for certain components CET1 neutral and shall not be higher than 20 basis points of the CET1 ratio. This recommendation repeals the previous measures issued by ECB dated 27 July 2020 and 27 March 2020, that complementing EBA measure dated 31 March 2020, suspended dividend distributions for 2019. Dividend distribution by UniCredit S.p.A. in 2021 will comply with this recommendation (for details refer to Own Funds chapter, "Consolidated profit/loss eligible for Own Funds purposes" paragraph).
  Finally, also in consideration of recommendations received from the local supervisory authorities, some subsidiaries of the UniCredit group, during the 2020, canceled the resolution to distribute the 2019 dividend.

Scope of application

- The capital ratios requested for 2021 from UniCredit group and agreed upon with the European Central Bank (ECB), also as a result of the Supervisory Review and Evaluation Process (SREP) performed in 2020, are higher than the minimum requirements set by the mentioned regulations. For the disclosure on 2020 UniCredit group Capital Requirements and on the outcome of the 2019 SREP, please refer to the "Own Funds" chapter.
  With reference to subsidiaries, we note that in some jurisdictions and for some foreign entities of the Group, commitments to maintain local supervisory capital higher than regulatory thresholds may exist also as a result of SREP performed at local level.

- With reference to free flow among entities based in different countries, available liquidity at Group level bears some restrictions related to the Large Exposure prudential limits, according to both CRR definition and decisions adopted by Member States (with reference to cross border intragroup exposures) some of them recently implemented with the aim to face the recent health emergency: consequently, a portion of available liquidity may suffer impediments that hinder its transfer among group entities. Further details are reported in the Notes to the consolidated accounts as at 31 December 2020, Part E - Information on risks and hedging policies, Section 2 - Risk of the prudential consolidated perimeter, 2.4 Liquidity risk.

- With reference to contractual agreements, UniCredit group has issued financial liabilities whose callability, redemption, repurchase or repayment before their contractual maturity date, is subject to the prior permission of the competent authority. The carrying value of these instruments as at 31 December 2020 is equal to €40,199 million and includes capital instruments and TLAC eligible instruments.

- As at 31 December 2020 UniCredit group has in place several alliance agreements, as well as several shareholders' agreements stipulated with other parties under the scope of co-investment agreements (e.g. agreements for the establishment of joint ventures), with special reference to the insurance sector.
  Under the scope of these agreements, as per market practice, there are investment protective clauses which, depending on the case, allow the parties to negotiate their respective positions on the underlying investment in the case of their "exit", through mechanisms that require purchase and/or sale. These provisions are usually applied after a certain period of time and/or when specific events occur, also connected to the underlying distribution agreements.
  As at 31 December 2020 UniCredit S.p.A. does not have definitive obligations to purchase the equity investments pertaining to one or more contractual counterparties.

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[18] and buffers for UniCredit group

The minimum capital requirements applicable to the Group as of 31 December 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 anticipated application of CRDV Directive article 104a, as extraordinary measure issued by ECB in reaction to the emergency of Covid-19, allows banks to meet the Pillar 2 requirement 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 Article 129;
- **1.00%**, as Global Systemically Important Institutions (“G-SII”) buffer[19];
- **0.04%**, as Countercyclical Capital buffer[20] (CCyB) according to the CRDIV Article 130, to be calculated on a quarterly basis.

As at 31 December 2020, the Group shall meet the following overall capital requirements:
- CET1: **9.03%**
- T1: **10.85%**
- Total Capital: **13.29%**

18 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 31 December 2020 in Italy.
19 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.
20 Amount rounded to two decimal numbers. With reference to 31 December 2020: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: Czech Republic (0.50%); Hong Kong (1.00%); Norway (1.00%); Slovakia (1.00%); 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%.

Own Funds

Here 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 requirements	**4.50%**	**6.00%**	**8.00%**
B) Pillar 2 requirements	**0.98%**	**1.31%**	**1.75%**
C) TSCR (A+B)	**5.48%**	**7.31%**	**9.75%**
D) Combined capital buffer requirement:	**3.54%**	**3.54%**	**3.54%**
of which: *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)	*0.04%*	*0.04%*	*0.04%*
E) OCR (C+D)	**9.03%**	**10.85%**	**13.29%**

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 fourth quarter of 2020, that the amount of AT1 Capital exceeds the regulatory minimum of 1.50% (i.e. being 2.26%).
- T1: this amount represents the minimum coverage of the SREP requirement by T1 Capital, in the assumption, verified for the fourth quarter of 2020, that the amount of T2 Capital exceeds the regulatory minimum of 2.00% (i.e. being 2.50%).

The following table shows **UniCredit group transitional**[21] **capital ratios as at 31 December 2020** compared with previous periods.

UniCredit group transitional capital ratios as at 31 December 2020

UNICREDIT GROUP TRANSITIONAL CAPITAL RATIOS	4Q20						
	RATIOS	*DELTA Q/Q*	*DELTA Y/Y*	3Q20	2Q20	1Q20	4Q19
CET1 Capital ratio	15.96%	*0.81%*	*2.74%*	15.15%	14.54%	13.44%	13.22%
Tier 1 Capital ratio	18.22%	*0.89%*	*3.32%*	17.33%	16.63%	15.48%	14.90%
Total Capital ratio	**20.72%**	***0.86%***	***3.03%***	**19.86%**	**19.44%**	**18.01%**	**17.69%**

Transitional capital ratios of UniCredit S.p.A.

The following table shows the transitional[22] capital ratios of UniCredit S.p.A. as at 31 December 2020 compared with previous periods.

Transitional capital ratios of UniCredit S.p.A.

UNICREDIT SPA - TRANSITIONAL CAPITAL RATIOS	4Q20						
	RATIOS	*DELTA Q/Q*	*DELTA Y/Y*	3Q20	2Q20	1Q20	4Q19
CET1 Capital ratio	22.50%	*-0.22%*	*1.38%*	22.71%	21.61%	20.95%	21.11%
Tier 1 Capital ratio	26.37%	*-0.06%*	*2.33%*	26.43%	25.14%	24.40%	24.04%
Total Capital ratio	**30.68%**	***-0.00%***	***1.81%***	**30.68%**	**29.78%**	**28.47%**	**28.86%**

Consolidated profit/loss eligible for Own Funds purposes

UniCredit group has registered as at 31 December 2020 a loss of -€2,785 million, fully recognised in the Own Funds.
On 15 December 2020, updating the communication of 28 July 2020, the ECB published the recommendation, titled "ECB asks banks to refrain from or limit dividends until September 2021", in which banks are asked to limit dividends to the lower between (i) 15% of cumulated 2019-20 adjusted profits and (ii) 20 basis points of CET1 ratio. At UniCredit, the lower value is represented by the 15% ("ECB cap") of the cumulated stated net profits for the years 2019 and 2020, adjusted, as per ECB recommendation.
In particular, in accordance with the ECB recommendation, the cumulated 2019-20 adjusted profit at consolidated level, on which the 15% payout ratio is applied, is calculated by adjusting the profit/loss result for the following items: (i) goodwill and intangible assets impairment, (ii) impairment of deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities, (iii) reclassifications from other comprehensive income into profit and (iv) distribution related to AT1 instruments charged against equity.

21 The transitional adjustments as at 31 December 2020 are (i) grandfathering of Additional Tier 1 and Tier 2 instruments and (ii) IFRS9 transitional arrangements starting from 30 June 2020.
22 The transitional adjustments as at 31 December 2020 refer to the grandfathering of Additional Tier 1 and Tier 2 instruments.

Own Funds

The amount resulting from such calculation is equal to a total amount of €447 million, whose distribution is envisaged for (i) 60% via cash dividends (equal to €268 million) and for (ii) 40% via shares buy-back (equal to €179 million). The cash component is deducted from Own Funds as of fourth quarter 2020, while the shares buy-back component will be deducted once the ECB authorization will be released.

Transitional consolidated Own Funds

Regarding the transitional adjustments as at 31 December 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 recognised 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 Art. 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.

As of fourth quarter 2020, in quantitative terms, the transitional IFRS9 adjustment has a positive effect on CET1 capital for €2.6 billion, equal to 81 basis points; thus, while the Transitional CET1 ratio is equal to 15.96%, the Fully Loaded CET1 ratio is equal to 15.14%. Moreover, as of the same date, the IFRS9 arrangements has a negative impact on T2 capital equal to -€0.4 billion originated from the updated amount of the excess of LLP on IRB portfolio computable in T2 capital.

Own Funds

New prudential framework for software assets treatment

As part of the Risk Reduction Measures package, Art. 36(1)(b) of the CRR has been amended, introducing an exemption from the deduction of software assets from CET1 capital, primarily aimed to encourage investments in software in the context of the evolution of the banking sector in a more digital environment. Given also measures taken to address Covid-19 crisis, this Regulation has been in force since the day after the publication on the EU Official Journal, occurred on 22 December 2020, and hence applicable from fourth quarter 2020.

Specifically, with reference to each component to be calculated in order to apply the new prudential framework, it is worth mentioning the following interpretations of the Regulation:

- the prudential amortisation has to be calculated at single software asset level, taking into account the following features:
  - duration: differently from the accounting one, where the amortisation period of intangible assets shall only reflect their useful life, the prudential amortisation period should be the minimum between the useful life and 3 years for each asset;
  - starting date: the prudential and the accounting amortisation should start at the same time, that is when the software asset should be available for use;
- the amount to be deducted from CET1 has to be calculated by subtracting from the accumulated prudential amortisation, the accumulated accounting amortisation;
- the amount to be risk-weighted at 100% has to be calculated by subtracting from the net carrying amount of the asset, the deduction made on the CET1 capital;
- in case the amortisation of the asset is not started yet (hence the software is still under construction), the deduction shall be equal to the total carrying amount at the reference date, and the amount to be risk-weighted at 100% shall be zero.

In quantitative terms, as of 31 December 2020, the new prudential treatment for software assets has a positive effect of about 22 basis points for UniCredit Group at consolidated level, arising from (i) a lower deduction on CET1 capital equal to €736 million (deduction equal to €1,269 million as of fourth quarter 2020, compared to a deduction equal to €2,005 million as of third quarter 2020); (ii) an increase in the RWA amount equal to €857 million.

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 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, following the ECB's recommendation on 15 December 2020 (ECB/2020/62) that updated the communication of 28 July 2020 (ECB/2020/35), are asked to limit dividends to the lower between (i) 15% of cumulated 2019-20 adjusted profits and (ii) 20 basis points of CET1 ratio.

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 third quarter 2020, in reaction to the Covid-19 emergency and further to some releases already applied in the first and second 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 countercyclical capital buffer rates applicable for the fourth quarter 2020 are unchanged compared to the third quarter 2020, the countercyclical capital buffer of the UniCredit group's, equal to 0.04%, is in line with the third 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 31 December 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 €104 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.

Own Funds

Atlante Fund and Italian Recovery Fund (ex Atlante Fund II)
As at 31 December 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 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 31 December 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 2020 68).

1. Common Equity Tier 1 Capital - CET1
Common Equity Tier 1 Capital mainly includes the following elements:
- Main Common Equity Tier 1 Capital items, 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 31 December 2020, CET1 Capital includes ordinary shares issued by UniCredit S.p.A., equal to €20,439 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 capital 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.

3. Tier 2 Capital – T2
The T2 positive elements are represented by the following items: (I) capital instruments and subordinated loans where the conditions laid down in 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 31 December 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.

Own Funds

Own Funds disclosure template[(*)] - (CRR Article 492, paragraph 3 and 4)

(€ million)

		12.31.2020	12.31.2019
Common Equity Tier 1 capital (CET1): instruments and reserves			
1	Capital instruments and the related share premium accounts (A)	29,820	33,591
	of which: Ordinary shares	*29,820*	*33,591*
2	Retained earnings (B)	23,023	16,372
3	Accumulated other comprehensive income (and other reserves) (C)	1,715	1,852
5	Minority interests (amount allowed in consolidated CET1)	90	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**	**54,648**	**53,904**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	(195)	(184)
8	Intangible assets (net of related tax liability) (D)	(1,221)	(2,815)
9	Transitional adjustment related to IFRS9 (E)	2,648	-
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) (F)	(867)	(698)
11	Fair value reserves related to gains or losses on cash flow hedges	48	72
12	Negative amounts resulting from the calculation of expected loss amounts	(14)	(11)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	51	(63)
15	Defined - benefit pension fund assets	(44)	(41)
16	Direct and indirect holdings by an institution of own CET1 instruments	(11)	(8)
20	Additional deductions of CET1 Capital due to Article 3 CRR (G)	(114)	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(69)	(102)
20c	*of which: Securitisation positions*	*(69)*	*(102)*
22	Amount exceeding the 17.65% threshold (H)	(104)	-
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*	*(61)*	-
25	*of which: Deferred tax assets arising from temporary differences*	*(43)*	-
25a	Losses for the current financial year (I)	(2,785)	-
28	**Total regulatory adjustment to Common Equity Tier 1 (CET1)**	**(2,677)**	**(3,850)**
29	**Common Equity Tier 1 (CET1) capital**	**51,971**	**50,054**
Additional Tier 1 (AT1) capital: Instruments			
30	Capital instruments (J)	4,953	3,713
33	Amount of qualifying items referred to in Article 484 (4) subject to phase out from AT1 (K)	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	27	20
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**7,382**	**6,392**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments	(32)	(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)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(32)**	**(32)**
44	**Additional Tier 1 (AT1) capital**	**7,350**	**6,360**
45	**Tier 1 capital (T1= CET1+AT1)**	**59,321**	**56,414**

Own Funds

continued: Own Funds disclosure template(*) - (CRR Article 492, paragraph 3 and 4)

(€ million)

		12.31.2020	12.31.2019
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments (L)	7,963	9,656
47	Amount of qualifying items referred to in Article 484 (5) subject to phase out from T2 capital	92	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	452	533
50	Credit risk adjustments	996	1,072
51	**Tier 2 (T2) capital before regulatory adjustments**	**9,503**	**11,330**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	(106)	(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)	(836)	(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)	(419)	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(1,360)**	**(763)**
58	**Tier 2 (T2) capital**	**8,143**	**10,568**
59	**Total capital (TC=T1+T2)**	**67,464**	**66,982**
60	**Total risk weighted assets**	**325,665**	**378,718**
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**15.96%**	**13.22%**
62	**Tier 1 (as a percentage of risk exposure amount)**	**18.22%**	**14.90%**
63	**Total capital (as a percentage of risk exposure amount)**	**20.72%**	**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) (O)	8.04%	8.09%
65	*of which: Capital conservation buffer requirement*	*2.50%*	*2.50%*
66	*of which: Countercyclical buffer requirement*	*0.04%*	*0.09%*
67a	*of which: Global Systemically Important institution (G-SII) or Other Sistemically 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) (P)	7.92%	5.13%
Lower amounts in comparison with the tresholds for the deductions (before the weight of the risk)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,788	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)	4,432	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) (Q)	3,087	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) (Q)	3,032	1,784
79	Cap for inclusion of credit risk adjustments in T2 under internal rating-based approach (Q)	996	1,072
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 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)	287	243
84	Current cap on T2 instruments subject to phase out arrangements	1,266	1,900

Notes:
(*) Sub-amounts equal to zero or not applicable are not reported.
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Own Funds

Notes to the table "Own Funds disclosure template (CRR Article 492, paragraph 3 and 4)"
Amounts included in the notes below refer to 31 December 2020 if not otherwise specified. Regarding the transitional adjustments as at 31 December 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 €3,770 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 €6,651 million) mainly refers to: (i) the inclusion into reserves of the 2019 profit (equal to €3,373 million also including dividends related to 2019 and referred to YE2019 no more distributed during the 2020 in line with the recommendation 2020/19 published by European Central Bank on 27 March 2020), and (ii) the positive effect stemming from the elimination of negative reserves connected to IFRS9 FTA (positive change for €2,759 million). It is worth mentioning that as at 31 December 2020, such capital item includes, as deduction, the FY2020 cash dividends component (€268 million) to be distributed during 2021. The amount of cash dividends is equal to 60% of 2020 capital distribution that is calculated as the 15% of the sum of the cumulated stated net profits related to the years 2019 and 2020, adjusted - as per ECB recommendation - by reintegrating into profit those P&L impacts not affecting the capital position.

C.
The change compared to 31 December 2019 (negative for €138 million) mainly refers to change: (i) on actuarial losses (negative for €427 million), (ii) on exchange reserve (positive for €417 million), (iii) on cash flow hedge reserve (positive for €24 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") and (iv) other variations on capital reserve mainly related to the payment of Additional Tier 1 capital instruments coupons (negative for €87 million).

D.
The change compared to 31 December 2019 (positive for €1,594 million) mainly refers to: (i) the new regulatory treatment related to software assets in line with Article 36 (1) (b) of CRR (which generates a lower deduction from CET1 capital for an amount equal to €707 million) and (ii) the impairment of Goodwill (equal to €886 million). For any further details on impairment of Goodwill, please refer to Consolidated financial statements of UniCredit group, Notes to the consolidated accounts Part B – Consolidate balance sheet – Assets, Section 10 – Intangible assets – Item 100.

E.
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 €2,648 million) includes the following transitional adjustments: i) static component for €1,593 million (applicable percentage in 2020 equal to 70%); ii) dynamic component for €912 million (applicable percentage in 2020 equal to 100%); iii) deferred tax assets that rely on future profitability and not arise from temporary differences for €39 million; iv) sterilization of the amount exceeding 17,65% CET1 threshold for €104 million related to the exclusion 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.

F.
The amount included in this item (equal to €867 million) does not consider the effects related to the transitional adjustments due to IFRS9 that are included in item "9 Transitional adjustment related to the IFRS9".

Own Funds

G.
Starting from 31 December 2020 the amount reported in this item (negative for €114 million) includes the additional deduction of CET1 Capital due to Article 3 of CRR, in accordance with ECB guidance to banks on non performing loans.

H.
With reference to 31 December 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 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 Transitional adjustment related to the IFRS9”.

I.
The consolidated loss of the period as of 31 December 2020 (equal to €2,785 million) is entirely deducted from Common Equity Tier 1 according to CRR Article 36(1)(a).

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

K.
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.

L.
The change compared to 31 December 2019 (negative for €1,693 million) is mainly referred to:
- the issuance of two new instruments: i) XS2101558307 on 15 January 2020 (computable amount as at 31 December equal to €1,244 million), ii) XS2196325331 on 30 June 2020 (computable amount as at 31 December equal to €1,214 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, and the instrument XS0986063864 (computable amount equal to €982 million), executed on 28 October 2020;
- the combined negative effect (€725 million) due to amortisation and exchange rate.

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 line by line proportional method to net equity method. 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 €419 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.

O.
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 in the application 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).

Own Funds

P.
The amount as at 31 December 2020 is calculated by subtracting from the Common Equity Tier 1 capital ratio at the date (i.e. item 61: 15.96%) the minimum Common Equity Tier 1 requirement including the combined capital buffer (i.e. item 64: 8.04%). The increase compared to 31 December 2019 depends on the following items: (i) increase in Common Equity Tier 1 Capital for €1,918 million and (ii) reduction in risk weighted assets for €53,054 million.

Q.
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 Transitional adjustment related to the IFRS9".

Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

(€ million)

	DESCRIPTION	12.31.2020	09.30.2020	06.30.2020
1	Common Equity Tier 1 (CET1) capital (A)	51,971	50,959	50,976
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	49,324	48,466	48,572
3	Tier 1 capital	59,321	58,299	58,315
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	56,673	55,806	55,911
5	Total capital	67,464	66,806	68,169
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (B)	65,235	64,655	66,000
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets (C)	325,665	336,396	350,670
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	325,787	336,361	350,687
	Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.96%	15.15%	14.54%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.14%	14.41%	13.85%
11	Tier 1 (as a percentage of risk exposure amount)	18.22%	17.33%	16.63%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.40%	16.59%	15.94%
13	Total capital (as a percentage of risk exposure amount)	20.72%	19.86%	19.44%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.02%	19.22%	18.82%
	Leverage ratio			
15	Leverage ratio total exposure measure	954,756	1,028,935	1,044,549
16	Leverage ratio (D)	6.21%	5.67%	5.58%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.95%	5.44%	5.36%

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Notes to the table "Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS9 or analogous ECLs"

Starting from 30 June 2020 UniCredit has 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, for any further details please refer to paragraph "Transitional arrangements related to the application of IFRS9".

The table above shows the main data on available capital, risk-weighted assets, capital ratios and leverage ratio after IFRS9 transitional arrangements, and how they would have been if the arrangements had not been applied.

Own Funds

A.
The amount under this item (equal to €51,971 million) includes €2,648 million due to IFRS9 transitional adjustments, of which: i) static component for €1,593 million (applicable percentage in 2020 equal to 70%); ii) dynamic component for €912 million (applicable percentage in 2020 equal to 100%); iii) deferred tax assets that rely on future profitability and not arise from temporary differences for €39 million; iv) sterilization of the amount exceeding 17.65% CET1 threshold for €104 million related to the exclusion 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.

B.
This item (equal to €65,235 million) does not include the effect related to IFRS9 transitional adjustments for €2,229 million; such amount is composed of the part related to IFRS9 transitional adjustment on CET1 capita reported in point A (for €2,648 million) partially offsetted by the part of re-calculation of the excess of the credit risk adjustments included in Tier 2 capital (negative for €419 million).

C.
The amount of risk weighted assets considers the effects of IFRS9 transitional adjustments and includes:
- the increase of risk weighted assets related to the benefit on CET1 Capital deriving from the static component connected to the standard portfolio;
- 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%.

D.
The Leverage Ratio exposure includes the positive amount of IFRS 9 transitional adjustment applied to CET1 as per Article 473a(7a) of the amended CRR2. The overall effect on the ratio considering the transitional IFRS9 adjustments applied to CET1 and to exposure is equal to +0.26%.

Own Funds

Separate disclosure of deductions (CRR Article 437.d)

(€ million)

TRANSITIONAL THRESHOLDS FOR DEDUCTION OF DEFERRED TAX ASSETS AND INVESTMENTS IN FINANCIAL SECTOR ENTITIES	AMOUNTS
10% CET1 threshold for not significant investments in financial sector entities	4,954
10% CET1 threshold for significant investment in financial sector entities and deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	4,954
17,65% CET1 threshold for significant investment and DTA not deducted from the 10% threshold (A)	7,416

(€ million)

REF. CRR ARTICLE	NATURE OF DEDUCTIONS	TOTAL AMOUNT SUBJECT TO DEDUCTION	AMOUNT DEDUCTED - REF. COLUMN A OF OWN FUNDS TEMPLATE(*)	REF. TO THE ITEMS OF THE OWN FUNDS TEMPLATE(*)	AMOUNT EXCLUDED FROM DEDUCTIONS
36.b	Intangible assets	1,221	1,221	8	-
36.c	Deferred tax assets that rely on future profitability, of which:	3,954	910	-	3,044
	not arising from temporary differences	*867*	*867*	*10*	-
	arising from temporary differences (A)	*3,087*	*43*	*25, 75*	*3,044*
36.d	IRB Shortfall	14	14	12	-
36.e	Defined benefit pension fund assets	44	44	15	-
36.f	Own CET1 instruments	11	11	16	-
36.h	Not significant investments in CET1 instruments issued by FSE (B)	1,407	-	72	1,407
36.i	Significant investments in CET1 instruments issued by FSE (A)	4,432	61	23, 73	4,371
36.k.	Deductions of exposures qualifying for risk weight 1,250%	69	69	20a	-
56.a	Own AT1 instruments	32	32	37	-
56.c	Not significant investments in AT1 instruments issued by FSE (B)	229	-	72	229
56.d	Significant investments in AT1 instruments issued by FSE	-	-	40	-
66.a	Own T2 instruments	106	106	52	-
66.c	Not significant investments in T2 instruments issued by FSE (B)	151	-	72	151
66.d	Significant investments in T2 instruments issued by FSE	836	836	55	-

Note:
(*) Ref. to "Own funds disclosure template" included in this section of the Pillar 3.

Notes related to Template "Separate disclosure of deductions (CRR article 437.d)"
The amount included in in the table above does not consider the adjustment connected with the IFRS9 transitional arrangement.

A.
The amount not deducted from CET1 capital (for a total amount of €7,416 million, risk weighted at 250%), related to significant investments in Common Equity Tier 1 instruments and deferred tax assets that rely on future profitability and arise from temporary differences not deducted from CET1 capital, coincides with the amount of the 17.65% CET1 threshold. The amount exceeding CET1 threshold (€104 million, of which (i) €43 million related to deferred tax assets that rely on future profitability arising from temporary differences and (ii) €61 million on significant investments in CET1 instruments issued by Financial Sector Entity), is deducted from Own Funds.

B.
The sum of not significant investments referred to CRR articles 36.h, 56.c, 66.c is equal to €1,788 million and it is reconciled with item "72 Direct, indirect or synthetic 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)" of the "Own Funds disclosure template". The amount does not exceed 10% CET1 threshold therefore no deductions from Own Funds are applied.

Own Funds

Flow Statement for Own Funds (Enhanced Disclosure Task Force recommendation n. 11)

(€ million)

OWN FUNDS(*)	01.01.2020 - 12.31.2020	01.01.2019 - 12.31.2019
Common Equity Tier 1 Capital		
Opening Amount	**50,054**	**44,903**
Instruments and reserves (A)	**744**	**3,687**
1. Capital (B)	66	77
2. Reserves and share premium reserves	750	401
3. Accumulated other comprehensive income (C)	(40)	1,369
4. Net profit of the period (net of foreseeable dividends)	-	1,967
5. Eligible minority interests	(32)	(127)
Regulatory adjustments	**1,173**	**1,464**
6. Prudential filters (D)	79	828
7. Own CET1 instruments	(2)	1
8. Goodwill and other intangible assets (E)	1,594	654
9. Loss for the current financial year (F)	(2,785)	-
10. Deferred tax assets that rely on future profitability and not arise from temporary differences	(168)	(401)
11. Deferred tax assets that rely on future profitability and arise from temporary differences (G)	(43)	310
12. Significant and not significant investments in CET1 instruments issued by financial sector entities (G)	(61)	306
13. Shortfall on IRB positions	(4)	(6)
14. Deductions for securitisations	32	(6)
15. Other deductions	(3)	(3)
16. Transitional adjustments, of/w related to:	2,648	(219)
16.1 IAS19	-	*(219)*
16.2 IFRS9 (H)	*2,648*	-
17. Additional deductions of CET1 Capital due to Article 3 CRR (I)	*(114)*	-
Closing Amount	**51,971**	**50,054**
Additional Tier 1 Capital		
Opening Amount	**6,360**	**5,585**
Instruments	**990**	**730**
17. Eligible instruments, included instruments subject to grandfathering (J)	983	730
18. Additional Tier 1 instruments issued by subsidiaries	7	0
Regulatory adjustments	**(0)**	**45**
19. Own AT1 instruments	(3)	3
20. Significant investments in AT1 instruments issued by financial sector entities	3	42
Closing Amount	**7,350**	**6,360**
Tier 1 capital	**59,321**	**56,414**
Tier 2 capital		
Opening Amount	**10,568**	**7,988**
Instruments	**(1,827)**	**2,530**
21. Eligible instruments, included instruments subject to grandfathering (K)	(1,669)	2,457
22. Tier 2 instruments issued by subsidiaries	(81)	(10)
23. Excess for IRB positions	(76)	83
Regulatory adjustments	**(598)**	**50**
24. Own T2 instruments (L)	87	7
25. Significant investments in T2 instruments issued by financial sector entities (L)	(266)	42
26. Transitional adjustments, of/w:	(419)	-
26.1 Amount related to shortfall on IRB positions (M)	*(419)*	-
Closing Amount	**8,143**	**10,568**
Total Own Funds at the end of the period	**67,464**	**66,982**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Own Funds

Notes to the table "Flow Statement for Own Funds (Enhanced Disclosure Task Force recommendation n° 11)"

(*)
All amounts are referred to changes of period, except for the opening/closing ones and for the amount of profit that represents the stock at the reference date.
In addition to the evaluation occurred in 2020, changes in this period reflect also the application of 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 in recommendation to mitigate impacts in consideration of Covid emergency (ref. items 16 and 26).

A.
The amounts reported in rows 1, 2, 3, 4 of the template do not include the portion related to minority interests, reported in the item related to the overall minority interests eligible in Common Equity Tier 1 (CET1) according to CRR (ref. row 5 of the scheme).

B.
The positive change referred to 2020 is mainly connected to the medium-long term incentives plan for the Group's personnel for €65 million.

C.
The value reported in 2020 (negative for €40 million) mainly reflects changes in the following elements:
- negative change (equal to €427 million) on actuarial losses and financial liabilities at fair value;
- positive impact (equal to € 417 million), on exchange reserve.

D.
The positive change referred to 2020 (equal to €79 million) mainly reflects the changes related to the following filters: (i) positive change in own credit risk (CRR Article 33), equal to € 120 million; (ii) negative change due to the increase in deduction of additional value adjustments (CRR article 34), equal to €11 million and (iii) negative change due to the increase in cash flow hedge reserve, equal to €24 million.

E.
The change compared to 31 December 2019 (positive for €1,594 million) mainly refers to: (i) the new regulatory treatment related to software assets in line with Article 36 (1) (b) of CRR (which generates a lower deduction from CET1 capital for an amount equal to €707 million) and (ii) the impairment of Goodwill (equal to €886 million). For any further details on impairment of Goodwill, please refer to Consolidated financial statements of UniCredit group, Notes to the consolidated accounts Part B – Consolidate balance sheet – Assets, Section 10 – Intangible assets – Item 100.

F.
The consolidated loss of the period as of 31 December 2020 (equal to €2,785 million) is entirely deducted from Common Equity Tier 1 according to CRR Article 36(1)(a).

G.
The negative changes related to 2020 refer to deferred tax assets that rely on future profitability and arise from temporary differences (equal to €43 million) and significant investments in financial sector entities (equal to €61 million) that together exceed the threshold of 17,65% of CET1 capital as of 31 December 2020, according to CRR Article 48. 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 "16 Transitional adjustments related to IFRS9".

H.
Starting from 30 June 2020 UniCredit has decided to apply the transitional disposal 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 in this item (equal to €2,648 million) includes the following transitional adjustments: i) static component for €1,593 million (applicable percentage in 2020 equal to 70%); dynamic component for €912 million (applicable percentage in 2020 equal to 100%); iii) deferred tax assets that rely on future profitability and not arise from temporary differences for €39 million; iv) sterilization of the amount exceeding 17,65% CET1 threshold for €104 million related to the inclusion of the deferred tax assets that rely on future profitability and arise from temporary differences generated in the regulatory netting as a consequence of the application of the IFRS9 accounting principle.

I.
The negative change referred to 2020 (for €114 million) reflects the impact of the additional deduction of CET1 Capital due to Article 3 of CRR, in accordance with ECB guidance to banks on non performing loans.

Own Funds

J.

The positive change in 2020 (equal to €983 million) mainly refers to:

- the issuance in the first quarter 2020 of the Additional Tier 1 instrument XS2121441856 with a computable amount of €1,240 million;
- negative change (equal to €256 million) that reflects the reduction from 30% (in 2019) to 20% (in 2020) of the phase-out limit for the Additional Tier 1 capital instruments subject to Grandfathering in coherence with CRR Article 486.

K.

The change in December 2020 (negative for €1,669 million) mainly refers to:

- the issuance of two new instruments (i) XS2101558307 on 15 January 2020 (computable amount as at 31 December equal to €1,244 million), (ii) XS2196325331 on 30 June 2020 (computable amount as at 31 December equal to €1,214 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, and the instrument XS0986063864 (computable amount equal to €982 million), executed on 28 October 2020;
- the combined negative effect (€725 million) mainly due to regulatory amortisation.

L.

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 method to the net equity method. Consequently, the instruments issued by Yapi and held by UniCredit S.p.A are fully deducted from the Own Funds.

M.

The change compared with 31 December 2019 (negative for €419 million) considers the effects of IFRS9 transitional adjustments and it is referred to the re-calculation of the excess of the credit risk adjustments included in Tier 2 capital.

Own Funds

Accounting and regulatory balance sheet reconciliation and cross-reference to Own funds items (CRR Article 437.a)

(€ million)

BALANCE SHEET - ASSETS	ACCOUNTING FIGURES (*)		AMOUNTS RELEVANT FOR OWN FUNDS PURPOSES (**)			REF. TO "OWN FUNDS TEMPLATE"	NOTES (***)
	ACCOUNTING PERIMETER	REGULATORY PERIMETER	COMMON EQUITY TIER 1 (CET1)	ADDITIONAL TIER 1 (AT1)	TIER 2 (T2)		
20 C. Financial assets at fair value through P&L mandatorily at fair value - Equity investments	(776)	(773)	(61)	-	-	23	A
30. Financial assets at fair value through other comprehensive income - Equity investments	(1,598)	(1,551)					
70. Investments in associates and joint ventures	(4,354)	(4,781)					
100. Intangible assets of which:	(2,117)	(2,117)	(1,221)	-	-	8	
- Goodwill	-	-	*(2)*	-	-		*B*
- Other Intangible Assets	*(2,117)*	*(2,117)*	*(1,219)*	-	-		*C*
110. Deferred Tax assets of which mainly:	(13,098)	(13,097)	(910)	-	-		
- Deferred tax assets that do not rely on future profitability	*(9,228)*	*(9,227)*	-	-	-		
- Deferred tax assets that rely on future profitability	*(3,870)*	*(3,870)*	*(910)*	-	-	*10-25*	*D*

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS ' EQUITY	ACCOUNTING FIGURES(*)		AMOUNTS RELEVANT FOR OWN FUNDS PURPOSES(**)			REF. TO "OWN FUNDS TEMPLATE"	NOTES (***)
	ACCOUNTING PERIMETER	REGULATORY PERIMETER	COMMON EQUITY TIER 1 (CET1)	ADDITIONAL TIER 1 (AT1)	TIER 2 (T2)		
Subordinated Liabilities of which:	11,033	11,033	-	-	8,055		
- 10B. Deposits from customers							
- 10C. Debt securities issued							
- 30. Financial liabilities designated at fair value of which:							
- Eligible instruments	*9,689*	*9,689*	-	-	*7,963*	*46*	*E*
120. Revaluation reserves of which mainly:	(6,160)	(6,160)	(6,111)	-	-	3 - 11	F
- Valuation reserves on debt and capital instruments at fair value through OCI	*780*	*761*	*921*	-	-	*3*	
- Revaluation reserves of actuarial net losses	*(4,007)*	*(4,007)*	*(4,066)*	-	-	*3*	
- Other positive items - Special revaluation laws	*1,744*	*1,738*	*1,746*	-	-	*3*	
- Cash flow hedge reserves	*(23)*	*(23)*	-	-	-	*3 - 11*	
- Exchange differences	*(2,949)*	*(2,949)*	*(4,549)*	-	-	*3*	
- Financial liabilities at fair value	*(168)*	*(168)*	*(162)*	-	-	*3*	
- Reserves related to non current assets held for sale and investments accounted for using the equity method	*(1,537)*	*(1,511)*	-	-	-		*F*
140. Equity instruments of which:	6,841	6,841	-	6,838	-		
- Eligible instruments	*4,953*	*4,953*	-	*4,953*	-	*30*	
- Instruments subject to grandfathering	*1,888*	*1,888*	-	*1,885*	-	*33*	*G*
150. Reserves of which:	31,167	31,167	30,898	-	-		
- Retained earnings	*23,292*	*23,292*	*23,023*	-	-	*2*	
- Other reserves	*7,875*	*7,875*	*7,875*	-	-	*3*	*F*
160. Share premium	9,386	9,386	9,381	-	-	1	
170. Issued capital	21,060	21,060	20,439	517	92	1	
of which: Ordinary shares underlying the Usufruct contract (Cashes)	*609*	*609*	-	*517*	*92*	*33 - 47*	*G*
180. Treasury shares (-)	(3)	(3)	(11)	-	-	16	H
190. Minority interests	435	479	90	-	-	5	I
200. Net profit (loss) for the year (+/-)	(2,785)	(2,785)	(2,785)	-	-	25a	J

Own Funds

continued: Accounting and regulatory balance sheet reconciliation and cross-reference to Own funds items (CRR Article 437.a)

(€ million)

OTHER ELEMENTS FOR RECONCILIATION WITH OWN FUNDS	COMMON EQUITY TIER 1 (CET1)	ADDITIONAL TIER 1 (AT1)	TIER 2 (T2)	REF. TO "OWN FUNDS TEMPLATE"	NOTES (***)
Total other elements of which:	**2,263**	**(5)**	**88**		
- Assets referred to defined benefit pension funds	*(44)*	-	-	*15*	
- Additional value adjustments	*(195)*	-	-	*7*	
- Prudential filters to Common Equity Tier 1 of which:	*51*	-	-		
- Own credit spread	*51*	-	-	*14*	
- Deduction for securitizations	*(69)*	-	-	*20c*	
- Shortfall of expected losses vs provisions (IRB models)	*(14)*	-	-	*12*	
- Transitional adjustment related to IFRS9	*2,648*	-	-	*9*	*K*
- Additional deductions of CET1 Capital due to Article 3 CRR	*(114)*	-	-	*20*	*L*
- Instruments issued by subsidiaries included in Additional Tier 1	-	*27*	-	*34*	
- Deduction for holdings in own Additional Tier 1 instruments	-	*(32)*	-	*37*	
- Instruments issued by subsidiaries included in Tier 2	-	-	*452*	*48*	
- Excess of provisions vs expected losses (IRB models)	-	-	*996*	*50*	
- Deduction for holdings in own Tier 2 instruments	-	-	*(106)*	*52*	
- Deduction for holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment	-	-	*(836)*	*55*	
- 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)	-	-	*(419)*	*56*	*M*
Total transitional Own Funds	**51,971**	**7,350**	**8,143**	**29, 44, 58**	

Notes:
(*) The differences between accounting and regulatory figures mainly depend on the composition of accounting (IFRS) and regulatory perimeters; ref. Annex 2 - Scope of application.
(**) Contribution positive (negative) to the Own Funds. With reference to negative elements of Own Funds (i.e. deduction), the amount reported includes also, for each reference items, the quote related to held for sale assets. Regarding the transitional adjustments as of 31 December 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.
(***) Notes related to column "Amounts relevant for Own Funds purposes":

The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Own Funds

Notes to the table "Accounting and Regulatory Balance Sheet reconciliation with cross-reference to Own funds items (CRR Article 437.a)"

A.
As at 31 December 2020, the amounts of not significant investments in financial sector entities (Financial Sector Entity - FSE) do not exceed the conditional thresholds defined by the CRR (ref. article 46); hence, no deductions are applied to CET1 capital.
On the contrary, the amount of significant investments in financial sector entities (FSE) exceeds the conditional threshold of 17.65% of CET1 capital, defined by the CRR (ref. article 48), together with the amount of deferred tax assets that rely on future profitability and arise from temporary differences; therefore, the exceedance (€104 million in total) is deducted from CET1 capital and it is proportionally distributed between significant investments (€61 million) and deferred tax assets (€43 million - ref. note D) according to the weight of each of these elements compared to the total amount of the basket of significant investments and deferred tax assets.
The amount of the deduction for significant investments in financial sector entities equal to €61 million is reconciled with the amount reported in Item 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" of the table "Own Funds disclosure template".
It is worth specifying that the amount in significant investments in financial sector entities not deducted from CET1 capital is subject to a risk weight of 250% in the calculation of Risk Weighted Assets, consistently with CRR article 48.
It has to be mentioned that the amounts above reported are not influenced by the effects related to the transitional adjustments referred to IFRS9 in accordance with the Q&A 2018_3784.
With reference to the Item "70 Investments in associates and joint ventures", the main difference between accounting and regulatory amounts refers to those Entities consolidated by equity method in coherence with the contents of note (*).

B.
The amount of the deduction (€2 million) is referred to the goodwill incorporated into the valuation of significant investments. Accounting and Regulatory figures are at zero because of the full impairment on the residual amount of goodwill (€886 million at 31 December 2019) recognised as of 31 December 2020.

C.
The amount of deduction (€1,219 million), mainly reflects the new exemption of the deduction of software assets from CET1 capital in line with article 36 (1) (b) of CRR (equal to €1,271 million) and the reduction connected to the inclusion of the deferred tax effects according to CRR article 37 (€53 million).

D.
With reference to the amount of deferred tax assets that rely on future profitability, the amount deducted from CET1 capital (equal to €910 million), expressed net of deferred tax liabilities based on CRR article 38, is subject to the following treatment:
- €867 million for the those deferred tax assets that do not arise from temporary differences fully deducted from CET1 capital;
- €43 million related to deferred tax assets that rely on future profitability and arise from temporary differences, deducted from CET1 capital for the amount that exceeds the conditional threshold of 17.65% of CET1 capital as defined in CRR (ref. article 48), together with the amount of significant investments in financial sector entities - ref. note A;
- the amount of deduction at the first point (€867 million) is reconciled with the amount reported in Item "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)" of the table "Own Funds disclosure template";
- it is specified that the amount of deferred tax assets that rely on future profitability and arise from temporary differences not deducted from CET1 capital, is subject to a risk weight of 250% in the calculation of Risk Weighted Assets consistently with CRR article 48.

E.
The amount of eligible instruments (equal to €7,963 million) only refers to instruments issued by the Parent Company UniCredit S.p.A. while subordinated instruments issued by Group subsidiaries are included in consolidated Own Funds for the amount resulting from the application of CRR articles 85-88 and, hence, not directly allocated to the related balance sheet items (the amount resulting from such calculation is reported in item "Instruments issued by subsidiaries included in Tier 2" among the "Other elements for reconciliation with Own Funds").

F.
The sum of the regulatory accounting values of Items "120 Revaluation reserves" (equal to -€6.160 million) and "150 Reserves" for the component related to the "Other reserves" (equal to €7,875 million) is equal to €1,715 million and reconciled with item 3 "Accumulated other comprehensive income (and other reserves)" including unrealised gains and losses according to the applicable accounting principles of the table "Own Funds disclosure template".

Own Funds

With reference to Item “120 Revaluation reserves”, it is specified that the relevant amount reported in Own Funds:
- includes, for each category of reserves, also the portion of regulatory balance sheet value that refers related non-current assets held for sales, and investments accounted for using the equity method;
- is calculated by applying to the regulatory and accounting value (-€6,160 million) the prudential filter (-€48 million) referred to Cash flow hedge reserves (ref. to Item “11 Fair value reserves related to gains or losses on cash flow hedges” of the table "Own Funds disclosure template”).

G.
The amount of instruments subject to phase-out only refers to Additional Tier 1 and Tier 2 instruments issued by the Parent Company UniCredit S.p.A.
It is reported below the reconciliation between Additional Tier1 instruments with Item “33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1” of the table "Own Funds disclosure template” for €2,402 million, which derives from the sum of the following items of the present scheme:
- Item 140 (equal to €1,885 million) referred to instruments that do not satisfy the new computable conditions inserted in the Article 52 of Regulation No.876/2019 (CRR2);
- Item 170 (equal to €517 million) related to the ordinary shares underlying the Usufruct contract (Cashes), reclassified as resulting from the phaseout according to CRR1 grandfathering rules.

In addition, item 170 (equal to €92 million) related to the ordinary shares underlying the Usufruct contract (Cashes), reclassified into Tier2 capital as resulting from the phase-out according to CRR1 grandfathering rules, is reconciled with Item “47 Amount of qualifying items referred to in Article 484 (5) subject to phase out from T2 capital“ of the table "Own Funds disclosure template“.

H.
The amount of the Item “Treasury shares” (€3 million) is different from the total amount deducted from Own Funds (€11 million), mainly due to the additional deduction on indirect and synthetic holdings.

I.
The amount included in Own Funds (€90 million) refers to the computable amount of minority interests recognized in Common Equity Tier 1 Capital resulting from the application of CRR Articles 85-88.

J.
The consolidated loss of the period as of 31 December 2020 (equal to €2,785 million) is entirely deducted from Common Equity Tier 1 according to CRR Article 36(1)(a).

K.
Starting from 30 June 2020 UniCredit has decided to apply the transitional disposal 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 in this item (equal to €2,648 million) includes the following transitional adjustments: i) static component for €1,593 million (applicable percentage in 2020 equal to 70%); dynamic component for €912 million (applicable percentage in 2020 equal to 100%); iii) deferred tax assets that rely on future profitability and not arise from temporary differences for €39 million; iv) sterilization of the amount exceeding 17,65% CET1 threshold for €104 million related to the inclusion of the deferred tax assets that rely on future profitability and arise from temporary differences generated in the regulatory netting as a consequence of the application of the IFRS9 accounting principle.
The item is reconciled with the amount reported in Item 9 “of which: Transitional adjustment related to IFRS9” of the table “Own Funds disclosure template”.

L.
Starting from 31 December 2020 the amount reported in this item (negative for €114 million) includes the additional deduction of CET1 Capital due to Article 3 of CRR, in accordance with ECB guidance to banks on non performing loans. The item is reconciled with the amount reported in Item 20 “Additional deductions of CET1 Capital due to Article 3 CRR“ of the table “Own Funds disclosure template”.

M.
The amount included in this item (negative for €419 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. The item is reconciled with the amount reported in Item “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)” of the table "Own Funds disclosure template.

Own Funds

Total Loss Absorbing Capacity

Starting from 27 June 2019 the UniCredit group, as a Global Systemically Important Institution ("G-SII"), is subject to the "Total Loss Absorbing Capacity" (TLAC) requirement, introduced by Regulation No.876/2019 ("CRR2") and aimed at ensuring that the G-SIIs have a sufficient amount of Own Funds and liabilities with a high total loss absorbing capacity.

TLAC requirement is formally separated and does not alter or replace Resolution Authority decisions concerning the minimum MREL requirement according to Directive 2014/59/EU amended by Directive 2019/879/EU.

According to the transitional provisions of CRR2 Article 494, the minimum TLAC requirement applicable on 31 December 2020 is equal to the maximum between:

- 16% of the total risk exposure amount to which the Combined Capital Reserve applicable to the Group (3.54%) at the reference date is added; therefore, the total minimum requirement applicable on 31 December 2020 is 19.54%;
- 6% of the overall leverage exposure measure.

Referred to the UniCredit group, the applicable requirement as at 31 December 2020 is based on the total risk exposure and it is equal to 19.54%.

These minimum requirements apply until 31 December 2021; then starting from 1 January 2022, in accordance with CRR2 Article 92a, the requirement will be equal to the maximum between:

- 18% of the total risk exposure amount to which the Combined Capital Reserve applicable to the Group at the reference date is added;
- 6.75% of the overall leverage exposure measure.

For the UniCredit group, TLAC minimum requirement is applied on a consolidated basis and shall be respected by the Parent company (Single Point of Entry (SPE), the unique Resolution Entity).

To comply with the above-mentioned minimum requirements, the Regulation envisages the following elements:

- Own Funds computed according to CRR and CRR2 provisions;
- Tier 2 Capital with a residual maturity equal or greater than 1 year as at 31 December 2020 for the amount related to the regulatory amortization, which is not computed in the Own funds, according to CRR2 Article 64;
- Eligible liabilities that meet the conditions of computability according to CRR2 Article 72b which are computable to the extent that they are not already considered among Additional Tier 1 Capital and Tier 2 Capital;
- Eligible liabilities that do not meet the subordination requirement according to paragraph d) of CRR2 Article 72b 2, but comply with the other eligibility conditions, which are computable for TLAC purposes - if allowed by the Resolution Authority - below the threshold of 3.5% of the total risk exposure amount. It should be noted that the above-mentioned threshold is equal to 2.5% up to 31 December 2021 in application of the transitional provisions of CRR2 Article 494.

In application of the grandfathering regime introduced by CRR2 Article 494b 3, the liabilities issued before 27 June 2019 that do not comply with the conditions of computability referred to paragraph b) point ii) and from paragraph f) to paragraph m), are considered as TLAC eligible instruments according to CRR2 Article 72b.

The contents included in this section have been defined by referring to the final version of “Draft implementing technical standards on disclosure and reporting MREL and TLAC” (EBA/ITS/2020/06).

Own Funds

TLAC requirements (at resolution Group level)

The Resolution Strategy defined by the Single Resolution Board (SRB) for the UniCredit group is Single Point of Entry for those legal entities within the European Union, with the "Bail-in" as main resolution tool applicable only to UniCredit S.p.A. (i.e. the unique Resolution Entity).

EU KM2 - Key metrics

(€ million)

		G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (TLAC)				
		b	c	d	e	f
OWN FUNDS AND ELIGIBLE LIABILITIES, RATIOS AND COMPONENTS		12.31.2020	09.30.2020	06.30.2020	03.31.2019	12.31.2019
1	Own funds and eligible liabilities	87,830	87,536	87,307	84,838	85,125
2	Total risk exposure amount of the resolution group (TREA)	325,665	336,396	350,670	360,970	378,718
3	Own Funds and eligible liabilities as a percentage of TREA	26.97%	26.02%	24.90%	23.50%	22.48%
4	Total exposure measure of the resolution group	954,756	1,028,935	1,044,549	1,017,305	1,023,319
5	Own Funds and eligible liabilities as percentage of the total exposure measure	9.20%	8.51%	8.36%	8.34%	8.32%
6a	Does the subordination exemption in Article 72(b)(4) of the CRR apply (5% exemption)?	NO	NO	NO	NO	NO
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 2.5% exemption)	8,142	8,410	8,767	9,024	9,468
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)	72.45%	74.97%	84.51%	97.29%	90.51%

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

EU TLAC1: TLAC composition (at resolution group level)

(€ million)

		12.31.2020
		G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (TLAC)
Own Funds and eligible liabilities and adjustments		
1	Common Equity Tier 1 capital (CET1)	51,971
2	Additional Tier 1 capital (AT1)	7,350
6	Tier 2 capital (T2)	8,143
11	**Own Funds for the purpose of Articles 92a CRR and 45 BRRD**	**67,464**
Own Funds and eligible liabilities: Non-regulatory capital elements (A)		
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered) (B)	11,148
EU12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-
EU12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 and grandfathered (C)	30
EU12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items (D)	1,047
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap) (E)	6,102
EU13a	Eligible liabilities that are not subordinated to excluded liabilities, issued prior to 27 June 2019 and grandfathered (pre-cap) (F)	5,136
14	Amount of non subordinated instruments eligible, where applicable after application of article 72b (3) CRR (G)	8,142
17	**Eligible liabilities items before adjustments**	**20,366**
EU17a	*of which: subordinated*	12,224
Own Funds and eligible liabilities: Adjustments to non-regulatory capital elements		
18	Own Funds and eligible liabilities items before adjustments	87,830
20	(Deduction of investments in other eligible liabilities instruments)	-
22	**Own Funds and eligible liabilities after adjustments**	**87,830**
Risk-weighted exposure amount and Leverage exposure measure of the resolution group		
23	Total risk exposure amount	325,665
24	Total exposure measure of the resolution group	954,756
Ratio of Own Funds and eligible liabilities		
25	**Own Funds and eligible liabilities (as a percentage of total risk exposure amount)**	**26.97%**
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	9.20%
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements (H)	10.48%
28	Institution-specific combined buffer requirement, of which:	3.54%
29	*- capital conservation buffer requirement*	2.50%
30	*- countercyclical buffer requirement*	0.04%
31	*- systemic risk buffer requirement*	-
EU31a	*- Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	1.00%
EU-32a	Total amount of excluded liabilities referred to in Article 72a(2) CRR (i)	315,181

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Own Funds

Notes to the template "EU TLAC1: TLAC composition (at resolution group level)"

A.

The value of Own Funds is referred to the amount calculated at group level. The amounts reported are reconciled with the figures included in the "Own Funds disclosure template", in particular:

- Item "1 Common Equity Tier 1 Capital (CET1)" of this template is reconciled with the Item "29 Common Equity Tier 1 Capital (CET1)";
- Item "2 Additional Tier 1 Capital (AT1) before TLAC adjustments" of this template is reconciled with the Item "44 Additional Tier 1 (AT1) Capital";
- Item "6 Tier 2 Capital (T2) before TLAC adjustments" of this template is reconciled with the Item "58 Tier 2 (T2) Capital".

B.

The amount equal to €11,148 million is related to the liabilities issued by UniCredit S.p.A. that satisfy the subordination requirement according to CRR2 Article 72b(2)(d) and includes Senior Non-Preferred instruments.

This row neither includes the amortized portion of T2 instruments where remaining maturity is greater or equal to one year (CRR2 Article 72a(1)(b), reported in row EU12c) nor eligible liabilities grandfathered under CRR2 Article 494b(3).

C.

The amount equal to €30 million is related to the liabilities issued by UniCredit S.p.A. prior to 27 June 2019 that satisfy the subordination requirement according to CRR2 Article 72b(2)(d) and qualify as eligible liabilities on a transitional basis in accordance with CRR2 Article 494b(3). It includes Subordinated Instruments that do not qualify in Own Funds, while excludes the amortized portion of T2 instruments where remaining maturity is greater or equal to one year (CRR2 Article 72a(1)(b), reported in row EU12c).

D.

The amount of €1,047 million includes the amortized portion of T2 instruments where remaining maturity is greater or equal to one year (CRR2 Article 72a(1)(b)). Only the amount not recognized in regulatory capital but meeting all eligibility criteria according to CRR2 Article 72b is reported in this row.

E.

The amount of €6,102 million is related to liabilities issued by UniCredit S.p.A. that do not satisfy the subordination requirement according to CRR2 Article 72b 2 d) but that qualify as Eligible Liabilities according to CRR2 Article 72b 3 and includes Senior Preferred Instruments. This row does not include any amount recognizable on a transitional basis in accordance with CRR2 Article 494b(3) and reports the amount of the liabilities before the application of the cap of 2.5% of RWA.

F.

The amount of €5,136 million is related to liabilities issued by UniCredit S.p.A. prior to 27 June 2019 that do not satisfy the subordination requirement according to CRR2 Article 72b(2)(d) but that qualifies as Eligible Liabilities according to CRR2 Article 72b 3 and includes Senior Preferred Instruments. This row includes the amount qualifying as eligible liabilities on a transitional basis in accordance with CRR2 Article 494b(3) and shows the amount of the liabilities before the application of the cap of 2.5% of RWA.

G.

The amount equal to €8,142 million includes the Senior Preferred bonds computable in within the eligible liabilities after the application of the cap of 2.5% of RWA. As of 31 December 2020, the amount of Senior Preferred bonds of €11,238 million exceeds the threshold of the 2.5% of RWA, hence the UniCredit Group has computed as TLAC eligible Instruments €8,142 (equal to 2.5% of RWA).

H.

The amount represents the CET1 available after meeting the resolution group's minimum capital requirements on CET1 and TLAC. The minimum capital requirement on CET1 reflects the anticipation of Article 104.1 a) of CRD V application following the extraordinary measures issued by ECB in reaction to the emergency of Covid-19 coherently with what reported in the Own Funds section, table "2020 Capital requirements and buffers for UniCredit group".

I.

The amount of €315,181 million represents the total amount of Excluded Liabilities referred to in Article 72a(2) CRR and mainly consists of covered and preferential deposits, sight and short term deposits with an original maturity of less than one year, secured liabilities, liabilities arising from derivatives and from debt instruments with embedded derivatives.

Own Funds

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EU TLAC 3 - Resolution entity - Creditor rating*

	INSOLVENCY RANKING (A)	1	2	3	4	
1	DESCRIPTION OF THE INSOLVENCY RANKING	EQUITY	SUBORDINATED DEBTS (D)	SENIOR UNPREFERRED DEBTS	UNSECURED DEBTS	TOTAL
2	Total liabilities and Own Funds (B)	42,381	16,713	11,332	44,832	**115,258**
3	*of which: excluded liabilities*	-	-	-	18,188	**18,188**
4	Total liabilities and Own Funds less excluded	42,381	16,713	11,332	26,644	**97,069**
5	*Subset of row 4 that are Own Funds and liabilities potentially eligible for meeting TLAC (C)*	42,381	15,884	11,148	11,238	**80,650**
6	*of which: - residual maturity ≥ 1 year < 2 years*	-	1,575	2,443	1,520	**5,537**
7	*- residual maturity ≥ 2 year < 5 years*	-	106	4,661	5,586	**10,353**
8	*- residual maturity ≥ 5 years < 10 years*	-	2,986	4,044	4,030	**11,060**
9	*- residual maturity ≥ 10 years but excluding perpetual securities*	-	4,330	-	102	**4,432**
10	*- perpetual securities*	42,381	6,841	-	-	**49,222**

Notes to the template "TLAC 3: Resolution Entity - Creditor Ranking"
(*) Information included in the template is reported at Resolution Entity level. According to the Resolution Strategy defined for UniCredit group, the Parent company represents the SPE and the amounts refer to Capital and Liabilities issued by UniCredit S.p.A. at individual level.
This template provides information on all liabilities ranking lower than or pari passu to eligible liabilities, including own funds and other capital instruments, showing the distribution of liabilities across the hierarchy of claims.

A.
The Insolvency ranking is consistent with the provisions of Articles 111 and subsequent of Insolvency Law and of Article 91 par 1 and 1-bis of D.Lgs No. 385/1993 included in Annex 3b - "Insolvency Ranking in the jurisdictions of the Banking Union" published by SRB (Single Resolution Board), in force for Italy from 1 January 2019.

B.
The amounts included in row 2 are referred to the outstanding amount comprehensive of accruals interests and intragroup position. It is specified that the total Equity is expressed considering the share Capital and reserves not including Own Funds deductions, while for derivatives, included in column 4 "Unsecured debt", is considered the fair value as reported in the balance sheet.

C.
The amount included in row 5 is different from the one included in row 4 because of the liabilities that do not satisfy the computable conditions defined in Article 72a of Regulation No.876/2019 (CRR2), mainly related to intragroup liabilities and liabilities with residual maturity less than one year as at 31 December 2020. It is specified that the amount included in the column total of the row is different from the value included in row 18 of template TLAC1 "TLAC composition (at resolution group level)", in which the amount of the consolidated Own Funds for TLAC calculation is considered.

D.
The category includes Additional Tier 1 Capital (AT1) and Tier 2 Capital (T2) instruments; the ranking is determined by the contractual provisions governing each instrument.
The amount of Subordinated debts (column 2, of which in row 5) is different from the sum of the maturity breakdown included in rows 6, 7, 8, 9 and 10 for the inclusion of Subordinated instruments included in Own Funds and hence TLAC eligible with residual maturity less than one year.

Capital requirements

Credit and counterparty risk

(€ million)

CREDIT AND COUNTERPARTY RISKS	AMOUNTS AS AT 12.31.2020			AMOUNTS AS AT 12.31.2019		
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	CAPITAL REQUIREMENT	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	CAPITAL REQUIREMENT
A. CREDIT AND COUNTERPARTY RISK						
A.1 Standardised Approach	**442,360**	**107,265**	**8,581**	**352,833**	**144,944**	**11,596**
Exposures with or secured by central governments or central banks	286,238	15,593	1,247	169,201	23,898	1,912
Exposures with or secured by regional administrations and local authorities	30,042	557	45	27,864	680	54
Exposures with or secured by administrative bodies and non-commercial undertakings	10,822	913	73	9,006	875	70
Exposures with or secured by multilateral development banks	3,748	9	1	1,399	-	-
Exposures with or secured by international organizations	2,073	-	-	1,354	-	-
Exposures with or secured by supervised institutions	9,800	1,806	144	12,687	2,611	209
Exposures with or secured by corporates	35,725	33,318	2,665	54,527	53,072	4,246
Retail exposures	24,596	16,654	1,332	33,303	23,762	1,901
Exposures secured by real estate property	9,030	3,773	302	11,430	4,753	380
Past due exposures	2,577	2,780	222	3,102	3,451	276
High risk exposures	1,747	2,620	210	2,221	3,331	266
Exposures in the form of guaranteed bank bonds (covered bond)	262	55	4	319	65	5
Exposures in the form of Collective Investment Undertakings (CIU)	6	6	0	9	8	1
Short term exposures with corporates	1,467	627	50	2,121	1,176	94
Equity exposures	7,152	13,825	1,106	6,642	12,528	1,002
Other exposures	17,076	14,729	1,178	17,648	14,734	1,179
A.2 IRB Approach - Risk Assets	**441,594**	**163,589**	**13,087**	**461,917**	**176,760**	**14,141**
Exposures with or secured by central administration and central banks	25,791	1,875	150	27,957	1,599	128
Exposures with or secured by supervised institutions, public and territorial entities and other entities	32,485	8,748	700	41,316	11,121	890
Exposures with or secured by corporate - SME	49,759	20,976	1,678	55,035	27,490	2,199
Exposures with or secured by corporate - Specialised lending	23,168	10,819	866	23,173	11,389	911
Exposures with or secured by corporate - Other	191,619	88,562	7,085	193,475	88,825	7,106
Retail exposures secured by residential real estate property - SME	5,338	1,245	100	5,504	1,512	121
Retail exposures secured by residential real estate property - non SME	83,859	17,402	1,392	82,933	18,926	1,514
Retail exposures - qualifying revolving	5,473	663	53	2,371	241	19
Retail exposures - other SME	11,507	4,148	332	14,816	5,413	433
Retail exposures - other non SME	12,595	5,243	419	15,337	6,364	509
Other non-credit obligation assets		3,909	313		3,880	310
A.3 IRB Approach - Equity Exposures	**722**	**2,409**	**193**	**642**	**1,950**	**156**
PD/LGD approach: risk assets	106	212	17	166	340	27
Internal models approach: risk assets	-	-	-	-	-	-
Simple risk weight approach: risk assets	615	2,197	176	476	1,610	129
Equity exposures - private equity in sufficiently diversified portfolios (weight 190%)	41	78	6	83	158	13
Equity exposures - exchange-traded (weight 290%)	8	22	2	2	7	1
Equity exposures - other (weight 370%)	567	2,097	168	391	1,445	116
Exposures subject to transitional arrangements in relation to Own Funds requirements	-	-	-	-	-	-
Exposures subject to grandfathering provisions in relation to Own Funds requirements	-	-	-	-	-	-
A.4 Exposures with or central counterparties as pre-funded contributions to the default fund		**205**	**16**		**70**	**6**
A.5 Securitisation positions	**17,673**	**5,118**	**409**	**12,929**	**3,238**	**259**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The different representation regarding Securitization positions between the fourth quarter 2019 and the fourth quarter 2020 is due to the entry into force of the new reporting framework "EBA Data Point Model 2.9" according to the Commission Implementing Regulation (EU) 2020/429, as a consequence RWA as of 31 December 2019 does not include €1.4 billion in item "B.6 Other calculation elements" of the "Capital Adequacy".
With reference to item "A.1 Standardised approach", the amounts shown in the column "Non weighted amounts" include the off-balance exposures post credit conversion factor.

Capital requirements

Credit and counterparty risk - breakdown RWA and Capital requirements

(€ million)

CREDIT AND COUNTERPARTY RISK	AMOUNT AS AT 12.31.2020				AMOUNT AS AT 12.31.2019			
	CREDIT RISK		COUNTERPARTY RISK		CREDIT RISK		COUNTERPARTY RISK	
	RWA	CAPITAL REQUIREMENT	RWA	CAPITAL REQUIREMENT	RWA	CAPITAL REQUIREMENT	RWA	CAPITAL REQUIREMENT
Standard method	**105,899**	**8,472**	**1,366**	**109**	**143,281**	**11,462**	**1,664**	**133**
Exposures with or secured by central governments or central banks	15,593	1,247	0	0	23,892	1,911	6	0
Exposures with or secured by regional administrations and local authorities	536	43	21	2	656	52	24	2
Exposures with or secured by administrative bodies and non-commercial undertakings	886	71	27	2	860	69	15	1
Exposures with or secured by multilateral development banks	9	1	-	-	-	-	-	-
Exposures with or secured by international organizations	-	-	-	-	-	-	-	-
Exposures with or secured by supervised institutions	1,649	132	157	13	2,330	186	281	22
Exposures with or secured by Corporates	32,167	2,573	1,152	92	51,856	4,148	1,216	97
Retail exposures	16,653	1,332	1	0	23,758	1,901	4	0
Exposures secured by real estate property	3,773	302	-	-	4,753	380	-	-
Past due exposures	2,775	222	5	0	3,445	276	7	1
High risk exposures	2,619	210	1	0	3,328	266	3	0
Exposures in the form of guaranteed bank bonds (covered bond)	55	4	-	-	65	5	-	-
Exposure in the form of Collective Investment Undertakings (CIU)	6	0	-	-	8	1	-	-
Short term exposures with corporates	624	50	3	0	1,068	85	108	9
Equity exposures	13,825	1,106	-	-	12,528	1,002	-	-
Other exposures	14,729	1,178	-	-	14,735	1,179	-	-
IRB	**158,325**	**12,666**	**7,672**	**614**	**170,743**	**13,659**	**7,968**	**637**
Foundation	**9,134**	**731**	**160**	**13**	**10,861**	**869**	**130**	**10**
Exposures with or secured by central governments and central banks	192	15	-	-	268	21	-	-
Exposures with or secured by supervised institutions, public and territorial entities and other entities	421	34	16	1	572	46	16	1
Exposures with or secured by corporate - SME	2,212	177	11	1	2,827	226	14	1
Exposures with or secured by corporate - Specialised lending	993	79	14	1	1,009	81	18	1
Exposures with or secured by corporate - Other	5,317	425	119	10	6,185	495	82	7
Advanced	**146,782**	**11,743**	**7,512**	**601**	**157,932**	**12,635**	**7,838**	**627**
Exposures with or secured by central governments and central banks	1,599	128	83	7	1,272	102	59	5
Exposures with or secured by supervised institutions, public and territorial entities and other entities	6,613	529	1,699	136	6,953	556	3,580	286
Exposures with or secured by corporate - SME	17,937	1,435	816	65	24,000	1,920	649	52
Exposures with or secured by corporate - Specialised lending	9,217	737	596	48	9,830	786	532	43
Exposures with or secured by corporate - Other	78,821	6,306	4,305	344	79,559	6,365	2,999	240
Retail exposures secured by residential real estate property - SME	1,245	100	-	-	1,512	121	-	-
Retail exposures secured by residential real estate property - non SME	17,402	1,392	-	-	18,926	1,514	-	-
Retail exposures - qualifying revolving	663	53	-	-	241	19	-	-
Retail exposures - other SME	4,142	331	7	1	5,407	433	6	0
Retail exposures - other non SME	5,236	419	7	1	6,352	508	13	1
Other non credit obligation assets	3,909	313	-	-	3,880	310	-	-
Other IRB exposures	**2,409**	**193**			**1,950**	**156**		
PD/LGD approach: risk assets	212	17	-	-	340	27	-	-
Internal models approach: risk assets	-	-			-	-		
Simple risk weight approach: risk assets	2,197	176			1,610	129		
Equity exposures - private equity in sufficiently diversified portfolios (weight 190%)	78	6			158	13		
Equity exposures - exchange-traded (weight 290%)	22	2			7	1		
Equity exposures - other (weight 370%)	2,097	168			1,445	116		
Securitisation positions	**5,118**	**409**			**3,238**	**259**		
Exposures with or central counterparties as pre-funded contributions to the default fund	**205**	**16**			**70**	**6**		

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The different representation regarding Securitization positions between the fourth quarter 2019 and the fourth quarter 2020 is due to the entry into force of the new reporting framework "EBA Data Point Model 2.9" according to the Commission Implementing Regulation (EU) 2020/429, as a consequence RWA as of 31 December 2019 does not include €1.4 billion in item "B.6 Other calculation elements" of the "Capital Adequacy".

Capital requirements

Capital Adequacy

(€ million)

ITEMS/VALUES	UNWEIGHTED ASSETS		WEIGHTED ASSETS/REQUIREMENTS	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	**902,348**	**828,322**	**278,586**	**326,963**
1. Standardised approach [1]	442,360	352,833	107,470	145,014
2. IRB approaches [2]	442,315	462,559	165,997	178,710
2.1 Foundation	15,028	16,959	9,294	10,991
2.2 Advanced	427,287	445,601	156,703	167,719
3. Securitisations [3]	17,673	12,929	5,118	3,238
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**22,287**	**26,157**
B.2 Credit valuation adjustment risk			**123**	**129**
B.3 Settlement risk			**3**	**3**
B.4 Market risk			**731**	**745**
1. Standard approach			227	131
2. Internal models			503	615
3. Concentration Risk			-	-
B.5 Operational risk			**2,470**	**2,637**
1. Basic indicator approach			178	247
2. Traditional standardised approach			225	277
3. Advanced measurement approach			2,066	2,114
B.6 Other calculation elements [4]			**440**	**626**
B.7 Total capital requirements			**26,053**	**30,297**
C. RISK ASSETS AND CAPITAL RATIO				
C.1 Risk Weighted Assets			**325,665**	**378,718**
C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)			**15.96%**	**13.22%**
C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)			**18.22%**	**14.90%**
C.4 Total Own Funds/Risk weighted assets (Total capital ratio)			**20.72%**	**17.69%**

Notes:
1. The weighted amount includes the "Exposures with or central counterparties as pre-funded contributions to the default fund".
2. The unweighted amount and weighted amount includes the "Equity Exposures".
3. The different representation regarding Securitization positions between the fourth quarter 2019 and the fourth quarter 2020 is due to the entry into force of the new reporting framework "EBA Data Point Model 2.9" according to the Commission Implementing Regulation (EU) 2020/429, as a consequence RWA as of 31 December 2019 does not include €1.4 billion in item "B.6 Other calculation elements" of the "Capital Adequacy".
4. Refer to comment reported under the OV1 template (with reference to row 33).

The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Capital requirements

Overview of RWAs (comment to the EU OV1 Template)

The total amount of RWA as of fourth quarter 2020, equal to €325.7 billion, shows a decrease with reference to the previous quarter for approximately -€10.7 billion.

In particular, Credit and Counterparty risk RWA decrease for approximately -€7.8 billion (that includes rows 1,6,17, 30 and 32 excluding row 15) mainly with reference to credit risk exposures under IRB approach which decrease for approximately -€7.4 billion due to:

- (-€4.8 billion) business evolution (mainly reflecting lower loans) and benefit from Italian state guarantees introduced to mitigate Covid pandemic effects;
- change in the credit quality of the counterparty (-€1 billion) mainly due to flows to default occurred in the quarter;
- other effects (-€1.6 billion) mainly due to introduction of the use of the CRR option to calculate RWA for the Qualified Revolving Retail asset class in Austria and due to the exchange rate effect of US Dollar depreciation.

The Market RWA reduction for -€1.3 billion (that includes rows 15,16,23 and the additional capital requirement related to the IMod framework included in row 32) is mainly due to a decreased exposure in terms of Interest Rate Risk in the Trading Book of UniCredit Bank AG.
The decrease of Operational RWA in the fourth quarter 2020 (-€1.6 billion vis-à-vis third quarter 2020) is mainly driven by: (i) lower operational risk losses, (ii) the impact deriving from the disposal of Koç e Ocean Breeze Groups (whose calculation method implies the recognition of the full benefit by the end of 2022).

Capital requirements

EU OV1 - Overview of RWAs

(€ million)

CATEGORIES			RWA		CAPITAL REQUIREMENT
			12.31.2020	09.30.2020	12.31.2020
	1	**Credit risk (excluding CCR)**	**246,533**	**254,580**	**19,723**
Art 438(c)(d)	2	of which standardised approach	88,208	88,876	7,057
Art 438(c)(d)	3	of which the foundation IRB (FIRB) approach	9,134	9,584	731
Art 438(c)(d)	4	of which the advanced IRB (AIRB) approach	146,994	154,111	11,760
Art 438(d)	5	of which Equity IRB under the Simple risk-weight or the IMA	2,197	2,010	176
Art 107, Art 438(c)(d)	**6**	**CCR**	**10,784**	**10,078**	**863**
Art 438(c)(d)	7	of which mark to market	1,258	1,253	101
Art 438(c)(d)	8	of which Original exposure	-	-	-
	9	of which standardised approach	-	-	-
	10	of which internal model method (IMM)	7,724	7,011	618
	11	of which Financial collateral simple method (for SFTs)	-	-	-
	12	of which Financial collateral comprehensive method (for SFTs)	57	151	5
	13	of which VAR for SFT	-	-	-
Art 438(c)(d)	14	of which risk exposure amount for contributions to the default fund of a CCP	205	112	16
Art 438(c)(d)	15	of which CVA	1,540	1,552	123
Art 438(e)	**16**	**Settlement Risk**	**38**	**38**	**3**
Art 449(o)(i)	**17**	**Securitisation exposures in banking book (after the cap)**	**5,118**	**5,486**	**409**
	18	of which SEC - IRBA	1,749	1,835	140
	19	of which SEC - SA	210	221	17
	20	of which SEC - ERBA	1,660	1,677	133
	21	of which Internal Assessment Approach	1,500	1,753	120
	22	of which 1250%/deduction	-	-	-
Art 438(e)	**23**	**Market risk**	**9,132**	**10,359**	**731**
	24	of which standardised approach	2,839	2,811	227
	25	of which IMA	6,292	7,548	503
Art 438(e)	**26**	**Large exposures**	**-**	**-**	**-**
Art 438(f)	**27**	**Operational risk**	**30,871**	**32,493**	**2,470**
	28	of which Basic Indicator Approach	2,231	2,554	178
	29	of which Standardised Approach	2,813	3,179	225
	30	of which Advanced Measurement Approach	25,826	26,760	2,066
Art 437(2), 48,60	**31**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**17,691**	**17,630**	**1,415**
Art 500	32	Floor adjustment			
	33	**Other calculation elements**	**5,498**	**5,731**	**440**
	34	**Total**	**325,665**	**336,396**	**26,053**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The item 33 “Other calculation elements” includes temporary measures on credit and market risk internal models (linked to limitations raised by the Supervisor).
Starting from June 2020, UniCredit group decided to apply the transitional regime connected to the introduction of IFRS9 accounting principle in accordance with the article 473a of EU Regulation 873/2020 that amends EU Regulation 876/2019 in recommendation to mitigate impacts in consideration of Covid-19 emergency.
The amount weighted at 250% reported in template above (Item 31 “Amounts below the thresholds for deduction (subject to 250% risk weight)”) includes the effects related to the abovementioned transitional adjustments and in particular reflects the exclusion of the deferred tax assets that rely on future profitability and arise from temporary differences referred to IFRS9. In light of such exclusion, UniCredit group does not exceed the threshold of 17.65% of Common Equity Tier 1 Capital.

Capital requirements

Market Risk capital requirement

(€ million)

DESCRIPTION	12.31.2020	12.31.2019
Position risk:	561	694
- Assets included in regulatory trading portfolio	561	694
- Assets not included in regulatory trading portfolio	-	-
Settlement risk for DVP transactions	3	3
Exchange rate risk	169	51
Commodities risk position	0	-
CVA (Credit Value Adjustment) risk	123	129
Market Risk capital requirement	**857**	**877**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

EU MR1 - Market risk under standardised approach

(€ million)

		a	b
	CATEGORIES	RWAs	CAPITAL REQUIREMENTS
	Outright products		
1	Interest rate risk (general and specific)	707	57
2	Equity risk (general and specific)	14	1
3	Foreign exchange risk	2,049	164
4	Commodity risk	3	0
	Options		
5	Simplified approach	-	-
6	Delta-plus approach	62	5
7	Scenario approach	-	-
8	Securitisation (specific risk)	4	0
9	**Total as at 12.31.2020**	**2,839**	**227**
10	**Total as at 06.30.2020**	**2,474**	**198**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Capital requirements

EU CR10: IRB (specialised lending - Slotting criteria and equities)

(€ million)

SPECIALISED LENDING - SLOTTING CRITERIA								
REGULATORY CATEGORIES	REMAINING MATURITY	ON-BALANCE-SHEET AMOUNT	OFF-BALANCE-SHEET AMOUNT	RISK WEIGHT	EXPOSURE AMOUNT	RWAs	EXPECTED LOSSES
Category 1	Less than 2.5 years	220	51	50%	264	129	-
	Equal or more than 2.5 years	626	75	70%	690	480	3
Category 2	Less than 2.5 years	1,417	260	70%	1,618	1,118	7
	Equal or more than 2.5 years	1,320	228	90%	1,497	1,326	12
Category 3	Less than 2.5 years	413	45	115%	461	513	13
	Equal or more than 2.5 years	320	139	115%	452	495	13
Category 4	Less than 2.5 years	45	26	250%	54	122	4
	Equal or more than 2.5 years	44	-	250%	47	112	4
Category 5	Less than 2.5 years	120	12	0%	290	-	145
	Equal or more than 2.5 years	39	44	0%	104	-	52
Total as at 12.31.2020	**Less than 2.5 years**	**2,216**	**393**		**2,687**	**1,882**	**169**
	Equal or more than 2.5 years	**2,349**	**486**		**2,790**	**2,413**	**83**
Total as at 06.30.2020	**Less than 2.5 years**	**2,339**	**377**		**2,809**	**2,041**	**183**
	Equal or more than 2.5 years	**2,328**	**633**		**2,790**	**2,375**	**80**

EQUITIES UNDER THE SIMPLE RISK-WEIGHTED APPROACH						
CATEGORIES	ON-BALANCE-SHEET AMOUNT	OFF-BALANCE-SHEET AMOUNT	RISK WEIGHT	EXPOSURE AMOUNT	RWAs	CAPITAL REQUIREMENTS
Private equity exposures	36	5	190%	41	78	6
Exchange-traded equity exposures	8	-	290%	8	22	2
Other equity exposures	552	15	370%	567	2,097	168
Total as at 12.31.2020	**596**	**19**		**615**	**2,197**	**176**
Total as at 06.30.2020	**543**	**26**		**570**	**2,010**	**161**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Capital requirements

Countercyclical capital buffer
The table below shows the "Countercyclical capital buffer" disclosure prepared on the basis of the rates applicable as at 31 December 2020.

Amount of institution-specific countercyclical capital buffer

(€ million)

ROW	DESCRIPTION	COLUMN - 010
010	Total risk exposure amount	325,665
020	Institution specific countercyclical buffer rate	0.042%
030	Institution specific countercyclical buffer requirement	137

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The following table sets out credit exposures as at 31 December 2020, split by geographical distribution, relevant for the calculation of the countercyclical capital buffer according to the EU Regulation n° 1152/2014.

Capital requirements

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

(€ million)

	12.31.2020										
	GENERAL CREDIT EXPOSURES		TRADING BOOK EXPOSURE		SECURITISATION EXPOSURES	OWN FUNDS REQUIREMENTS					
BREAKDOWN BY COUNTRY	EXPOSURE VALUE FOR SA	EXPOSURE VALUE FOR IRB	SUM OF LONG AND SHORT POSITION OF TRADING BOOK	VALUE OF TRADING BOOK EXPOSURE FOR INTERNAL MODELS	EXPOSURE VALUE FOR NON-TRADING BOOK 0	OF WHICH: GENERAL CREDIT EXPOSURES	OF WHICH: TRADING BOOK EXPOSURES	OF WHICH: SECURITISATION EXPOSURES	TOTAL	OWN FUNDS REQUIREMENT WEIGHTS	COUNTERCYCLICAL CAPITAL BUFFER RATE
ABU DHABI	140	725	-	0	-	22	0	-	22	0.10	0.000%
ALGERIA	0	103	-	-	-	16	-	-	16	0.10	0.000%
ANGOLA	0	25	-	-	-	2	-	-	2	0.00	0.000%
ARGENTINA	1	3	-	-	-	0	-	-	0	0.00	0.000%
ARMENIA	0	5	-	-	-	1	-	-	1	0.00	0.000%
AUSTRALIA	6	21	-	1	3	1	0	0	2	0.00	0.000%
AUSTRIA	7,102	50,023	1	20	429	1,282	2	4	1,288	6.50	0.000%
AZERBAIJAN	0	168	-	-	-	2	-	-	2	0.00	0.000%
BAHAMA ISLANDS	70	2	-	-	-	1	-	-	1	0.00	0.000%
BAHREIN	1	5	-	-	-	1	-	-	1	0.00	0.000%
BANGLADESH	0	98	-	-	-	14	-	-	14	0.10	0.000%
BELARUS	47	7	-	-	-	2	-	-	2	0.00	0.000%
BELGIUM	129	1,297	0	13	-	62	1	-	63	0.30	0.000%
BERMUDA	609	215	-	-	-	21	-	-	21	0.10	0.000%
BOSNIA AND HERCEGOVINA	2,280	3	-	-	-	129	-	-	129	0.70	0.000%
BRAZIL	12	106	-	0	-	6	0	-	6	0.00	0.000%
BRITISH VIRGIN ISLANDS	0	20	-	-	-	0	-	-	0	0.00	0.000%
BULGARIA	1,635	6,423	-	1	2	368	0	0	368	1.90	0.500%
CANADA	92	310	-	2	-	13	0	-	13	0.10	0.000%
CAYMAN ISLANDS	51	16	0	-	-	7	0	-	7	0.00	0.000%
CHILE	2	8	-	0	-	1	-	-	1	0.00	0.000%
CHINA	786	55	-	1	-	65	0	-	65	0.30	0.000%
COLOMBIA	1	30	-	-	-	4	-	-	4	0.00	0.000%
CONGO	0	2	-	-	-	0	-	-	0	0.00	0.000%
COSTA RICA	0	14	-	-	-	0	-	-	0	0.00	0.000%
CROATIA	7,852	239	-	-	-	439	-	-	439	2.20	0.000%
CUBA	0	4	-	-	-	0	-	-	0	0.00	0.000%
CYPRUS	52	499	-	-	-	15	-	-	15	0.10	0.000%
CZECH REPUBLIC	1,703	12,807	-	5	-	589	1	-	590	3.00	0.500%
DENMARK	51	512	-	8	-	18	0	-	18	0.10	0.000%
EGYPT	15	479	-	-	-	23	-	-	23	0.10	0.000%
ESTONIA	175	20	-	0	-	10	0	-	10	0.10	0.000%
ETHIOPIA	113	0	-	-	-	0	-	-	0	0.00	0.000%
FINLAND	17	867	-	3	-	24	0	-	24	0.10	0.000%
FRANCE	988	5,556	1	146	431	194	12	4	210	1.10	0.000%
GEORGIA	4	4	-	-	-	1	-	-	1	0.00	0.000%
GERMANY	5,874	118,665	40	383	4,194	2,910	19	47	2,976	15.00	0.000%
GHANA	0	2	-	-	-	1	-	-	1	0.00	0.000%

Capital requirements

continued: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

(€ million)

	12.31.2020										
	GENERAL CREDIT EXPOSURES		TRADING BOOK EXPOSURE		SECURITISATION EXPOSURES	OWN FUNDS REQUIREMENTS					
BREAKDOWN BY COUNTRY	EXPOSURE VALUE FOR SA	EXPOSURE VALUE FOR IRB	SUM OF LONG AND SHORT POSITION OF TRADING BOOK	VALUE OF TRADING BOOK EXPOSURE FOR INTERNAL MODELS	EXPOSURE VALUE FOR NON-TRADING BOOK 0	OF WHICH: GENERAL CREDIT EXPOSURES	OF WHICH: TRADING BOOK EXPOSURES	OF WHICH: SECURITISATION EXPOSURES	TOTAL	OWN FUNDS REQUIREMENT WEIGHTS	COUNTERCYCLICAL CAPITAL BUFFER RATE
GREECE	7	139	-	0	3	2	-	0	3	0.00	0.000%
GUERNSEY	26	40	0	-	-	1	0	-	1	0.00	0.000%
HONDURAS	6	0	-	-	-	0	-	-	0	0.00	0.000%
HONG KONG	5	263	-	0	-	8	0	-	8	0.00	1.000%
HUNGARY	3,026	3,001	0	-	-	283	0	-	284	1.40	0.000%
INDIA	6	70	-	0	-	3	0	-	3	0.00	0.000%
INDONESIA	2	46	-	-	-	3	-	-	3	0.00	0.000%
IRAN	0	3	-	-	-	0	-	-	0	0.00	0.000%
IRAQ	0	25	-	-	-	0	-	-	0	0.00	0.000%
IRELAND	487	897	1	3	3,046	46	0	62	109	0.50	0.000%
ISLE OF MAN	0	143	-	-	-	3	-	-	3	0.00	0.000%
ISRAEL	3	54	-	0	-	1	0	-	1	0.00	0.000%
ITALY	52,016	149,119	13	280	6,810	9,422	24	217	9,663	48.80	0.000%
JAPAN	6	34	-	0	-	1	0	-	1	0.00	0.000%
JERSEY	0	167	-	-	-	9	-	-	9	0.00	0.000%
JORDAN	5	80	-	-	-	4	-	-	4	0.00	0.000%
KAZAKHSTAN	152	9	-	0	-	13	0	-	13	0.10	0.000%
KENYA	0	5	-	-	-	1	-	-	1	0.00	0.000%
KUWAIT	0	55	-	-	-	1	-	-	1	0.00	0.000%
LATVIA	284	22	-	-	-	17	-	-	17	0.10	0.000%
LEBANON	0	7	-	-	-	1	-	-	1	0.00	0.000%
LIBERIA	0	318	-	-	-	7	-	-	7	0.00	0.000%
LIECHTENSTEIN, PRINCIPALITY OF	2	70	0	-	-	1	0	-	1	0.00	0.000%
LITHUANIA	419	28	-	3	-	27	0	-	27	0.10	0.000%
LUXEMBOURG	1,554	3,985	6	2	22	224	2	0	226	1.10	0.250%
MACAO	-	1	-	-	-	0	-	-	0	0.00	0.000%
MACEDONIA	1	1	-	-	-	0	-	-	0	0.00	0.000%
MALAYSIA	1	37	-	-	-	2	-	-	2	0.00	0.000%
MALTA	90	7	-	-	-	7	-	-	7	0.00	0.000%
MARSHALL ISLANDS	0	426	-	-	-	7	-	-	7	0.00	0.000%
MAURITIUS ISLAND	0	62	-	-	-	2	-	-	2	0.00	0.000%
MEXICO	41	406	-	16	-	13	0	-	13	0.10	0.000%
MONACO, PRINCIPALITY OF	1	7	-	-	-	0	-	-	0	0.00	0.000%
MONTENEGRO	20	0	-	-	-	2	-	-	2	0.00	0.000%
MOROCCO	2	80	-	-	-	4	-	-	4	0.00	0.000%
MOZAMBIQUE	22	5	-	-	-	3	-	-	3	0.00	0.000%
NETHERLANDS	602	5,906	-	34	1,059	243	1	16	260	1.30	0.000%
NIGERIA	0	2	-	-	-	0	-	-	0	0.00	0.000%

Capital requirements

continued: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

(€ million)

	12.31.2020										
	GENERAL CREDIT EXPOSURES		TRADING BOOK EXPOSURE		SECURITISATION EXPOSURES	OWN FUNDS REQUIREMENTS					
BREAKDOWN BY COUNTRY	EXPOSURE VALUE FOR SA	EXPOSURE VALUE FOR IRB	SUM OF LONG AND SHORT POSITION OF TRADING BOOK	VALUE OF TRADING BOOK EXPOSURE FOR INTERNAL MODELS	EXPOSURE VALUE FOR NON-TRADING BOOK 0	OF WHICH: GENERAL CREDIT EXPOSURES	OF WHICH: TRADING BOOK EXPOSURES	OF WHICH: SECURITISATION EXPOSURES	TOTAL	OWN FUNDS REQUIREMENT WEIGHTS	COUNTERCYCLICAL CAPITAL BUFFER RATE
NORWAY	18	1,319	-	33	-	32	0	-	32	0.20	1.000%
OMAN	1	200	-	-	-	7	-	-	7	0.00	0.000%
PAKISTAN	0	16	-	-	-	4	-	-	4	0.00	0.000%
PANAMA	423	36	-	-	-	0	-	-	0	0.00	0.000%
PERU	0	26	-	0	-	1	-	-	1	0.00	0.000%
PHILIPPINES	1	8	-	0	-	0	-	-	0	0.00	0.000%
POLAND	272	444	-	6	816	28	0	16	44	0.20	0.000%
PORTUGAL	11	532	-	4	39	18	0	2	20	0.10	0.000%
QATAR	3	514	-	-	-	12	-	-	12	0.10	0.000%
ROMANIA	3,727	3,232	-	0	-	376	0	-	376	1.90	0.000%
RUSSIA	5,871	6,437	-	465	-	604	4	-	608	3.10	0.000%
RWANDA	2	-	-	-	-	0	-	-	0	0.00	0.000%
SAN MARINO	2	17	-	-	-	1	-	-	1	0.00	0.000%
SAUDI ARABIA	107	10	-	0	-	3	0	-	3	0.00	0.000%
SENEGAL	21	0	-	-	-	0	-	-	0	0.00	0.000%
SERBIA	2,824	177	-	-	-	171	-	-	171	0.90	0.000%
SINGAPORE	13	1,624	-	0	-	26	-	-	26	0.10	0.000%
SLOVAKIA	862	5,353	-	2	-	257	0	-	258	1.30	1.000%
SLOVENIA	1,203	820	-	-	-	97	-	-	97	0.50	0.000%
SOUTH AFRICAN REPUBLIC	15	240	-	1	-	16	0	-	16	0.10	0.000%
SOUTH KOREA	6	73	-	0	-	1	0	-	1	0.00	0.000%
SPAIN	380	4,373	4	60	831	127	5	16	148	0.70	0.000%
SRI LANKA	0	30	-	-	-	1	-	-	1	0.00	0.000%
ST. KITTS AND NEVIS	0	3	-	-	-	0	-	-	0	0.00	0.000%
SWEDEN	24	878	0	5	-	25	0	-	25	0.10	0.000%
SWITZERLAND	452	5,487	0	108	-	178	1	-	179	0.90	0.000%
TAIWAN	5	24	-	-	-	1	-	-	1	0.00	0.000%
THAILAND	1	34	-	-	-	1	-	-	1	0.00	0.000%
TUNISIA	1	34	-	-	-	5	-	-	5	0.00	0.000%
TURKEY	602	1,375	-	450	-	157	0	-	157	0.80	0.000%
U.S.A.	1,193	8,306	6	113	311	343	13	6	363	1.80	0.000%
UKRAINE	10	27	-	-	-	4	-	-	4	0.00	0.000%
UNITED KINGDOM	550	5,456	-	54	771	189	2	19	210	1.10	0.000%
URUGUAY	1	40	-	-	-	2	-	-	2	0.00	0.000%
UZBEKISTAN	0	29	-	-	-	4	-	-	4	0.00	0.000%
VIET-NAM	0	122	-	-	-	12	-	-	12	0.10	0.000%
Other States	41	11	0	0	16	4	0	1	4	0.00	0.000%
TOTAL	**107,234**	**412,167**	**72**	**2,223**	**18,785**	**19,309**	**91**	**410**	**19,810**		

Capital Requirements

Risk Weighted Assets segmentation

(€ million)

CATEGORIES	WEIGHTED AMOUNTS 12.31.2020	WEIGHTED AMOUNTS 12.31.2019[1]
Total Risk Weighted Assets	**325,665**	**378,718**
A. Credit and Counterparty Risk	**283,578**	**334,264**
A.1 Commercial Banking Italy	74,479	87,290
A.2 Commercial Banking Germany	31,760	32,104
A.3 Commercial Banking Austria	18,934	20,568
A.4 CEE	49,458	60,996
A.5 CIB	69,199	69,422
A.6 Group Corporate Centre	33,062	53,830
A.7 Non Core	6,686	10,053
B. Market Risk	**11,217**	**11,490**
B.1 Commercial Banking Italy	12	3
B.2 Commercial Banking Germany	110	26
B.3 Commercial Banking Austria	93	46
B.4 CEE	769	1,339
B.5 CIB	8,083	9,780
B.6 Group Corporate Centre	2,149	295
B.7 Non Core	0	0
C. Operational Risk	**30,871**	**32,965**
C.1 Commercial Banking Italy	8,520	8,775
C.2 Commercial Banking Germany	3,667	4,040
C.3 Commercial Banking Austria	2,483	2,526
C.4 CEE	4,788	5,224
C.5 CIB	5,760	5,879
C.6 Group Corporate Centre	4,698	5,608
C.7 Non Core	955	913

Notes:
1. Figures as of 2019 were recast, where necessary, on a like-to-like basis to consider changes in scope of business segment and methodological rules. In particular the sub-group Koc Finansal Hizmetler AS figures have been reclassified from CEE Division to Group Corporate Centre.
2. The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Capital Requirements

Ytd changes in Risk Weighted Assets - business segment

(€ million)

	WEIGHTED AMOUNTS - CHANGES IN FY 2020							
CATEGORIES	GROUP	CBK ITA	CBK GERM	CBK AUT	CIB	CEE	NON CORE	GROUP CORPORATE CENTRE[1]
Total RWA, opening balances	**378,718**	**96,067**	**36,171**	**23,141**	**85,081**	**67,560**	**10,966**	**59,733**
Acquisitions (+)/Dismissal (-)[2]	**(18,647)**	**-**	**-**	**(9)**	**(43)**	**-**	**-**	**(18,595)**
of which: *- Credit and counterparty risk*	*(18,399)*	*-*	*-*	*(9)*	*(39)*	*-*	*-*	*(18,351)*
- Market risk	*(244)*	*-*	*-*	*-*	*-*	*-*	*-*	*(244)*
- Operational risk	*(4)*	*-*	*-*	*(0)*	*(4)*	*-*	*-*	*-*
A. Credit and counterparty risk changes	**(32,287)**	**(12,810)**	**(345)**	**(1,626)**	**(183)**	**(11,538)**	**(3,367)**	**(2,417)**
A.1 Asset size	(27,249)	(9,489)	(1,256)	(647)	(6,355)	(4,818)	(3,082)	(1,602)
A.2 Asset quality	6,974	(945)	1,252	220	5,637	487	3	321
A.3 Model updates	(654)	-	-	-	-	(654)	-	-
A.4 Methodology and policy	(5,079)	(1,885)	(676)	(1,016)	878	(3,091)	(6)	717
A.5 Foreign exchange movements	(4,268)	(38)	(62)	52	(706)	(2,786)	(3)	(725)
A.6 Other	(2,011)	(453)	397	(235)	363	(676)	(278)	(1,128)
B. Market risk changes	**(29)**	**9**	**84**	**46**	**(1,696)**	**(570)**	**0**	**2,098**
B.1 Regulatory changes	-	-	-	-	-	-	-	(0)
B.2 Book evolution	626	9	84	58	461	15	0	(0)
B.3 Other changes	(655)	0	(0)	(11)	(2,157)	(585)	0	2,098
C. Operational risk changes	**(2,090)**	**(255)**	**(373)**	**(43)**	**(115)**	**(436)**	**42**	**(910)**
Total RWA, closing balances	**325,665**	**83,011**	**35,536**	**21,509**	**83,043**	**55,016**	**7,642**	**39,909**

Notes:
1. COO Services, Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments. It includes also the Group's Legal Entities that are going to be dismissed and, regarding 2019 figures, the sub-group Koc Finansal Hizmetler AS.
2.Acquisition (+)/Dismissal (-): Acquisition/Dismissal of consolidated subsidiaries
Definitions
A.1.Asset size: Impact on RWA caused by change in Exposure At Default
A.2.Asset quality: Impact of Probability of Default/Loss Given Default/Exposure At Default given by re-rating of customer due to recalibration and migrations
A.3.Model Updates: Impact coming from Rollout, model and methodology changes
A.4.Methodology and policy: Impact of new/updated regulation and of specific feedback from the Supervisor
A.5.Foreign exchange movements: Impact of fx rate fluctuations
B.1.Regulatory Changes: Impact of new/updated regulation and of specific feedbacks from the Supervisor
B.2.Book Evolution: Changes due to business evolution and market indicators

The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Non-performing and forborne exposures

The present section includes the disclosure requirements of EBA "Guidelines on disclosure of non-performing and forborne exposures" (EBA/GL/2018/10) and EBA "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" (EBA/GL/2020/07), shown in coherence with the FINREP submission as of 31 December 2020. In order to facilitate their identification, each template shows the reference to such EBA Guidelines.

With reference to the templates prepared according to EBA/GL/2018/10, the main change compared to the amounts published with reference to 31 December 2019 is related to change in the consolidation method of Yapi Ve Kredi Bankasi A.Ş (for further details refer to Scope of application chapter).

Template 1 (EBA/GL/2018/10): Credit quality of forborne exposures

(€ million)

		a	b	c	d	e	f	g	h
		GROSS CARRYING AMOUNT OF FORBORNE EXPOSURES / NOMINAL AMOUNT				ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS		COLLATERALS RECEIVED AND FINANCIAL GUARANTEES RECEIVED ON FORBORNE EXPOSURES	
			NON-PERFORMING FORBORNE						
	DESCRIPTION	PERFORMING FORBORNE		OF WHICH DEFAULTED	OF WHICH IMPAIRED	ON PERFORMING FORBORNE EXPOSURES	ON NON-PERFORMING FORBORNE EXPOSURES		OF WHICH COLLATERAL AND FINANCIAL GUARANTEES RECEIVED ON NON-PERFORMING EXPOSURES WITH FORBEARANCE MEASURES
	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
	Debt instruments held for sale	78	703	703	703	1	486	158	93
1	Loans and advances	5,755	9,023	9,023	9,023	534	5,143	6,131	2,604
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	18	6	6	6	0	2	6	-
4	Credit institutions	-	2	2	2	-	2	-	-
5	Other financial corporations	203	590	590	590	8	323	255	105
6	Non-financial corporations	3,638	6,934	6,934	6,934	254	3,993	3,890	1,896
7	Households	1,897	1,491	1,491	1,491	272	822	1,980	603
8	Debt Securities	-	4	4	4	-	-	-	-
9	Loan commitments given	560	375	375	375	5	26	241	123
10	**Total**	**6,315**	**9,402**	**9,402**	**9,402**	**539**	**5,169**	**6,372**	**2,726**

Note:
In coherence with the Unicredit Group approach, the non-performing exposures are equal to defaulted and impaired exposure.

Credit risk

Breakdown by counterparties geography (non financial corporations and households)

(€ million)

DESCRIPTION	GROSS CARRYING AMOUNT/NOMINAL AMOUNT OF EXPOSURES WITH FORBEARANCE MEASURES
Debt securities	**4**
Non-financial corporations	4
of which: *- Luxembourg*	*4*
Loans and advances	**13,961**
Non-financial corporations	10,572
of which: *- Italy*	*4,684*
- Germany	*1,019*
- Austria	*756*
- Russia	*560*
- Turkey	*551*
- Other Countries	*3,002*
Households	3,389
of which: *- Italy*	*2,626*
- Austria	*383*
- Croatia	*85*
- Russia	*79*
- Germany	*53*
- Other Countries	*163*

Note:
Template prepared in accordance to "Guidance to banks on non-performing loans" issued by ECB on March 2017.

Template 2 (EBA/GL/2018/10): Quality of forbearance

(€ million)

		a
	DESCRIPTION	GROSS CARRYING AMOUNT OF FORBORNE EXPOSURES
1	Loans and advances that have been forborne more than twice	2,188
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	2,348

Credit risk

Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l
		GROSS CARRYING AMOUNT/NOMINAL AMOUNT											
		PERFORMING EXPOSURES			NON-PERFORMING EXPOSURES								
	DESCRIPTION		NOT PAST DUE OR PAST DUE <= 30 DAYS	PAST DUE > 30 DAYS <= 90 DAYS		UNLIKELY TO PAY THAT ARE NOT PAST-DUE OR PAST DUE <= 90 DAYS	PAST DUE > 90 DAYS <= 180 DAYS	PAST DUE > 180 DAYS <= 1 YEAR	PAST DUE > 1 YEAR <= 2 YEARS	PAST DUE > 2 YEAR <= 5 YEARS	PAST DUE > 5 YEAR <= 7 YEARS	PAST DUE > 7 YEARS	OF WHICH DEFAULTED
	Cash balances at central banks and other demand deposits	167,791	167,791	-	-	-	-	-	-	-	-	-	-
	Debt instruments held for sale	1,059	1,043	15	827	283	5	272	79	123	38	27	827
1	Loans and advances	483,647	481,782	1,864	21,395	10,204	811	1,446	1,967	2,874	1,478	2,615	21,395
2	Central banks	6,395	6,395	0	-	-	-	-	-	-	-	-	-
3	General governments	23,882	23,649	233	488	393	50	3	1	17	1	24	488
4	Credit institutions	30,521	30,518	2	7	6	-	-	-	0	0	0	7
5	Other financial corporations	68,936	68,914	23	1,382	892	24	70	20	120	72	184	1,382
6	Non-financial corporations	229,884	229,223	660	15,008	7,646	518	746	1,117	1,989	1,162	1,830	15,008
7	*of which SMEs*	74,896	74,689	207	7,402	3,089	142	409	722	1,159	649	1,233	7,402
8	Households	124,029	123,083	946	4,510	1,267	219	628	829	747	243	577	4,510
9	Debt securities	145,062	145,062	-	135	134	-	-	1	-	-	0	135
10	Central banks	4	4	-	-	-	-	-	-	-	-	-	-
11	General governments	108,853	108,853	-	5	5	-	-	-	-	-	-	5
12	Credit institutions	19,865	19,865	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	11,897	11,897	-	125	124	-	-	1	-	-	-	125
14	Non-financial corporations	4,443	4,443	-	6	6	-	-	-	-	-	0	6
15	Off-balance-sheet-exsposures	339,912			4,088								4,088
16	Central banks	1,032											
17	General governments	8,879			138								138
18	Credit institutions	25,671			10								10
19	Other financial corporations	59,525			122								122
20	Non-financial corporations	227,970			3,762								3,762
21	Households	16,835			56								56
22	**Total**	**968,621**	**626,844**	**1,864**	**25,618**	**10,338**	**811**	**1,446**	**1,968**	**2,874**	**1,478**	**2,615**	**25,618**

Notes:
The template above:
- does not include the Held for Trading portfolio;
- is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		GROSS CARRYING AMOUNT/NOMINAL AMOUNT						ACCUMULATED IMPAIRMENT, ACCUMULATED IMPAIRMENT NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS							COLLATERALS AND FINANCIAL GUARANTEES RECEIVED	
		PERFORMING EXPOSURES			NON-PERFORMING EXPOSURES			PERFORMING EXPOSURES - ACCUMULATED IMPAIRMENT AND PROVISIONS			NON-PERFORMING EXPOSURES - ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS					
	DESCRIPTION		OF WHICH: STAGE 1	OF WHICH: STAGE 2		OF WHICH: STAGE 2	OF WHICH: STAGE 3		OF WHICH: STAGE 1	OF WHICH: STAGE 2		OF WHICH: STAGE 2	OF WHICH: STAGE 3	ACCUMULATED PARTIAL WRITE-OFF	ON PERFORMING EXPOSURES	ON NON-PERFORMING EXPOSURES
	Cash balances at central banks and other demand deposits	167,791	167,602	189	-		-	5	4	1	-		-	-	-	-
	Debt instruments held for sale	1,059	944	115	827		827	7	4	3	559		559	127	650	128
1	Loans and advances	483,647	399,485	84,162	21,395		21,395	4,150	1,177	2,973	12,824		12,824	2,008	282,503	5,585
2	Central banks	6,395	6,394	1	-		-	(0)	(0)	-	-		-	-	4,402	-
3	General governments	23,882	21,907	1,975	488		488	79	62	17	42		42	3	5,416	415
4	Credit institutions	30,521	29,769	752	7		7	8	7	1	7		7	-	20,832	-
5	Other financial corporations	68,936	64,338	4,598	1,382		1,382	221	70	151	760		760	42	43,384	188
6	Non-financial corporations	229,884	171,179	58,705	15,008		15,008	1,935	491	1,445	9,244		9,244	1,721	116,452	3,693
7	*of which SMEs*	74,896	47,944	26,952	7,402		7,402	902	197	706	4,943		4,943	747	55,107	1,773
8	Households	124,029	105,898	18,131	4,510		4,510	1,906	547	1,359	2,771		2,771	242	92,016	1,289
9	Debt securities	145,062	143,806	1,256	135		135	102	70	32	61		61	-	127	-
10	Central banks	4	4	-	-		-	-	-	-	-		-	-	-	-
11	General governments	108,853	108,307	546	5		5	43	31	12	5		5	-	-	-
12	Credit institutions	19,865	19,747	118	-		-	5	3	2	-		-	-	6	-
13	Other financial corporations	11,897	11,564	333	125		125	41	34	7	55		55	-		-
14	Non-financial corporations	4,443	4,184	259	6		6	13	2	11	2		2	-	58	-
15	Off-balance sheet exposures	339,912	192,553	28,079	4,088		2,612	378	175	182	1,011		907	-	58,079	820
16	Central banks	1,032	73	-	-		-	0	0	-	-		-		-	-
17	General governments	8,879	6,624	1,277	138		138	4	4	0	0		0		1,011	134
18	Credit institutions	25,671	9,801	621	10		-	5	4	1	-		-		1,786	-
19	Other financial corporations	59,525	33,294	2,509	122		85	51	25	24	49		45		23,106	11
20	Non-financial corporations	227,970	134,452	20,345	3,762		2,367	286	128	139	956		857		30,573	661
21	Households	16,835	8,309	3,327	56		21	31	15	16	5		5		1,604	14
22	**Total**	**968,621**	**735,844**	**113,497**	**25,618**		**24,142**	**4,630**	**1,422**	**3,187**	**13,896**		**13,792**		**340,709**	**6,405**

Notes:
The template above:
- does not include the Held for Trading portfolio;
- is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Template 5 (EBA/GL/2018/10): Quality of non-performing exposures by geography

(€ million)

		a	b	c	d	e	f	g
		GROSS CARRYING/NOMINAL AMOUNT						
			OF WHICH NON-PERFORMING					
DESCRIPTION				OF WHICH DEFAULTED	OF WHICH SUBJECT TO IMPAIRMENT	ACCUMULATED IMPAIRMENT	PROVISIONS ON OFF-BALANCE SHEET COMMITMENTS AND FINANCIAL GUARANTEE GIVEN	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
1	**On balance sheet exposures**	**836,796**	**21,530**	**21,530**	**804,892**	**17,006**		**136**
2	Italy	341,165	11,878	11,878	334,144	10,357		100
3	Germany	165,884	2,153	2,153	149,668	1,200		11
4	Austria	86,029	1,789	1,789	84,458	1,260		-
5	Spain	24,497	19	19	24,078	28		-
6	France	19,592	14	14	17,287	24		-
7	Other Countries	199,629	5,678	5,678	195,256	4,138		25
8	**Off balance sheet exposures**	**344,000**	**4,088**	**4,088**			**1,388**	
9	Italy	128,492	2,327	2,327			421	
10	Germany	81,970	627	627			371	
11	Austria	28,686	405	405			198	
12	U.S.A.	14,455	24	24			19	
13	France	12,899	3	3			5	
14	Other Countries	77,497	702	702			374	
15	**Total**	**1,180,796**	**25,618**	**25,618**	**804,892**	**17,006**	**1,388**	**136**

Notes:
- In coherence with the Unicredit Group approach, the non-performing exposures are equal to defaulted and impaired exposure.
- The template above:
  - includes the Held for Trading portfolio;
  - is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Template 6 (EBA/GL/2018/10): Credit quality of loans and advances by industry

(€ million)

		a	b	c	d	e	f
		GROSS CARRYING AMOUNT					
			OF WHICH NON-PERFORMING				
DESCRIPTION				OF WHICH DEFAULTED	OF WHICH LOANS AND ADVANCES SUBJECT TO IMPAIRMENT	ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
1	Agriculture, forestry and fishing	3,886	275	275	275	237	-
2	Mining and quarrying	2,435	103	103	84	68	18
3	Manufacturing	60,161	3,641	3,641	3,634	2,799	4
4	Electricity, gas, steam and air conditioning supply	10,360	194	194	194	179	-
5	Water supply	2,173	124	124	124	94	-
6	Construction	16,190	2,240	2,240	2,204	1,679	27
7	Wholesale and retail trade	37,213	2,079	2,079	2,074	1,722	2
8	Transport and storage	15,511	976	976	976	765	-
9	Accommodation and food service activities	5,227	551	551	551	424	-
10	Information and communication	8,046	244	244	243	188	1
11	Financial and insurance actvities	1,232	92	92	92	64	-
12	Real estate activities	42,843	1,950	1,950	1,912	1,336	28
13	Professional, scientific and technical activities	14,666	473	473	470	359	1
14	Administrative and support service activities	5,917	729	729	729	317	-
15	Public administration and defense, compulsory social security	603	0	0	0	0	-
16	Education	387	6	6	6	6	-
17	Human health services and social work activities	3,809	112	112	112	94	-
18	Arts, entertainment and recreation	1,394	105	105	105	84	-
19	Other services	12,839	1,114	1,114	1,114	682	-
20	**Total**	**244,892**	**15,008**	**15,008**	**14,901**	**11,099**	**81**

Notes:
- In coherence with the Unicredit group approach, the non-performing exposures are equal to defaulted and impaired exposure.
- The template above:
  - does not include the Held for Trading portfolio;
  - is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Template 7 (EBA/GL/2018/10): Collateral valuation - loans and advances

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l
			LOANS AND ADVANCES										
			PERFORMING		NON PERFORMING								
							PAST DUE > 90 DAYS						
	DESCRIPTION			OF WHICH: PAST DUE > 30 DAYS <= 90 DAYS		UNLIKELY TO PAY THAT ARE NOT PAST DUE OR PAST DUE <= 90 DAYS		OF WHICH: PAST DUE > 90 DAYS <= 180 DAYS	OF WHICH: PAST DUE > 180 DAYS <= 1 YEAR	OF WHICH: PAST DUE > 1 YEAR <=2 YEARS	OF WHICH: PAST DUE > 2 YEARS <= 5 YEARS	OF WHICH: PAST DUE > 5 YEARS <= 7 YEARS	OF WHICH: PAST DUE > 7 YEARS
1	Gross carrying amount	505,042	483,647	1,864	21,395	10,204	11,191	811	1,446	1,967	2,874	1,478	2,615
2	*of which: Secured*	258,622	244,691	1,120	13,931	6,979	6,951	517	867	1,179	1,781	842	1,765
3	*of which: Secured with immovable property*	175,217	166,904	779	8,313	4,488	3,825	323	558	647	953	458	888
4	*of which: - Instruments with LTV higher than 60% and lower than 80%*	40,722	39,544		1,178	730	448						
5	*- Instruments with LTV higher than 80% and lower or equal to 100%*	36,248	34,903		1,345	757	588						
6	*- Instruments with LTV higher than 100%*	29,773	25,751		4,022	1,818	2,204						
7	Accumulated impairment for secured assets	10,254	2,545	178	7,709	2,776	4,932	246	506	736	1,240	690	1,515
8	Collateral												
9	*of which: Value capped at the value of exposure*	235,169	231,206	794	3,964	2,470	1,493	195	293	336	401	93	176
10	*of which: Immovable property*	149,263	145,778	666	3,485	2,102	1,383	175	265	315	373	91	164
11	*of which: Value above the cap*	146,756	137,526	4,418	9,231	5,352	3,879	369	673	538	882	340	1,076
12	*of which: Immovable property*	129,525	120,934	1,584	8,591	4,950	3,641	325	637	523	865	337	955
13	Financial guarantees received	52,919	51,297	309	1,622	1,252	370	15	47	81	116	58	51
14	Accumulated partial write-off	2,008	0	0	2,008	156	1,852	0	1	7	428	192	1,224

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Template 8 (EBA/GL/2018/10): Changes in the stock of non-performing loans and advances

(€ million)

		a	b
	DESCRIPTION	GROSS CARRYING AMOUNT	RELATED NET CUMULATED RECOVERIES
1	**Initial stock of non-performing loans and advances**	**25,656**	
2	Inflows to non-performing portfolios	10,134	
3	Outflows from non-performing portfolios	(14,395)	
4	Outflow to performing portfolio	(1,115)	
5	Outflow due to loan repayment, partial or total	(1,741)	
6	Outflow due to collateral liquidations	(430)	(334)
7	Outflow due to taking possession of collateral	(350)	(105)
8	Outflow due to sale of instruments	(2,687)	(697)
9	Outflow due to risk transfers	-	-
10	Outflows due to write-offs	(2,066)	
11	Outflow due to other situations	(2,720)	
12	Outflow due to reclassification as held for sale	(3,285)	
13	**Final stock of non-performing loans and advances**	**21,395**	

Notes:
- The row 1 refers to amounts as at 31 December 2019.
- The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Template 9 (EBA/GL/2018/10): Collateral obtained by taking possession and execution processes

(€ million)

	DESCRIPTION	a	b
		COLLATERAL OBTAINED BY TAKING POSSESSION ACCUMULATED	
		VALUE AT INITIAL RECOGNITION	ACCUMULATED NEGATIVE CHANGES
1	Property Plant and Equipment (PP&E)	1	(1)
2	Other than Property Plant and Equipment	1,469	(270)
3	Residential immovable property	13	(3)
4	Commercial immovable property	823	(100)
5	Movable property (auto, shipping, etc.)	26	(7)
6	Equity and debt instruments	608	(160)
7	Other	0	(0)
8	**Total**	**1,470**	**(270)**

Template 10 (EBA/GL/2018/10): Collateral obtained by taking possession and execution processes - vintage breakdown

(€ million)

	DESCRIPTION	a	b	c	d	e	f	g	h	i	j	k	l
		DEBT BALANCE REDUCTION		TOTAL COLLATERAL OBTAINED BY TAKING POSSESSION									
						FORECLOSED <=2 YEARS		FORECLOSED >2 YEARS <=5 YEARS		FORECLOSED >5 YEARS		OF WHICH: NON-CURRENT ASSETS HELD-FOR-SALE	
		GROSS CARRYING AMOUNT	ACCUMULATED NEGATIVE CHANGES	VALUE AT INITIAL RECOGNITION	ACCUMULATED NEGATIVE CHANGES	VALUE AT INITIAL RECOGNITION	ACCUMULATED NEGATIVE CHANGES	VALUE AT INITIAL RECOGNITION	ACCUMULATED NEGATIVE CHANGES	VALUE AT INITIAL RECOGNITION	ACCUMULATED NEGATIVE CHANGES	VALUE AT INITIAL RECOGNITION	ACCUMULATED NEGATIVE CHANGES
1	Collateral obtained by taking possession classified as Property Plant and Equipment (PP&E)	1	1	1	1								
2	Collateral obtained by taking possession other than classified Property Plant and Equipment	4,072	(2,474)	1,469	(270)	1,011	(18)	270	(57)	151	(180)	37	(16)
3	Residential immovable property	12	(4)	13	(3)	3	(0)	6	(1)	3	(1)	-	-
4	Commercial immovable property	1,727	(874)	823	(100)	476	(3)	249	(50)	60	(31)	37	(16)
5	Movable property (auto, shipping, etc.)	31	(16)	26	(7)	10	(2)	10	(5)	6	(1)	-	-
6	Equity and debt instruments	2,301	(1,580)	608	(160)	522	(13)	4	-	82	(147)	-	-
7	Other	-	-	0	(0)	-	-	-	-	-	-	0	(0)
8	**Total**	**4,073**	**(2,473)**	**1,470**	**(269)**	**1,011**	**(18)**	**270**	**(57)**	**151**	**(180)**	**37**	**(16)**

Credit risk

Template 1 (EBA/GL/2020/07) - Information on loans and advances subject to legislative and non-legislative moratoria

(€ million)

		a	b	c	d	e	f	g
		GROSS CARRYING AMOUNT						
			PERFORMING			NON PERFORMING		
				OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: INSTRUMENTS WITH SIGNIFICANT INCREASE IN CREDIT RISK SINCE INITIAL RECOGNITION BUT NOT CREDIT-IMPAIRED(STAGE2)		OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: UNLIKELY TO PAY THAT ARE NOT PAST-DUE OR PAST-DUE <= 90 DAYS
1	Loans and advances subject to moratorium	22,882	22,132	744	12,751	749	238	457
2	*of which: Households*	5,970	5,865	231	2,123	105	64	88
3	*of which: Collateralised by residential immovable property*	4,251	4,207	182	1,482	44	32	39
4	*of which: Non-financial corporations*	15,911	15,283	507	10,518	628	173	353
5	*of which: Small and Medium-sized Enterprises*	12,147	11,713	409	8,368	434	93	199
6	*of which: Collateralised by commercial immovable property*	8,321	7,919	314	5,647	402	100	152

Continued: (EBA/GL/2020/07) Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

(€ million)

		h	i	j	k	l	m	n	o
		ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK							GROSS CARRYING AMOUNT
			PERFORMING			NON PERFORMING			
				OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: INSTRUMENTS WITH SIGNIFICANT INCREASE IN CREDIT RISK SINCE INITIAL RECOGNITION BUT NOT CREDIT-IMPAIRED(STAGE2)		OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: UNLIKELY TO PAY THAT ARE NOT PAST-DUE OR PAST-DUE <= 90 DAYS	INFLOWS TO NON-PERFORMING EXPOSURES
1	Loans and advances subject to moratorium	1,046	686	57	636	361	131	234	499
2	*of which: Households*	305	251	20	237	54	34	45	44
3	*of which: Collateralised by residential immovable property*	161	140	15	133	22	15	18	13
4	*of which: Non-financial corporations*	714	418	37	386	296	96	177	455
5	*of which: Small and Medium-sized Enterprises*	519	319	26	297	200	47	99	354
6	*of which: Collateralised by commercial immovable property*	477	289	20	271	188	58	85	298

Template 2 (EBA/GL/2020/07) - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

(€ million)

		a	b	c	d	e	f	g	h	i
			GROSS CARRYING AMOUNT							
		NUMBER OF OBLIGORS		OF WHICH: LEGISLATIVE MORATORIA	OF WHICH: EXPIRED	<= 3 MONTHS	> 3 MONTHS <= 6 MONTHS	> 6 MONTHS <= 9 MONTHS	> 9 MONTHS <= 12 MONTHS	> 1 YEAR
1	Loans and advances for which moratorium was offered	406	35,975							
2	Loans and advances subject to moratorium (granted)	389	34,262	23,811	11,380	18,133	3,302	1,001	322	124
3	*of which: Households*		10,069	5,248	4,099	3,027	2,390	181	293	79
4	*of which: Collateralised by residential immovable property*		7,142	3,195	2,891	1,755	2,020	142	276	58
5	*of which: Non-financial corporations*		22,786	18,225	6,875	14,882	792	162	29	45
6	*of which: Small and Medium-sized Enterprises*		15,623	13,899	3,476	11,969	149	22	3	4
7	*of which: Collateralised by commercial immovable property*		11,706	9,500	3,385	7,677	536	66	27	15

Credit risk

Template 3 (EBA/GL/2020/07) - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

(€ million)

		a	b	c	d
		GROSS CARRYING AMOUNT		MAXIMUM AMOUNT OF THE GUARANTEE THAT CAN BE CONSIDERED	GROSS CARRYING AMOUNT
			OF WHICH: FORBORNE	PUBLIC GUARANTEES RECEIVED	INFLOWS TO NON-PERFORMING EXPOSURES
1	**Newly originated loans and advances subject to public guarantee schemes**	**16,280**	**103**	**14,487**	**52**
2	*of which: Households*	1,274			2
3	*of which: Collateralised by residential immovable property*	0			-
4	*of which: Non-financial corporations*	14,833	94	13,098	42
5	*of which: Small and Medium-sized Enterprises*	9,564			17
6	*of which: Collateralised by commercial immovable property*	111			-

Credit risk

EU CRB-B - Total and average net amount of exposures

(€ million)

	DESCRIPTION	a NET VALUE OF EXPOSURES AT THE END OF THE PERIOD	b AVERAGE NET EXPOSURES OVER THE PERIOD
1	Central governments or central banks	23,517	25,457
2	Institutions	36,628	44,907
3	Corporates	429,628	435,731
4	- Of which: Specialised lending	24,514	24,818
5	- Of which: SMEs	74,601	74,303
6	Retail	137,552	136,500
7	Secured by real estate property	88,182	88,373
8	- SMEs	5,258	5,352
9	- Non-SMEs	82,925	83,021
10	Qualifying revolving	8,282	5,547
11	Other retail	41,087	42,579
12	- SMEs	26,559	25,350
13	- Non-SMEs	14,528	17,229
14	Equity	722	2,115
15	**Total IRB approach**	**628,047**	**644,709**
16	Central governments or central banks	250,247	182,008
17	Regional governments or local authorities	26,590	26,141
18	Public sector entities	12,470	13,130
19	Multilateral development banks	1,239	1,164
20	International organisations	2,069	2,350
21	Institutions	4,540	28,833
22	Corporates	59,417	68,529
23	- Of which: SMEs	12,217	13,429
24	Retail	31,822	32,742
25	- Of which: SMEs	6,779	6,545
26	Secured by mortgages on immovable property	9,152	9,462
27	- Of which: SMEs	3,011	3,111
28	Exposures in default	2,805	2,890
29	Items associated with particularly high risk	1,793	2,012
30	Covered bonds	262	290
31	Claims on institutions and corporates with a short-term credit assessment	1,572	10,274
32	Collective investments undertakings	6	21
33	Equity exposures	7,152	25,295
34	Other exposures	17,076	16,812
35	**Total standardised approach**	**428,212**	**421,955**
36	**Total as at 12.31.2020**	**1,056,259**	**1,066,664**
37	**Total as at 12.31.2019**	**984,320**	**1,022,498**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

EU CRB-C - Geographical breakdown of exposures

(€ million)

	DESCRIPTION	a	b	c	d	e	f	g
		NET VALUE						
		EUROPE	OF WHICH: AUSTRIA	OF WHICH: ITALY	OF WHICH: GERMANY	OF WHICH: CZECH REPUBLIC	OF WHICH: SPAIN	OF WHICH: FRANCE
1	Central governments or central banks	2,634	-	215	3	798	-	-
2	Institutions	25,237	3,031	4,854	2,411	405	536	5,571
3	Corporates	379,393	41,399	145,003	112,523	11,218	5,435	12,427
4	Retail	137,281	22,774	69,447	37,224	3,744	7	30
5	Equity	673	69	229	95	-	-	1
6	**Total IRB Approach**	**545,217**	**67,274**	**219,747**	**152,255**	**16,165**	**5,978**	**18,029**
7	Central governments or central banks	246,186	33,334	132,870	38,022	739	15,807	1,845
8	Regional governments or local authorities	26,503	4,335	3,300	18,107	1	5	-
9	Public sector entities	12,436	1,768	2,298	6,068	0	577	370
10	Multilateral development banks	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-
12	Institutions	4,097	12	2,301	492	0	9	60
13	Corporates	42,930	4,464	19,409	3,969	997	101	494
14	Retail	28,219	721	17,159	782	782	5	7
15	Secured by mortgages on immovable property	7,721	420	3,263	121	36	1	2
16	Exposures in default	2,367	100	1,462	84	15	0	4
17	Items associated with particularly high risk	1,707	3	1,485	10	-	-	5
18	Covered bonds	262	1	-	10	-	250	-
19	Claims on institutions and corporates with a short-term credit assessment	1,050	12	556	252	0	1	70
20	Collective investments undertakings	6	1	-	-	-	-	-
21	Equity exposures	7,015	21	6,487	174	17	-	0
22	Other exposures	16,702	668	12,051	2,652	67	0	1
23	**Total Standardised Approach**	**397,202**	**45,863**	**202,640**	**70,743**	**2,654**	**16,756**	**2,859**
24	**Total as at 12.31.2020**	**942,419**	**113,137**	**422,387**	**222,998**	**18,819**	**22,734**	**20,888**
25	**Total as at 12.31.2019**	**819,773**	**92,830**	**355,862**	**192,661**	**18,890**	**24,695**	**16,390**

Credit risk

continued: EU CRB-C - Geographical breakdown of exposures

(€ million)

	DESCRIPTION	h	i	j	k	l	m	n
		NET VALUE						
		OF WHICH: CROATIA	OF WHICH: UNITED KINGDOM	OF WHICH: ROMANIA	OF WHICH: BULGARIA	OF WHICH: HUNGARY	OF WHICH: OTHER EUROPEAN COUNTRIES	AMERICA
1	Central governments or central banks	0	-	624	78	0	916	5,477
2	Institutions	9	3,548	101	68	647	4,056	1,676
3	Corporates	294	7,812	5,194	5,286	4,835	27,966	17,276
4	Retail	3	55	2	1,897	3	2,095	54
5	Equity	-	2	1	2	1	274	39
6	**Total IRB Approach**	**306**	**11,417**	**5,922**	**7,332**	**5,487**	**35,307**	**24,523**
7	Central governments or central banks	6,997	411	2,481	5,108	3,729	4,844	135
8	Regional governments or local authorities	265	-	72	40	162	215	0
9	Public sector entities	1,183	0	-	1	25	145	3
10	Multilateral development banks	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-
12	Institutions	20	126	229	0	29	819	195
13	Corporates	2,707	716	1,137	679	2,018	6,238	3,286
14	Retail	4,134	13	1,522	884	555	1,657	17
15	Secured by mortgages on immovable property	1,876	6	1,187	7	600	202	10
16	Exposures in default	293	16	101	133	38	120	59
17	Items associated with particularly high risk	22	43	18	4	9	107	39
18	Covered bonds	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	3	121	0	-	0	36	237
20	Collective investments undertakings	5	-	-	-	-	-	-
21	Equity exposures	13	3	0	0	0	300	123
22	Other exposures	650	4	44	61	79	426	3
23	**Total Standardised Approach**	**18,166**	**1,459**	**6,792**	**6,918**	**7,243**	**15,108**	**4,107**
24	**Total as at 12.31.2020**	**18,472**	**12,875**	**12,714**	**14,250**	**12,730**	**50,415**	**28,630**
25	**Total as at 12.31.2019**	**17,958**	**13,534**	**12,543**	**11,462**	**12,198**	**50,750**	**32,935**

Credit risk

continued: EU CRB-C - Geographical breakdown of exposures

(€ million)

		o	p	q	r	s	t	u
		NET VALUE						
DESCRIPTION		OF WHICH: USA	ASIA	OF WHICH: TURKEY	REST OF THE WORLD	OF WHICH: RUSSIA	OF WHICH: SWITZERLAND	TOTAL
1	Central governments or central banks	5,155	13,982	288	1,425	-	4	23,517
2	Institutions	1,403	6,539	980	3,176	-	2,685	36,628
3	Corporates	15,354	8,581	1,375	24,377	10,348	8,584	429,628
4	Retail	41	50	1	167	7	132	137,552
5	Equity	29	0	0	10	1	5	722
6	**Total IRB Approach**	**21,982**	**29,151**	**2,644**	**29,155**	**10,356**	**11,410**	**628,047**
7	Central governments or central banks	127	254	0	3,672	1,432	-	250,247
8	Regional governments or local authorities	0	-	-	87	-	-	26,590
9	Public sector entities	3	5	5	26	-	-	12,470
10	Multilateral development banks	-	-	-	1,239	-	-	1,239
11	International organisations	-	-	-	2,069	-	-	2,069
12	Institutions	188	29	4	218	200	8	4,540
13	Corporates	1,526	1,886	393	11,315	7,470	343	59,417
14	Retail	9	18	2	3,567	1,287	19	31,822
15	Secured by mortgages on immovable property	7	8	0	1,412	552	14	9,152
16	Exposures in default	24	186	182	194	105	15	2,805
17	Items associated with particularly high risk	10	0	0	47	-	0	1,793
18	Covered bonds	-	-	-	-	-	-	262
19	Claims on institutions and corporates with a short-term credit assessment	182	4	0	281	148	120	1,572
20	Collective investments undertakings	-	-	-	-	-	-	6
21	Equity exposures	123	-	-	13	0	5	7,152
22	Other exposures	3	4	0	366	26	0	17,076
23	**Total Standardised Approach**	**2,201**	**2,395**	**586**	**24,508**	**11,218**	**525**	**428,212**
24	**Total as at 12.31.2020**	**24,184**	**31,547**	**3,231**	**53,664**	**21,575**	**11,935**	**1,056,259**
25	**Total as at 12.31.2019**	**27,818**	**67,460**	**37,458**	**64,152**	**28,480**	**14,959**	**984,320**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The main change compared to the amounts published with reference to 31 December 2019 for Turkey, is related to change in the consolidation method of Yapi Ve Kredi Bankasi A.Ş (for further details refer to Scope of application chapter).

Credit risk

EU CRB-D - Concentration of exposures by industry or counterparty types

(€ million)

	DESCRIPTION	a MANUFACTURING	b ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	c CONSTRUCTION	d WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLE	e TRANSPORT AND STORAGE	f INFORMATION AND COMUNICATION	g FINANCIAL AND INSURANCE ACTIVITIES	h REAL ESTATE ACTIVITIES	i PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	j PUBLIC ADMINISTRATION AND DEFENCE, COMPULSORY SOCIAL SECURITY	k OTHER SERVICES ACTIVITIES	l ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENT GOODS - AND SERVICES - PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE	m OTHER	n TOTAL
		NET VALUE													
1	Central governments or central banks	-	-	-	-	-	-	5,774	-	-	17,601	-	-	142	23,517
2	Institutions	-	21	-	-	4	-	35,492	147	62	782	9	-	112	36,628
3	Corporates	126,369	19,194	31,129	54,518	16,553	18,009	49,642	40,959	29,772	278	1,268	176	41,761	429,628
4	Retail	7,830	128	3,474	8,929	1,269	1,218	734	1,769	3,753	4	630	98,481	9,334	137,552
5	Equity	0	0	0	0	-	15	620	21	58	-	5	-	4	722
6	**Total IRB Approach**	**134,199**	**19,343**	**34,603**	**63,447**	**17,825**	**19,242**	**92,260**	**42,896**	**33,646**	**18,664**	**1,912**	**98,658**	**51,353**	**628,047**
7	Central governments or central banks	-	-	-	-	5	0	151,062	-	0	99,049	0	101	29	250,247
8	Regional governments or local authorities	-	-	-	0	18	-	0	4	2	26,506	56	0	4	26,590
9	Public sector entities	0	27	10	1	1,095	72	6,246	133	8	3,643	186	0	1,050	12,470
10	Multilateral development banks	-	-	-	-	-	-	971	-	-	-	-	-	269	1,239
11	International organisations	-	-	-	-	-	-	561	-	-	576	-	-	931	2,069
12	Institutions	-	-	-	-	-	-	4,531	-	-	-	2	0	7	4,540
13	Corporates	11,921	1,985	1,853	6,902	2,339	1,442	12,973	3,639	916	174	1,207	3,948	10,118	59,417
14	Retail	1,289	54	654	1,375	605	123	58	456	805	5	190	24,720	1,489	31,822
15	Secured by mortgages on immovable property	1,207	36	87	1,218	159	75	130	775	297	10	171	4,298	688	9,152
16	Exposures in default	381	39	179	237	147	36	76	452	42	13	44	529	630	2,805
17	Items associated with particularly high risk	13	50	167	1	0	1	1,030	18	95	-	5	1	411	1,793
18	Covered bonds	-	-	-	-	-	-	262	-	-	-	-	-	-	262
19	Claims on institutions and corporates with a short-term credit assessment	261	3	3	94	10	5	1,161	-	0	-	-	27	8	1,572
20	Collective investments undertakings	-	-	-	-	-	-	6	-	-	-	-	-	-	6
21	Equity exposures	1	37	47	435	12	9	6,001	39	15	-	110	5	442	7,152
22	Other exposures	9	2	3	6	12	1	2,329	2	2	54	15	47	14,595	17,076
23	**Total Standardised Approach**	**15,083**	**2,232**	**3,002**	**10,269**	**4,403**	**1,763**	**187,396**	**5,517**	**2,182**	**130,029**	**1,987**	**33,677**	**30,673**	**428,212**
24	**Total as at 12.31.2020**	**149,282**	**21,574**	**37,605**	**73,716**	**22,228**	**21,005**	**279,656**	**48,413**	**35,828**	**148,693**	**3,898**	**132,335**	**82,026**	**1,056,259**
25	**Total as at 12.31.2019**	**151,762**	**23,584**	**40,494**	**78,190**	**23,361**	**20,771**	**183,780**	**48,965**	**31,930**	**145,887**	**9,901**	**137,249**	**88,446**	**984,320**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The main change compared to the amounts published with reference to 31 December 2019 for "Financial and Insurance activities" is mainly to UniCredit S.p.A. and UniCredit Bank AG.
Such increase is due to investment of liquidity in overnight deposits with Banca d'Italia and Bundesbank, in addition to the part that is maintained in the Compulsory Reserves, as a result of the management of a net surplus of funds recognized both (i) in the context of commercial activity with customers and (ii) as part of the interbank business.

Credit risk

EU CRB-E - Maturity of exposures

(€ million)

		a	b	c	d	e	f
	DESCRIPTION	NET EXPOSURE VALUE					
		ON DEMAND	<= 1 YEAR	> 1 YEAR <= 5 YEARS	> 5 YEARS	NO STATED MATURITY	TOTAL
1	Central governments or central banks	4,757	836	12,851	3,433	9	21,885
2	Institutions	3,755	9,440	7,660	3,125	267	24,247
3	Corporates	14,385	44,661	80,152	59,154	53	198,405
4	Retail	5,297	2,976	10,163	95,329	1	113,766
5	Equity	-	-	-	450	250	700
6	**Total IRB approach**	**28,193**	**57,913**	**110,826**	**161,490**	**580**	**359,002**
7	Central governments or central banks	90,407	77,815	52,310	25,248	2,682	248,463
8	Regional governments or local authorities	401	3,838	10,182	8,072	45	22,538
9	Public sector entities	324	2,059	5,395	3,438	30	11,246
10	Multilateral developmente banks	-	16	991	169	-	1,176
11	International organisations	-	25	1,240	803	-	2,069
12	Institutions	278	1,218	1,266	194	14	2,970
13	Corporates	2,395	13,636	8,758	8,951	1,613	35,353
14	Retail	1,357	2,937	8,981	12,119	1	25,395
15	Secured by mortgages on immovable property	26	202	1,160	7,625	-	9,013
16	Exposures in default	1,155	231	460	724	0	2,570
17	Items associated with particularly high risk	20	143	194	288	764	1,409
18	Covered bonds	-	-	192	69	-	262
19	Claims on institutions and corporates with a short-term credit assessment	983	438	-	1	8	1,430
20	Collective investments undertakings	5	-	-	-	1	6
21	Equity exposures	-	-	-	219	6,909	7,128
22	Other exposures	2,767	1,174	25	358	12,752	17,076
23	**Total standardised approach**	**100,119**	**103,732**	**91,156**	**68,276**	**24,819**	**388,102**
24	**Total as at 12.31.2020**	**128,313**	**161,645**	**201,983**	**229,766**	**25,398**	**747,105**
25	**Total as at 12.31.2019**	**89,075**	**114,242**	**197,960**	**242,466**	**26,811**	**670,554**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The main change compared to the amounts published with reference to 31 December 2019 for ”On Demand” and “<=1 Year” is mainly to UniCredit S.p.A. and UniCredit Bank AG.
Such increase is due to investment of liquidity in overnight deposits with Banca d'Italia and Bundesbank, in addition to the part that is maintained in the Compulsory Reserves, as a result of the management of a net surplus of funds recognized both (i) in the context of commercial activity with customers and (ii) as part of the interbank business.

Credit risk

EU CR1-A: Credit quality of exposures by exposure class and instrument

(€ million)

	DESCRIPTION	a	b	c	d	e	f	g
		GROSS CARRYING VALUES OF		SPECIFIC CREDIT RISK ADJUSTMENT	GENERAL CREDIT RISK ADJUSTMENT	ACCUMULATED WRITE-OFFS	CREDIT RISK ADJUSTMENT CHARGES OF THE PERIOD	NET VALUES
		DEFAULTED EXPOSURES	NON-DEFAULTED EXPOSURES					(a+b-c-d)
1	Central governments or central banks	580	22,963	26		-	4	23,517
2	Institutions	26	36,689	87		12	9	36,628
3	Corporates	14,825	423,967	9,164		1,243	2,716	429,628
4	- of which: Specialised lending	1,109	24,084	680		59	245	24,514
5	- of which: SMEs	4,990	73,205	3,594		415	748	74,601
6	**Retail**	**4,422**	**137,275**	**4,145**		**117**	**1,048**	**137,552**
7	**Secured by real estate property**	**2,385**	**87,912**	**2,115**		**8**	**658**	**88,182**
8	- SMEs	400	5,134	276		2	60	5,258
9	- Non-SMEs	1,985	82,778	1,838		6	599	82,925
10	Qualifying revolving	276	8,271	265		2	28	8,282
11	**Other retail**	**1,760**	**41,092**	**1,765**		**107**	**362**	**41,087**
12	- SMEs	1,627	26,366	1,435		107	259	26,559
13	- Non-SMEs	133	14,726	330		0	102	14,528
14	Equity	0	722			4	-	722
15	**Total IRB approach**	**19,853**	**621,615**	**13,422**		**1,376**	**3,776**	**628,047**
16	Central governments or central banks	3	250,271	24		0	2	250,249
17	Regional governments or local authorities	19	26,612	30		0	14	26,600
18	Public sector entities	7	12,528	63		0	6	12,472
19	Multilateral development banks	-	1,239	0		-	0	1,239
20	International organisations	-	2,073	5		-	5	2,069
21	Institutions	45	4,544	46		37	2	4,542
22	Corporates	3,855	60,019	2,918		319	273	60,956
23	- of which: SMEs	1,655	12,473	609		4	96	13,519
24	Retail	2,224	32,544	2,238		205	378	32,530
25	- of which: SMEs	769	6,889	275		205	36	7,383
26	Secured by mortgages on immovable property	1,212	9,318	839		-	53	9,690
27	- of which: SMEs	986	3,099	128		-	29	3,957
28	Exposures in default	7,367		4,561		600	943	2,805
29	Items associated with particularly high risk	373	1,558	137		0	27	1,793
30	Covered bonds	-	262	1		-	1	262
31	Claims on institutions and corporates with a short-term credit assessment	0	1,575	3		-	1	1,573
32	Collective investments undertakings	-	6	-		-	-	6
33	Equity exposures	-	7,152	-		64	0	7,152
34	Other exposures	3	17,090	14		-	3	17,079
35	**Total standardised approach**	**7,739**	**426,791**	**6,318**		**1,225**	**1,707**	**428,212**
36	**Total as at 12.31.2020**	**27,593**	**1,048,406**	**19,740**		**2,601**	**5,482**	**1,056,259**
37	of which: Loans	23,317	570,392	18,400		2,534	4,761	575,308
38	of which: Debt securities	5	137,877	60		-	24	137,823
39	of which: Off-balance-sheet exposures	4,079	304,977	1,252		-	689	307,805
40	**Total as at 06.30.2020**	**29,104**	**976,008**	**21,253**		**2,920**	**4,214**	**983,859**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The row 35 "Total standardised approach" does not include the "Exposures in default" for the column "Gross carrying value" (columns a and b), "Specific credit risk adjustment" (column c) and "Net value" (column g).

Credit risk

EU CR2 - A - Changes in the stock of general and specific credit risk adjustments

(€ million)

	DESCRIPTION	ACCUMULATED SPECIFIC CREDIT RISK ADJUSTMENT	ACCUMULATED GENERAL CREDIT RISK ADJUSTMENT
1	**Opening balance at 01.01.2020**	**17,544**	
2	Increases due to origination and acquisition	336	
3	Decreases due to derecognition	(2,210)	
4	Changes due to change in credit risk (net)	2,763	
5	Decrease in allowance account due to write-offs	(2,349)	
6	Impact of exchange rate differences	(360)	
7	Business combinations, including acquisitions and disposals of subsidiaries	-	
8	Other adjustments	(2,975)	
9	**Closing balance at 12.31.2020**	**12,749**	
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	81	
11	Specific credit risk adjustments directly	(184)	

Note:
In column "Accumulated specific credit risk adjustment" the Stage 3 Non Performing amount as at 1 January 2020 has been reported.

The detail of impairment on Financial Instruments classified as held for sale is not represented in the table, therefore the item “Other adjustments” includes also the decrease in accumulated credit risk adjustment resulting from reclassification, during the period, of the exposures to held for sale.

EU CR2 - B - Changes in the stock of defaulted and impaired loans and debt securities

(€ million)

	CHANGES IN 2020
DESCRIPTION	GROSS CARRYING VALUE DEFAULTED EXPOSURES AS AT 12.31.2020
Opening balance	**28,139**
Loans and debt securities that have defaulted or impaired since the last reporting period	7,092
Returned to non-defaulted status	(958)
Amounts written-off	(2,436)
Other changes	(9,479)
Closing balance	**22,358**

The table refers to the exposure with banks and customers.
The item “Other changes”, equal to -€9,479 million, is mainly due to the recoveries occurred in the period (-€3,365 million) and to the effects of the sale of impaired exposures (-€5,688 million).

Credit risk

Table shows the geographical breakdown (the main five countries reported in table FR.20.7.1 of FINREP consolidated reporting) for each Nace code according to Chapter 4 of Annex VII ECB guidance on NPE portfolio published in March 2017.

Breakdown of loans and advances other than held for trading to non-financial corporations by NACE codes

(€ million)

DESCRIPTION	NON-FINANCIAL CORPORATIONS				
	GROSS CARRYING AMOUNT	OF WHICH: LOANS AND ADVANCES SUBJECT TO IMPAIRMENT	OF WHICH: NON-PERFORMING	ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
A. Agriculture, forestry and fishing	**4,375**	**4,375**	**386**	**282**	**-**
of which: *- Italy*	*1,629*	*1,629*	*179*	*135*	*-*
- Germany	*678*	*678*	*47*	*15*	*-*
- Romania	*380*	*380*	*9*	*8*	*-*
- Turkey	*343*	*343*	*47*	*34*	*-*
- Bulgaria	*285*	*285*	*4*	*7*	*-*
- other countries	*1,062*	*1,061*	*100*	*82*	*-*
B. Mining and quarrying	**3,124**	**3,105**	**246**	**127**	**18**
of which: *- Russia*	*853*	*853*	*56*	*51*	*-*
- Turkey	*328*	*328*	*32*	*24*	*-*
- Norway	*286*	*286*	*-*	*0*	*-*
- Hungary	*254*	*254*	*-*	*0*	*-*
- Germany	*198*	*198*	*5*	*7*	*-*
- other countries	*1,204*	*1,185*	*152*	*46*	*18*
C. Manufacturing	**63,560**	**63,534**	**4,469**	**3,387**	**3**
of which: *- Italy*	*30,739*	*30,715*	*2,930*	*2,286*	*2*
- Germany	*9,292*	*9,291*	*427*	*278*	*1*
- Russia	*4,683*	*4,683*	*145*	*144*	*-*
- Austria	*4,249*	*4,249*	*197*	*98*	*-*
- United States	*2,223*	*2,223*	*9*	*13*	*-*
- other countries	*12,374*	*12,373*	*760*	*569*	*-*
D. Electricity, gas, steam and air conditioning supply	**12,024**	**11,998**	**592**	**567**	**4**
of which: *- Italy*	*3,436*	*3,436*	*167*	*142*	*-*
- Turkey	*2,377*	*2,377*	*236*	*329*	*-*
- Germany	*1,684*	*1,684*	*24*	*11*	*-*
- Austria	*1,004*	*1,004*	*6*	*2*	*-*
- Czech Republic	*721*	*721*	*20*	*14*	*-*
- other countries	*2,802*	*2,776*	*139*	*68*	*4*
E. Water supply	**2,395**	**2,395**	**111**	**91**	**-**
of which: *- Italy*	*1,036*	*1,036*	*81*	*72*	*-*
- Austria	*541*	*541*	*12*	*3*	*-*
- Germany	*366*	*366*	*6*	*4*	*-*
- Croatia	*124*	*124*	*0*	*1*	*-*
- Slovakia	*63*	*63*	*0*	*0*	*-*
- other countries	*265*	*265*	*11*	*11*	*-*
F. Constructions	**20,619**	**19,923**	**4,393**	**3,266**	**37**
of which: *- Italy*	*9,153*	*9,102*	*3,724*	*2,779*	*37*
- Austria	*3,854*	*3,208*	*151*	*132*	*-*
- Germany	*3,191*	*3,191*	*44*	*36*	*-*
- Turkey	*2,043*	*2,043*	*267*	*143*	*-*
- Spain	*565*	*565*	*15*	*7*	*-*
- other countries	*1,815*	*1,815*	*192*	*169*	*0*

Credit risk

continued: Breakdown of loans and advances other than held for trading to non-financial corporations by NACE codes

(€ million)

DESCRIPTION	NON-FINANCIAL CORPORATIONS				
	GROSS CARRYING AMOUNT	OF WHICH: LOANS AND ADVANCES SUBJECT TO IMPAIRMENT	OF WHICH: NON-PERFORMING	ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
G. Wholesale and retail trade	**40,541**	**40,537**	**2,579**	**2,017**	**2**
of which: *- Italy*	*16,937*	*16,937*	*1,723*	*1,335*	*0*
- Germany	*7,516*	*7,516*	*232*	*162*	*-*
- Austria	*2,363*	*2,363*	*175*	*116*	*-*
- Switzerland	*1,829*	*1,829*	*27*	*28*	*-*
- Czech Republic	*1,271*	*1,271*	*48*	*45*	*-*
- other countries	*10,624*	*10,620*	*374*	*332*	*2*
H. Transport and storage	**14,025**	**14,006**	**1,478**	**1,083**	**12**
of which: *- Italy*	*5,689*	*5,689*	*611*	*456*	*-*
- Germany	*1,993*	*1,980*	*363*	*320*	*12*
- Austria	*913*	*912*	*32*	*20*	*-*
- Turkey	*579*	*579*	*27*	*24*	*-*
- United Kingdom	*387*	*387*	*22*	*5*	*-*
- other countries	*4,465*	*4,460*	*423*	*257*	*-*
I. Accommodation and food service activities	**6,472**	**6,461**	**733**	**510**	**2**
of which: *- Italy*	*2,731*	*2,721*	*425*	*326*	*2*
- Turkey	*1,340*	*1,340*	*129*	*79*	*-*
- Germany	*734*	*734*	*57*	*36*	*-*
- Austria	*427*	*427*	*38*	*12*	*-*
- Croatia	*374*	*374*	*22*	*6*	*-*
- other countries	*866*	*865*	*62*	*50*	*-*
J. Information and communication	**9,363**	**9,361**	**215**	**206**	**-**
of which: *- Germany*	*3,894*	*3,894*	*24*	*24*	*-*
- Italy	*1,818*	*1,818*	*126*	*102*	*-*
- Netherlands	*807*	*807*	*0*	*5*	*-*
- Switzerland	*561*	*561*	*0*	*0*	*-*
- Russia	*494*	*494*	*-*	*1*	*-*
- other countries	*1,788*	*1,787*	*64*	*74*	*-*
K. Financial and insurance activities	**1,944**	**1,944**	**85**	**70**	**-**
of which: *- Austria*	*807*	*807*	*15*	*14*	*-*
- Turkey	*553*	*553*	*3*	*12*	*-*
- Italy	*245*	*245*	*32*	*24*	*-*
- Bulgaria	*77*	*77*	*0*	*3*	*-*
- Spain	*74*	*74*	*-*	*0*	*-*
- other countries	*187*	*187*	*36*	*16*	*-*
L. Real estate activities	**44,520**	**44,423**	**3,265**	**2,094**	**29**
of which: *- Germany*	*20,962*	*20,957*	*111*	*36*	*4*
- Italy	*9,852*	*9,813*	*2,657*	*1,744*	*25*
- Austria	*6,579*	*6,526*	*121*	*33*	*-*
- Czech Republic	*2,227*	*2,227*	*21*	*16*	*-*
- Hungary	*811*	*811*	*2*	*4*	*-*
- other countries	*4,090*	*4,090*	*354*	*260*	*-*
M. Professional, scientific and technical activities	**15,187**	**15,181**	**704**	**474**	**-**
of which: *- Italy*	*6,420*	*6,420*	*294*	*242*	*-*
- Austria	*2,768*	*2,762*	*63*	*37*	*-*
- Germany	*2,663*	*2,663*	*109*	*35*	*-*
- Turkey	*1,387*	*1,387*	*187*	*108*	*-*
- Spain	*561*	*561*	*-*	*0*	*-*
- other countries	*1,387*	*1,387*	*51*	*52*	*-*

Credit risk

continued: Breakdown of loans and advances other than held for trading to non-financial corporations by NACE codes

(€ million)

DESCRIPTION	NON-FINANCIAL CORPORATIONS				
	GROSS CARRYING AMOUNT	OF WHICH: LOANS AND ADVANCES SUBJECT TO IMPAIRMENT	OF WHICH: NON-PERFORMING	ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
N. Administrative and support service activities	**5,472**	**5,471**	**588**	**385**	**-**
of which: *- Italy*	*2,564*	*2,564*	*417*	*235*	*-*
- Germany	*1,328*	*1,328*	*42*	*31*	*-*
- Austria	*587*	*587*	*27*	*16*	*-*
- Czech Republic	*136*	*136*	*3*	*3*	*-*
- United Kingdom	*126*	*126*	*84*	*81*	*-*
- other countries	*731*	*730*	*15*	*18*	*-*
O. Public administration and defence, compulsory social security	**293**	**293**	**0**	**1**	**-**
of which: *- Austria*	*208*	*208*	*-*	*0*	*-*
- Bosnia and Herzegovina	*49*	*49*	*-*	*0*	*-*
- Turkey	*27*	*27*	*0*	*0*	*-*
- Myanmar	*4*	*4*	*-*	*-*	*-*
- Italy	*2*	*2*	*-*	*0*	*-*
- other countries	*2*	*2*	*0*	*0*	*-*
P. Education	**252**	**252**	**9**	**7**	**-**
of which: *- Italy*	*89*	*89*	*5*	*4*	*-*
- Germany	*71*	*71*	*2*	*1*	*-*
- Turkey	*34*	*34*	*2*	*1*	*-*
- Spain	*17*	*17*	*-*	*0*	*-*
- Austria	*8*	*8*	*0*	*0*	*-*
- other countries	*33*	*33*	*0*	*1*	*-*
Q. Human health services and social work activities	**4,049**	**4,048**	**147**	**113**	**-**
of which: *- Germany*	*2,277*	*2,277*	*37*	*23*	*-*
- Italy	*1,118*	*1,118*	*96*	*75*	*-*
- Austria	*200*	*199*	*2*	*2*	*-*
- Turkey	*120*	*120*	*5*	*5*	*-*
- Czech Republic	*76*	*76*	*3*	*3*	*-*
- other countries	*258*	*258*	*4*	*5*	*-*
R. Arts, entertainment and recreation	**1,881**	**1,881**	**232**	**190**	**-**
of which: *- Italy*	*472*	*472*	*165*	*138*	*-*
- Austria	*337*	*337*	*45*	*32*	*-*
- Turkey	*325*	*325*	*12*	*11*	*-*
- Germany	*256*	*256*	*6*	*4*	*-*
- Czech Republic	*193*	*193*	*1*	*1*	*-*
- other countries	*298*	*298*	*3*	*4*	*-*
S. Other services	**21,000**	**20,873**	**969**	**616**	***0***
of which: *- Russia*	*3,338*	*3,338*	*60*	*31*	*-*
- Luxembourg	*2,317*	*2,317*	*11*	*9*	*-*
- Turkey	*2,221*	*2,221*	*212*	*157*	*-*
- Germany	*1,764*	*1,674*	*112*	*2*	*-*
- Netherlands	*1,307*	*1,307*	*1*	*17*	*-*
- other countries	*10,054*	*10,016*	*573*	*400*	*0*
LOANS AND ADVANCES	**271,097**	**270,060**	**21,202**	**15,487**	**109**

Credit risk

Information on Sovereign Exposures[23]

With reference to the Group's sovereign exposures[24], the book value of sovereign debt securities as at 31 December 2020 amounted to €110,542 million, of which over 84% concentrated in eight countries; Italy, with €42,638 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 31 December 2020.

23 The disclosure relating to the Sovereign exposures here reported refers to the regulatory consolidation scope, which is determined according to the prudential regulations and, while maintaining a general alignment, differs, with regard to the methods applied, from the consolidation scope of the Consolidated Financial Statements, which is instead determined according to the IAS/IFRS standards.
It should also be noted that this information may differ from that relating to Sovereign exposures required in other reports with statistical (Financial Reporting - FINREP) and prudential (Common Reporting - CoRep) purposes, due to the different rules applicable according to the various regulations in force.

24 Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. ABSs are not included.

Credit risk

Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 12.31.2020		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	**40,612**	**42,638**	**43,544**
financial assets/liabilities held for trading (net exposure*)	(209)	(607)	(607)
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	50	65	65
financial assets at fair value through other comprehensive income	19,707	21,501	21,501
financial assets at amortised cost	21,064	21,679	22,585
- Spain	**14,961**	**16,080**	**16,171**
financial assets/liabilities held for trading (net exposure*)	237	265	265
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	6,684	7,223	7,223
financial assets at amortised cost	8,040	8,592	8,683
- Germany	**12,894**	**13,215**	**13,291**
financial assets/liabilities held for trading (net exposure*)	331	371	371
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	5,633	5,720	5,720
financial assets at fair value through other comprehensive income	2,904	3,029	3,029
financial assets at amortised cost	4,026	4,095	4,171
- Japan	**7,820**	**7,868**	**7,871**
financial assets/liabilities held for trading (net exposure*)	-	-	-
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	4,895	4,929	4,929
financial assets at amortised cost	2,925	2,939	2,941
- Austria	**4,219**	**4,698**	**4,703**
financial assets/liabilities held for trading (net exposure*)	93	178	178
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	105	150	150
financial assets at fair value through other comprehensive income	3,975	4,324	4,324
financial assets at amortised cost	46	46	51
- United States of America	**3,086**	**3,364**	**3,364**
financial assets/liabilities held for trading (net exposure*)	208	234	234
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	2,823	3,075	3,075
financial assets at amortised cost	55	55	55
- France	**2,684**	**3,140**	**3,142**
financial assets/liabilities held for trading (net exposure*)	630	884	884
financial assets designated at fair value	186	220	220
financial assets mandatorily at fair value	302	402	402
financial assets at fair value through other comprehensive income	1,381	1,446	1,446
financial assets at amortised cost	185	188	190
- Romania	**2,238**	**2,375**	**2,415**
financial assets/liabilities held for trading (net exposure*)	190	202	202
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	828	910	910
financial assets at amortised cost	1,220	1,263	1,303
Total on-balance sheet exposures	**88,514**	**93,378**	**94,500**

Notes:
(*) Including exposures in Credit Derivatives.
Negative amount indicates the prevalence of liabilities positions.

Credit risk

The weighted duration of the sovereign bonds shown in the table above, divided by the banking[25] and trading book, is the following:

Weighted duration

(years)

	BANKING BOOK	TRADING BOOK	
		ASSETS POSITIONS	LIABILITIES POSITIONS
- Italy	3.20	2.70	4.28
- Spain	3.45	21.76	8.92
- Germany	3.10	6.77	4.32
- Japan	2.67	-	-
- Austria	4.41	11.69	9.74
- United States of America	3.75	19.97	-
- France	5.96	21.52	12.29
- Romania	4.10	4.46	10.16

The remaining 16% of the total of sovereign debt securities, amounting to €17,164 million with reference to the book values as at 31 December 2020, is divided into 34 countries, including Hungary (€1,930 million), Bulgaria (€1,861 million), Portugal (€1,706 million), Croatia (€1,533 million), Czech Republic (€1,249 million), Russia (€1,174 million), Ireland (€1,131 million), Poland (€996 million), Serbia (€993 million) and Israel (€548 million). The sovereign exposure to Greece is immaterial.
With respect to these exposures, as at 31 December 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 31 December 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 €2,275 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 12.31.2020				
	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	226	6,383	56,970	45,230	108,809
% Portfolio	99.95%	42.86%	78.38%	7.25%	15.29%

In addition to the exposures to sovereign debt securities, loans[26] given to central and local governments and governmental bodies must be taken into account.

25 The banking book includes financial assets designated at fair value, those mandatorily at fair value, those at fair value through other comprehensive income and those at amortised cost.
26 Tax items are not included.

Credit risk

The table below shows the total amount as at 31 December 2020 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, representing over 94% of the total.

Breakdown of sovereign loans by country

(€ million)

COUNTRY	AMOUNTS AS AT 12.31.2020 BOOK VALUE
- Germany(*)	7,817
- Italy	6,166
- Austria(**)	5,345
- Croatia	2,594
- Qatar	477
- Hungary(***)	476
- Slovakia	283
- Kuwait	245
- Kenya	237
- Bulgaria	194
- Slovenia	183
- Egypt	182
- Turkey	170
- Czech Republic	167
- Indonesia	166
- Bosnia and Herzegovina	158
- Laos	139
Total on-balance sheet exposures	**24,999**

Notes:
(*) of which €2,873 million in financial assets held for trading and those mandatorily at fair value.
(**) of which €31 million in financial assets mandatorily at fair value.
(***) of which €8 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 " Pandemic Scenario" and “Pandemic & Sovereign Tensions” scenarios in the Notes to the accounts of the Consolidated financial statements – Part E - Section 2.2 - Market risk - chapter Stress test and for liquidity management policies see Section 2.4 Liquidity risk

Credit risk

Use of standardised approach

List of the ECAI (External Credit Assessment Institution) and ECA (Export Credit Agency) used in the standardized approach and of the credit portfolios on which the ratings supplied by these entities are applied.

PORTFOLIOS	ECA/ECAI	RATING CHARACTERISTICS[27]
Exposures to central governments or central banks	Fitch Ratings Moody's Investor Services Standard and Poor's Rating Services	Solicited and Unsolicited
Exposures to regional governments or local authorities		
Exposures to public sector entities		
Exposures to multilateral development banks		
Exposures to institutions		
Exposures to corporates		
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assessment		
Exposures in the form of units or shares in collective investment undertakings ("CIUs")		

The process in use to transfer the issuance and issue rating follows the logic described in CRR Article 139 and compares seniority of the claim and the resulting risk weight with and without the application of the issuance specific rating.

27 Solicited rating: shall mean a rating assigned for a fee following a request from the entity evaluated. Ratings assigned without such a request shall be treated as equivalent to solicited ratings if the entity had previously obtained a solicited rating from the same ECAI.
Unsolicited rating: shall mean a rating assigned without a request from the entity evaluated and without payment of a fee.

Credit risk

EU CR4 - Standardised approach - Credit risk exposure and CRM effects

(€ million)

		a	b	c	d	e	f
		EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST CCF AND CRM		RWAs AND RWA DENSITY	
DESCRIPTION		ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWAs	RWA DENSITY
1	Central government or central banks	248,463	1,785	276,875	1,284	15,593	5.61%
2	Regional government or local authorities	22,538	4,052	26,400	699	536	1.98%
3	Public sector entities	11,246	1,224	10,361	175	886	8.41%
4	Multilateral development banks	1,176	63	1,740	21	9	0.51%
5	International organisations	2,069	0	2,069	0	-	-
6	Institutions	2,970	1,570	4,161	810	1,649	33.17%
7	Corporates	35,353	24,064	29,708	4,667	32,167	93.58%
8	Retail	25,395	6,427	24,070	525	16,653	67.71%
9	Secured by mortgages on immovable property	9,013	139	8,984	46	3,773	41.79%
10	Exposures in default	2,570	235	2,516	58	2,775	107.81%
11	Exposures associated with particularly high risk	1,409	385	1,365	381	2,619	150.00%
12	Covered bonds	262	-	262	-	55	21.14%
13	Institutions and corporates with a short-term credit assessment	1,430	142	1,430	32	624	42.68%
14	Collective investment undertaking	6	-	6	-	6	100.00%
15	Equity	7,128	24	7,128	24	13,825	193.32%
16	Other items	17,076	-	17,076	-	14,729	86.25%
17	**Total as at 12.31.2020**	**388,102**	**40,110**	**414,149**	**8,721**	**105,899**	**25.04%**
18	**Total as at 06.30.2020**	**301,922**	**41,390**	**318,095**	**9,370**	**109,545**	**33.45%**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Distribution of exposures: standardised method

(€ million)

ASSET CLASSES	AMOUNT AS AT 12.31.2020		AMOUNT AS AT 12.31.2019	
	EXPOSURES WITH CREDIT RISK MITIGATION	EXPOSURES WITHOUT CREDIT RISK MITIGATION	EXPOSURES WITH CREDIT RISK MITIGATION	EXPOSURES WITHOUT CREDIT RISK MITIGATION
Total	**474,938**	**450,267**	**392,713**	**381,688**
Exposures to or secured by central governments or central banks	289,379	258,317	171,781	153,158
Exposures to or secured by regional governments or local authorities	33,454	29,533	30,951	26,953
Exposures to or secured by public-sector bodies	11,928	12,756	10,416	12,367
Exposures to or secured by multilateral development banks	3,827	3,224	1,464	561
Exposures to or secured by international organizations	2,073	2,073	1,354	1,354
Exposures to or secured by authorities	11,566	10,435	15,046	13,705
Exposures to or secured by corporates and other parties	52,886	60,908	75,578	84,894
Retail exposures	30,136	31,826	42,103	43,939
Exposures secured by real estate collateral	9,123	9,152	11,538	11,538
Defaulted exposures	2,734	2,809	3,394	3,440
High risk exposures	1,750	1,794	2,221	2,315
Exposures in the form of guaranteed bank bonds (covered bond)	262	262	319	319
Short term exposures to corporates and other parties or authorities	1,587	2,945	2,248	2,848
Exposures to Undertakings f or Collective Investment (UCI)	6	6	9	9
Equity exposures	7,152	7,152	6,642	6,642
Other exposures	17,076	17,076	17,648	17,648

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The amounts shown in the table above, include the off-balance exposures pre credit conversion factor.

Credit risk

Standardised approach - risk assets (Exposure including risk mitigation)

(€ million)

REGULATORY PORTFOLIO	EXPOSURE INCLUDING RISK MITIGATION AS AT 12.31.2020								
	0%	2%	4%	10%	20%	35%	50%	70%	75%
Exposures to or secured by central governments or central banks	276,964			-	117		1,334		
Exposures to or secured by regional governments or local authorities	29,034				4,276		-		
Exposures to or secured by public-sector bodies	8,928				1,778		68		
Exposures to or secured by multilateral development banks	3,809				-		18		
Exposures to or secured by international organizations	2,073								
Exposures to or secured by authorities		4,747	-		4,577		1,482		
Exposures to or secured by corporates and other parties		-	-		1,197	1	1,719	13	
Retail exposures						2,410			27,726
Exposures secured by real estate collateral						4,398	4,254	-	-
Defaulted exposures									
High-risk exposures									
Exposures in the form of guaranteed bank bonds (covered bonds)				1	250		10		
Short-term exposures to corporates and other parties or authorities					1,013		284		
Exposures to Undertakings for Collective Investment (UCI)	-			-	-	-	-	-	-
Equity exposures									
Other exposures	1,904				554		0		

continued: Standardised approach - risk assets (Exposure including risk mitigation)

(€ million)

REGULATORY PORTFOLIO	EXPOSURE INCLUDING RISK MITIGATION AS AT 12.31.2020						
	100%	150%	250%	370%	1250%	Other weightings	Total
Exposures to or secured by central governments or central banks	8,337	-	2,627			-	**289,379**
Exposures to or secured by regional governments or local authorities	144	-				-	**33,454**
Exposures to or secured by public-sector bodies	1,154	-				-	**11,928**
Exposures to or secured by multilateral development banks	-	-				-	**3,827**
Exposures to or secured by international organizations						-	**2,073**
Exposures to or secured by authorities	760	-	-				**11,566**
Exposures to or secured by corporates and other parties	49,690	266					**52,886**
Retail exposures							**30,136**
Exposures secured by real estate collateral	471	-				-	**9,123**
Defaulted exposures	2,185	549				-	**2,734**
High-risk exposures		1,750				-	**1,750**
Exposures in the form of guaranteed bank bonds (covered bonds)	-					-	**262**
Short-term exposures to corporates and other parties or authorities	154	136				-	**1,587**
Exposures to Undertakings for Collective Investment (UCI)	6	-	-	-	-	-	**6**
Equity exposures	2,702	-	4,449	-	-	-	**7,152**
Other exposures	14,618				-	0	**17,076**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

Standardised approach - risk assets (Exposure not including risk mitigation)

(€ million)

REGULATORY PORTFOLIO	EXPOSURE NOT INCLUDING RISK MITIGATION AS AT 12.31.2020								
	0%	2%	4%	10%	20%	35%	50%	70%	75%
Exposures to or secured by central governments or central banks	245,146			-	117		1,328		
Exposures to or secured by regional governments or local authorities	25,228				4,162		-		
Exposures to or secured by public-sector bodies	7,422				3,054		49		
Exposures to or secured by multilateral development banks	3,206				-		18		
Exposures to or secured by international organizations	2,073								
Exposures to or secured by authorities		5,784	-		1,995		1,870		
Exposures to or secured by corporates and other parties		-	-		972	-	1,591	-	
Retail exposures						2,410			29,417
Exposures secured by real estate collateral						4,427	4,254	-	-
Defaulted exposures									
High-risk exposures									
Exposures in the form of guaranteed bank bonds (covered bonds)				1	250		10		
Short-term exposures to corporates and other parties or authorities					1,002		285		
Exposures to Undertakings for Collective Investment (UCI)	-			-	-	-	-	-	-
Equity exposures									
Other exposures	1,904				554		0		

continued: Standardised approach - risk assets (Exposure not including risk mitigation)

(€ million)

REGULATORY PORTFOLIO	EXPOSURE NOT INCLUDING RISK MITIGATION AS AT 12.31.2020						
	100%	150%	250%	370%	1250%	Other weightings	Total
Exposures to or secured by central governments or central banks	9,098	-	2,627			-	**258,317**
Exposures to or secured by regional governments or local authorities	144	-				-	**29,533**
Exposures to or secured by public-sector bodies	2,231	-				-	**12,756**
Exposures to or secured by multilateral development banks	-	-				-	**3,224**
Exposures to or secured by international organizations						-	**2,073**
Exposures to or secured by authorities	787	-	-				**10,435**
Exposures to or secured by corporates and other parties	57,995	350					**60,908**
Retail exposures							**31,826**
Exposures secured by real estate collateral	471	-				-	**9,152**
Defaulted exposures	2,208	600				-	**2,809**
High-risk exposures		1,794				-	**1,794**
Exposures in the form of guaranteed bank bonds (covered bonds)	-					-	**262**
Short-term exposures to corporates and other parties or authorities	1,336	322				-	**2,945**
Exposures to Undertakings for Collective Investment (UCI)	6	-	-	-	-	-	**6**
Equity exposures	2,702	-	4,449	-	-	-	**7,152**
Other exposures	14,618				-	0	**17,076**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The template above shows the exposure (relating to credit and counterparty risk) pre credit conversion factor.

Credit risk

EU CR5 – Standardised approach – Credit Risk

(€ million)

	EXPOSURE CLASSES	RISK WEIGHTS 0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	265,749	-	-	-	117	-	1,330	-	-
2	Regional government or local authorities	24,969	-	-	-	1,991	-	-	-	-
3	Public sector entities	8,626	-	-	-	1,237	-	66	-	-
4	Multilateral development banks	1,742	-	-	-	-	-	18	-	-
5	International organisations	2,069	-	-	-	-	-	-	-	-
6	Institutions	0	233	-	-	3,356	-	810	-	-
7	Corporates	-	-	-	-	681	1	696	13	-
8	Retail	-	-	-	-	-	2,284	-	-	22,311
9	Secured by mortgages on immovable property	-	-	-	-	-	4,388	4,216	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Higher-risk categories	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	1	250	-	10	-	-
13	Institutions and corporates with a short term credit assessment	0	-	-	-	1,001	-	190	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-
16	Other items	1,904	-	-	-	554	-	0	-	-
17	**Total as at 12.31.2020**	**305,059**	**233**	**-**	**1**	**9,188**	**6,673**	**7,336**	**13**	**22,311**
18	**Total as at 06.30.2020**	**205,614**	**69**	**-**	**1**	**9,478**	**6,330**	**7,836**	**15**	**23,742**

continued: EU CR5 - Standardised approach - Credit Risk

(€ million)

	EXPOSURE CLASSES	100%	150%	250%	370%	1250%	OTHER	DEDUCTED	TOTAL	OF WHICH UNRATED
1	Central governments or central banks	8,337	-	2,627	-	-	-	-	278,159	161,077
2	Regional government or local authorities	138	-	-	-	-	-	-	27,099	7,794
3	Public sector entities	606	-	-	-	-	-	-	10,535	1,726
4	Multilateral development banks	-	-	-	-	-	-	-	1,760	809
5	International organisations	-	-	-	-	-	-	-	2,069	1,339
6	Institutions	572	-	-	-	-	-	-	4,971	3,276
7	Corporates	32,747	238	-	-	-	-	-	34,375	30,954
8	Retail	-	-	-	-	-	-	-	24,595	24,593
9	Secured by mortgages on immovable property	425	-	-	-	-	-	-	9,030	9,029
10	Exposures in default	2,172	402	-	-	-	-	-	2,574	2,574
11	Higher-risk categories	-	1,746	-	-	-	-	-	1,746	1,747
12	Covered bonds	-	-	-	-	-	-	-	262	10
13	Institutions and corporates with a short term credit assessment	154	116	-	-	-	-	-	1,462	0
14	Collective investment undertakings	6	-	-	-	-	-	-	6	6
15	Equity	2,702	-	4,449	-	-	-	-	7,152	2,294
16	Other items	14,618	-	-	-	-	0	-	17,076	14,399
17	**Total as at 12.31.2020**	**62,477**	**2,503**	**7,076**	**-**	**-**	**0**	**-**	**422,869**	**261,628**
18	**Total as at 06.30.2020**	**64,265**	**3,066**	**7,048**	**-**	**-**	**1**	**-**	**327,465**	**213,018**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The template above refers to credit risk and shows the on and off-balance exposure including risk mitigation and post credit conversion factor. Starting from June 2020, UniCredit group decided to apply the transitional regime connected to the introduction of IFRS9 accounting principle in accordance with the article 473a of EU Regulation 873/2020 that amends EU Regulation 876/2019 in recommendation to mitigate impacts in consideration of Covid-19 emergency.
The amount weighted at 250% reported in "Central Government or Central bank" and "Equity" exposure class template includes the effects related to the abovementioned transitional adjustments and in particular reflects the exclusion of the deferred tax assets that rely on future profitability and arise from temporary differences referred to IFRS9. In light of such exclusion, UniCredit group does not exceed the threshold of 17.65% of Common Equity Tier 1 Capital.

Credit risk

EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

(€ million)

	EXPOSURE CLASSES	RISK WEIGHTS 0%	2%	4%	10%	20%	50%	70%
1	Central governments or central banks	8,079	-	-	-	-	-	-
2	Regional government or local authorities	2,837	-	-	-	106	-	-
3	Public sector entities	258	-	-	-	0	2	-
4	Multilateral development banks	1,988	-	-	-	-	-	-
5	International organisations	4	-	-	-	-	-	-
6	Institutions	-	4,514	-	-	304	11	-
7	Corporates	-	-	-	-	96	232	-
8	Retail	-	-	-	-	-	-	-
9	Institutions and corporates with a short term credit assessment	-	-	-	-	3	1	-
10	Other items	-	-	-	-	-	-	-
11	**Total as at 12.31.2020**	**13,166**	**4,514**	**-**	**-**	**509**	**246**	**-**
12	**Total as at 06.30.2020**	**13,085**	**4,287**	**-**	**-**	**710**	**226**	**-**

continued: EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

(€ million)

	EXPOSURE CLASSES	RISK WEIGHTS 75%	100%	150%	OTHER	TOTAL	OF WHICH UNRATED
1	Central governments or central banks	-	0	-	-	8,079	426
2	Regional government or local authorities	-	-	1	-	2,944	101
3	Public sector entities	-	26	-	-	286	0
4	Multilateral development banks	-	-	-	-	1,988	895
5	International organisations	-	-	-	-	4	4
6	Institutions	-	0	-	-	4,830	1,769
7	Corporates	-	1,022	2	-	1,353	962
8	Retail	1	-	-	-	1	1
9	Institutions and corporates with a short term credit assessment	-	0	1	-	5	1
10	Other items	-	-	1	-	1	-
11	**Total as at 12.31.2020**	**1**	**1,049**	**5**	**-**	**19,491**	**4,159**
12	**Total as at 06.30.2020**	**2**	**1,135**	**11**	**-**	**19,458**	**3,598**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The template above refers to counterparty risk and shows the exposure including risk mitigation and post credit conversion factor.

Credit risk

Use of the IRB approach

Banca d'Italia with act no. 365138 dated March 28, 2008 has authorized UniCredit group to use IRB Advanced approach in order to determine capital requirements for credit and operational risks.
With reference to credit risk, the Group has been authorized to use internal estimations of PD, LGD and EAD parameters for Group wide credit portfolios (Sovereign, Banks, Multinationals and Global Project Finance) and for local credit portfolios of relevant subsidiaries (corporate and retail). With reference to Italian mid-corporate and small business portfolios, regulatory EAD parameters are currently used.
The mentioned approach has been adopted by UniCredit S.p.A. (UCI), by UniCredit Bank AG (UCB AG) and UniCredit Bank Austria AG (UCBA AG). According to the Roll-out plan, providing a progressive extension of the IRB rating system, approved by the Group and shared with the Supervisory Authorities, these methods have been extended starting from 2008 to other Group entities currently named, UniCredit Leasing GMBH and Subsidiaries, UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Bank Czech Republic and Slovakia a.s., UniCredit Bank Ireland plc., UniCredit Bank Hungary, UniCredit Bank Romania a.s. and Ao UniCredit Bank in Russia.
This qualitative information provides the description of the rating systems authorized by Supervisory Authorities for each main asset class.
The following table summarizes the rating systems used by the Group with an indication of the related relevant asset class and the entities where they are used.

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

Credit risk

Notes:
(*) These entities are currently authorized only to use the IRB Foundation, therefore use only PD internal estimations for determination of capital requirements.
(**) This entity has been authorized to adopt the Group Wide model Financial Institution & Banks (GW BANKS) only for 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)

A Group Master Scale, introduced by the Group Governance Rules with the Internal Regulation, is adopted in order to have a common and shared vision of the customer riskiness at Group level and to increase communication or management reporting.

The Group Rating Master Scale is based on the following assumptions:
- the investment grade / non-investment grade rating classes are clearly separated;
- the range of PD is sufficiently large (AAA to Default), the default classes correspond to those defined by the Banca d'Italia;
- the Group Rating Master Scale is based on Standard & Poor's rating scale: Investment grade classes are closely aligned; while the non-investment rating classes are more granular.

The Group Rating Master Scale is used for management reporting purposes only; thus it has no impact on the Internal Rating Based (IRB) approach, on the Basel compliance of rating models and on the Roll-out plan. The Risk Weighted Asset, Expected Loss, and Loan Loss Provision calculations do not change. There is also no impact on the pricing of loans and it is not necessary to recalibrate existing rating models.

The correspondence between the PD rating classes provided by the Group Rating Master Scale and those of external agency (S&P's) are purely indicative and therefore they may change over time.

Credit risk

Rating Group Master Scale Table

RATING CLASS (DISAGGREGATED AND AGGREGATED)		PD MIN	PD MAX	S&P PROXY RATING EQUIVALENT
A	01	0.0000%	0.0036%	AAA
B1	02	0.0036%	0.0065%	AA+
B2		0.0065%	0.0116%	AA
B3		0.0116%	0.0208%	AA-
C1	03	0.0208%	0.0371%	A+
C2		0.0371%	0.0663%	A
C3		0.0663%	0.1185%	A-
D1	04	0.1185%	0.2116%	BBB+
D2		0.2116%	0.3779%	BBB
D3		0.3779%	0.5824%	BBB-
E1	05	0.5824%	0.7744%	BB+
E2		0.7744%	1.0298%	BB
E3		1.0298%	1.3693%	BB-
F1	06	1.3693%	1.8209%	B+
F2		1.8209%	2.4214%	B+
F3		2.4214%	3.2198%	B+
G1	07	3.2198%	4.2816%	B
G2		4.2816%	5.6935%	B
G3		5.6935%	7.5710%	B
H1	08	7.5710%	10.0677%	B-
H2		10.0677%	13.3876%	B-
H3		13.3876%	17.8023%	B-
I1	09	17.8023%	23.6729%	CCC
I2		23.6729%	31.4793%	CC
I3		31.4793%	99.9999%	C
X1	10	Past due	100%	D
X2		Unlikely to pay	100%	D
X3		Bad loans	100%	D

All the internal rating systems adopted by UniCredit Group represent a fundamental component of credit decision-making and credit risk process. In particular internal rating systems and PD, LGD and EAD parameters are applied in the following areas:

- Different phases of the credit process:
  - Approval/renewal. The assignment of an internal rating is a key component in the credit assessment of a counterparty/transaction and represents a mandatory step in providing/renewing credit lines. The rating assigned before the decision-making is an integrated part of the credit assessment and it is discussed in the credit proposal. Together with the loan exposure, the PD as calculated by the internal rating is also a component for defining the appropriate credit approval level;
  - Monitoring. The main objective of the loan monitoring process is the early identification of deteriorating creditworthiness of a counterparty/transaction, and the timely definition of the most appropriate corrective actions, aiming to bring credit files back to regular status and avoiding the default classification. This activity mainly focuses on signs of potential or actual credit risk deterioration and taking adequate actions, including the potential reduction of exposure or even, disengaging from the customer. Possible options also include request of new or additional collateral, resulting in the reduction of LGD, and thus a positive impact on EAD and potentially in a subsequent recovery phase;
  - Loan recovery. The assessment of the proposed strategy which aim at defining the recovery plan, loan loss provisions, expected net cash flows (after levying on collaterals and guarantees) all the other values for the calculation of the Net Present Value ("NPV"), on the basis of the related prudential collection hypothesis considering all the costs and the probability of the strategy to fail. The assessment results in the estimated LGD.

Credit risk

- Provision policies. For performing loan customers, starting from 1st January 2018, the IFRS 9 Expected Credit Loss (ECL) Model envisages that a credit event does not have to occur for a credit loss to be recognized. ECLs are recalculated at each reporting date in order to reflect changes in credit risk since initial recognition of a financial instrument. Forward-looking information and macro-economic factors are used for the determination of ECLs. Moreover, the measurement of the risk parameters for the expected credit losses calculation shall reflect an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes rather than based on a best- or worst-case scenario. A stage approach is followed: i) Stage 1: covers all new financial assets at initial recognition and instruments that have not significantly deteriorated in credit quality since initial recognition. Financial instruments assigned to Stage 1 result in the recognition of a 12-month expected credit loss. ii) Stage 2 covers financial instruments that have significantly deteriorated in credit quality since initial recognition but that do not have objective evidence of a credit loss event. Financial instruments assigned to Stage 2 result in the recognition of a lifetime expected credit losses. iii) For counterparties in the default category (stage 3), the estimated recoverable amount is the present value of future cash flows expected to be recovered, discounted at the original effective interest rate of the exposure. For financial instruments in Stage 3, lifetime expected credit losses shall be recorded.
- Capital management and allocation. Ratings are also an essential element in the process of managing and allocating capital that is performed on a risk-based perspective. Specifically, the output of rating systems feeds RWA and Expected Loss calculation that are considered for allocating capital and for the quantification of “risk adjusted performance" measures (i.e. EVA, ROAC and RACE).
- Reporting. The fundamental objective of the reporting and monitoring activities performed by the Group Risk Management function is the analysis of the main drivers and parameters of credit risk (exposure, portfolio mix, asset quality, cost of risk, shortfall, etc.) in order to promptly initiate any countermeasures on portfolios, sub-portfolios or individual counterparties. The reporting provides a managerial tool for supporting decision-making process in the management and mitigation of risks. Group Risk Management function performs credit risk reporting at portfolio level, producing reports at Group level, both recurring and specific (on demand of Top Management, Supervisors or external entities, e.g. rating agencies) with the objective of analysing the main risk components and their development over time, and thus to detect any signals of deterioration at an early stage and, subsequently, to put in place the appropriate corrective actions. Credit portfolio performance is analysed with reference to its main risk drivers (such as growth and risk indicators), customer segments, regions, industrial sectors, impaired credits performance and relevant coverage. The most relevant reports, at the Group level, are detailed below:
  - Integrated Risk Report including – among others – information on the PD/obligor grade risk metric, with selected views in terms of Segment (i.e. estimation of the risk parameter per grade, analysis about the profile by grade and migrations across grades). This report is produced with a quarterly frequency, shared internally at Management/Board level and externally with Supervisory Authority;
  - Integrated Credit Risk Report harmonizing and integrating all major monitoring and reporting on Credit Risk present in Parent Company, providing a consistent and structured representation and steering of the overall performing credits portfolio both at Group and regional/ divisional level from a managerial perspective. The report is produced on a quarterly basis and presented to the Group Risk & Internal Controls Committee (GR&ICC) and Internal Controls & Risks Committee (IC&RC);
  - Reports from Internal Validation function informing periodically Management bodies on the significant weaknesses embedded in the internal models:
    - Validation Report, formalized by the competent Validation Function and sent to the competent Chief Risk Officer functions;
    - Annual Report of Internal Validation formalized by Group Internal Validation (GIV) on an annual basis and including the result of all validation activities carried out during the year on Pillar I rating systems at the Group level. The report highlights the overall adequacy of each risk measurement system in scope by describing the main achievements and most important gaps and weaknesses to be properly addressed as well as the existing Supervisory findings within the validation scope. Furthermore, it provides a summary at rating systems level “as a whole”, by aggregating the Overall Validation Assessment on the different components (model, process, data and IT). The report is submitted to: the Statutory Auditors, in charge of issuing a formal opinion; the Internal Audit function, for information; the Board of Directors, for approval and then to the Supervisory Authority;
    - Quarterly Validation Overview (QVO), formalized by the Group Validation Function on a quarterly basis and providing a picture of the status of recommendations and main topics to be addressed regarding all the validation phases as well as the Credit risk model monitoring on PD. Once a year the QVO contains also the credit risk model monitoring on LGD and EAD. The QVO is submitted by GIV to Group and local Chief Risk Officers for internal managerial alignment and sent to the Group Internal Audit function for information. On a semi-annual basis, an extract of the QVO, in particular the result of the tracking activity on the recommendation and the monitoring of PD, is reported to Group Risk & Internal Controls Committee (GR&ICC) and to the Internal Controls & Risks Committee (IC&RC).
  - Annual Report of Parent Company Internal Audit function, presenting an assessment of the Internal Control System’s overall functionality and describing, inter alia, audit outcomes and highlighting the main criticalities and shortcomings found, and recommending corrective measures.

Consistent with CRR, UniCredit group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes, as necessary for the calculation of credit risk capital requirement.

Credit risk

For more details on the Credit Risk Mitigation techniques, reference is made to the dedicated section "Credit Risk: use of risk mitigation techniques".

The Governance framework for the management of IRB rating systems leverages on the presence of the "Group Risk Models & Credit Risk Governance" structure, reporting directly to Group CRO, responsible for guaranteeing at Group level the coordination and steering of the overall of IRB model landscape well as the related methodologies and underlying processes. In particular, the structure includes a specific function responsible of defining Group Standards compliant with regulations and supervisory expectations as well as supporting local functions in their implementation.

In addition, Parent Company and the entities that received the IRB authorization needed to establish a validation process of the rating systems as well as an extension of the internal audit activities with respect to such systems.

The purpose of the validation process is to express an evaluation concerning the proper functioning, predictive ability and overall performance of the IRB systems adopted and their consistency with regulatory requirements specifically through:
- the assessment of the model development process with a particular emphasis on the underlying approach and the methodological criteria supporting the estimate of risk parameters;
- the assessment of the accuracy of estimates of all major risk components through the rank ordering analysis and parameter calibration analyses, also through an adequate benchmarking practice;
- the check that the rating system is actually used in various management areas;
- the analysis of operating processes, monitoring safeguards, documentation and IT facilities related to the rating systems.

The validation process established within the Group, requires first of all for a distinction between the initial and on-going validation.
The purpose of the initial validation is to assess the positioning of the Group's rating systems in relation to minimum regulatory requirements, to Group's guidelines and standards concerning methodology, processes, data quality, quantitative and qualitative analyses, internal governance and technological environment while identifying any gaps or critical areas before the Supervisory Authority's approval or in case fundamental changes are introduced.
On the other hand, the purpose of on-going validation is to periodically assess the proper functioning of all components of the rating system and to monitor its compliance with internal and regulatory requirements.

The validation process foresees specific assignment of responsibilities for validating so-called Group Wide systems and Local systems. For Group Wide systems, the development methodology is unified at Group level and the validation activity is assigned to the Parent Company.
As a general rule, Parent Company is responsible for validating directly the Group Wide models and the models adopted by UniCredit S.p.A,, for all the components and for all risks in Pillar I, Pillar II, managerial models and reporting. The validation of the local models is executed by the local validation functions, under GIV coordination and supervision.

In order to allow the objective assessment of the risk measurement systems, the department responsible for validation procedures is separate from the ones responsible for the development of the models, from the risk reporting ones and from the internal audit area[28].

Since December 2017, at Parent level Group Internal Validation reports directly to Group Chief Risk Officer and at local level the Local Validation Functions mirror the Parent reporting to local Chief Risk Officers.

The validation process is mainly based on the following leading principles:
- introduction of validation planning prioritization criteria allowing to focus the efforts on the most value-added activities in terms of risk control;
- homogeneity across the Group of the recommendations importance assignment and the overall evaluation on the rating system according to the validation outcomes;
- the monitoring of the recommendations raised by the validation function.

The department responsible for the validation activities has established and maintains guidelines for validating rating systems aimed at a convergence towards standard validation procedures, thereby ensuring that the criteria for assessing results are shared also through the introduction of standard common thresholds and the comparison between the different systems. The use of thresholds makes it possible to depict test results using a traffic-light system whose colours are associated with various levels of severity of the phenomena reported.
A different set of validation tests is defined for each validation activities (initial or on-going).

28 Internal Audit is a function independent both from development and validation functions.

Credit risk

Additionally, validation tests are divided into qualitative and quantitative analyses:
- the qualitative section is used to assess the effectiveness of the methodology used to create the model, the inclusion of all significant factors and the ability to depict the data used during the development phase;
- the quantitative section assesses, among others, the performance, stability and calibration of the overall model as well as its specific components and individual factors.

Focusing on quantitative analysis, for each area specific measures are adopted; a summary is reported in the following table:

PARAMETERS	AREA OF ANALYSIS	MEASURES
PD – LGD - EAD	Performance	Somers' D
PD	Calibration	Binomial Test and Wilcoxon
LGD – EAD	Calibration	T-Test and Wilcoxon
PD – LGD – EAD	Stability	Population Stability Index and Migration Matrix
PD – LGD – EAD	Representativeness	Population Stability Index

Additional areas of analysis, related to the organizational requirements stated in the European Regulation of reference are process, IT and data quality.
The data and documents related to the validation procedures done so far are saved in special storage areas ensuring rapid access to, and security of, the information as well as the ability to reproduce all analyses performed.

Aim of the Internal Audit activity is to check the functionality of the controls carried out on internal rating system. The activity consists in the verification of:
- the compliance of IRB systems with regulations;
- the effective use of rating systems for business purposes;
- the adequacy and completeness of the rating validation process.

In order to assist Group entities to ensure the quality (functionality and adequacy) of their Internal Control Systems and to modify their internal auditing methods in line with changes in their business scenarios, the Parent's Internal Audit (hereinafter UC IA) has coordinated the development of a common set of internal auditing methods and manages on an ongoing basis their maintenance and improvement.

These methods have been developed in order to assess the accuracy of the conclusions of the risk control functions as well as compliance with the regulatory requirements, particularly in respect to the internal validation process of internal rating and risk control systems. It should be noted that internal audit functions are not directly involved in the design or selection of the model.

In accordance with its mission UC IA directly audits UniCredit S.p.A. and, when needed, the Legal Entities of the Group, also managing the coordination of the activity of subsidiaries internal audit functions.
The audits necessary to assess the functionality of the rating systems are given suitable space in the Group audit planning process. The planning activities at Group level are centrally monitored by UC IA.
Moreover, UC IA draws up an annual summary report which presents an assessment of the Internal Control System's overall functionality, describing, inter alia, audit outcomes and highlighting the main criticalities and shortcomings found, and recommending corrective measures.
Finally, UC IA regularly reports on its activity and results to the Parent's Board of Statutory Auditors, the Internal Controls & Risks Committee and the Board of Directors.
On the basis of validation activities and of the Board of Statutory Auditors opinion, the Board of Directors annually confirms that the requirements for the use of IRB systems in UniCredit Group are fulfilled.
The resolution for the year 2020 took place on 5 March 2021.

The following sections describe the rating systems used by the Group per each asset class and Group legal entities where they are used.
Concerning the Group Wide (GW) models, it is worth mentioning that the majority of them (Sovereigns, Banks, Multinational Corporate)[29] have been developed following a Shadow Rating approach, where the External Ratings, provided by the ECAI, play a fundamental role. The shadow rating approach is typically used when default data is scarce and external ratings of the major rating agencies (Standard and Poor's, Moody's or Fitch Ratings) are available for a significant portion of the portfolio. The common purpose to all quantitative methodologies developed for credit ratings is to identify risk factors that provide good information about the probability of default.

29 While the Group Wide model for Global Project Finance is based on internal defaults.

Credit risk

The shadow rating approach does that indirectly by identifying the most important factors (quantitative and qualitative) and by estimating the relative weights of each of them in order to mimic External Ratings as much as possible. Clearly, in order to make the estimated model useful for regulatory and for other credit risk management purposes, it is still necessary to calibrate it to an appropriate probability of default.
More in details, two main phases can be identified in during the model development in which the External Rating are involved:
- Risk differentiation phase in this phase quantitative (financials) and qualitative factors/drivers are regressed toward the External Rating (grade) in order to identify the most relevant factors (and relative weights) to predict the credit quality of the client and assign each client with a score. The aim of the model is to correctly order the clients from the best one to the worst one by allocating them into 17 rating classes (AAA-CCC) trying to replicate as much as possible the ordering assigned by the External Rating Agencies.
- Risk quantification phase in this phase migration matrices from ECAI are used to determine the long run average default rate associated to each of the 17 grades in which the counterparts have been previously allocated in order to properly calibrate the model assigning them an adequate PD level.

External ratings are used only in the model development phase while they do not play any role in the model application phase (i.e.: once the weights of each relevant model factor/driver have been defined and the calibration function has been estimated).

New Definition of Default (DoD)
In 2020, with the goal to implement the regulatory change represented by the New Definition of Default (DoD) in the risk quantification phase, a model recalibration has been performed for GW Global Project Finance rating system (PD and LGD components) and has been submitted to Supervisory Authority. For GW Sovereigns, GW Banks and GW Multinational Corporates no recalibration was needed due to the shadow rating nature of those rating systems with the exception for LGD Defaulted Asset component, due to the fact that it leverages on local LGD models and therefore inherits the effect from the New Definition of Default recalibrations of local LGD estimates.
With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.
For sake of completeness it should be noted that, in terms of accounting impacts as at 31 December 2020, the Group decided to recognise impairment losses consistent with (i) the information elements arising from such rule and related to the measurement of riskiness of its portfolio and (ii) the recalculation of the estimate of the expected loss related to the deterioration of credit risk of those debtors that share common credit risk characteristics.
Further details are reported in the Notes to the consolidated accounts, Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidation, 2.1 Credit risk, 2.3 Measurement methods for expected losses ("New Definition of Default").

Sovereign (Central governments and central banks)

Group wide models

Sovereigns' Rating model
The Sovereign PD & LGD model is in production since 2008, for regulatory purposes and internal use. The current version of the PD and LGD models has been implemented since June 2014.

The model approach was made to replicate the ranking capabilities of external (ECAI) ratings using a combination of qualitative and quantitative factors. Two separated models were designed for emerging and developed countries (EM and DC respectively).

The quantitative module for the latter (DC) uses variables related to the balance of trade, monetary indicators, per capita GDP (Gross Domestic Product), the recorded unemployment and some fiscal indicators. The qualitative module includes variables related to the development of the financial system, the exchange rate policies, geo-political conditions, political environment and economic conditions.

The quantitative module for emerging countries (EM) uses variables related to the balance of trade, monetary indicators, per capita GDP, the real GDP growth, both the industry and the exports as a percentage of gross domestic product (GDP) and selected fiscal indicators. The qualitative module includes variables concerning the stability of the financial system, the exchange rate policies, the flexibility of the economic system, socio-political conditions, economic conditions and debt service.

Group Internal Validation evaluates the rating system by an assessment including quantitative and qualitative analyses, mainly focused on model performance, calibration and stability. Due to the Low Default nature of the Portfolio the validation analyses are performed benchmarking internal estimation to external rating and PDs retrieved from rating agencies.

The validation activities proved satisfactory results in terms of rank ordering, with the exception of few quantitative factors, whilst room for improvements have been detected mainly on the calibration side that have been addressed in the model revision submitted to ECB in December 2018 and waiting for the finalization of the approval process.

Credit risk

Sovereigns' LGD model
This model uses a regressive approach with the involvement of experts, starting with a set of macroeconomic variables and qualitative factors, of which eight were included in the final version. The dependent variable (LGD) was calculated using external historical LGD evidence and external (ECAI) recovery rate ratings. The model provides LGD only for unsecured exposure to sovereign counterparties.

For the quantitative module, the explanatory variables selected are as follows: the current account balance as a percentage of GDP, the fiscal gap, the excess budget revenue and the real effective exchange rate. The qualitative module includes variables concerning the stability of the financial system, socio-political conditions, debt service and geo-political risk.

Group Internal Validation evaluates the LGD estimates by an assessment also adopting external benchmark. The validation outcomes based on the last available benchmark confirmed conservative internal estimates.
Besides the PD/LGD methodology, the validation assessment covered also process and input data quality features.

Banks (Institutions)

Group wide models

Banks Rating model
The Banks PD & LGD model is in production since 2008, for regulatory purposes and internal use. A last Banks PD model refinement has been deployed into production in July 2017.
In connection with the model release as of July 2017 a PD model recalibration activity has been performed upfront including the most updated time series.

The current PD model has been developed with four different sub-models – one for commercial banks resident in developed countries (DC), one for commercial banks in emerging markets (EM), one for pure securities industries (SI)[30] and the last one for hybrid banks (HY)[31] – given the different risk drivers for the four sub-segments.
The relevant risk drivers are defined as per several categories: asset quality, capitalization, liquidity, profitability, efficiency, stability, growth, size and funding. Specific adjustments to be applied to the PD resulting from all four sub-models are expected to consider the following aspects:
- the three types of support (if any) provided to banks - by the government, by the economic group to which they belong, by an Institutional Protection Fund; these factors are treated separately, in a homogeneous (based on PD) and non-additive way (only the one with the highest mitigation effect is actually applied). The level of support for all three types of support depends on separate specific qualitative questionnaires.
- the country risk factor in general is considered in the calibration phase of the model; in this context, the model considers the country risk and the more specific transfer risk, i.e. the risk that the debtor is unable to obtain foreign currency to meet its obligations, even though it has the corresponding local currency.
- in case is required, an override is applied for the final rating assignment.

The PD rating scale is based on the default rates implied by ECAI external ratings.

Group Internal Validation evaluates the rating system by an assessment including quantitative and qualitative analyses, mainly focused on model performance, calibration and stability. Due to the Low Default nature of the Portfolio the validation analyses are performed comparing internal estimation to external rating and PDs retrieved from rating agencies. The model performance is deemed as acceptable at overall level. Calibration and stability are satisfactory at overall level. The identified areas for improvement will be addressed with a general model review already planned.

30 The SI sub-segment is represented by counterparties which perform activities of broker/dealer, merchant/investment banking, corporate finance, M&A and Wealth Management.
31 HY companies are equally dedicated to commercial and investment activities.

Credit risk

Banks' LGD model
A last Banks LGD model refinement was deployed in production in July 2017 together with the Banks PD model. A specific margin of conservatism on top of the LGD estimates is applied, mainly to overcome the scarcity of data and lack of explicit downturn component.

The latest model refinement is mostly based on Business and Group Rating Desk expert input. Specific parameters with regards to asset haircuts are derived from external data. It presents only some minor differences with regard to the model previously in production, while the overall methodological approach is kept constant following a balance-sheet evaluation. It applies to senior unsecured performing loan exposure, which represents the majority of exposures to banks.
The Senior Unsecured LGD value for a bank is calculated using its latest financial statement with the assumption that the Bank's assets will be liquidated following a default event. The methodology follows a waterfall approach where the seniority of creditors is also taken into account.

In order to obtain a realistic and conservative valuation of the bank's assets, "haircuts" have been established for each type of asset class (some of them based on external data), in order to take into account the likely deterioration that might occur before default, as well as the differences between book value and realized earnings from sales.
In addition, based on the fact that the success of the recovery phase largely depends on the applicable legal/institutional environment, specific haircuts for legal risk on a country basis are applied on top of the asset haircuts.
Additional haircuts reflecting the costs of the recovery process are also taken into account based on the assessment of workout experts. Since the assets of the borrowing bank are stated in local currency, but the final recovery must be estimated in the currency of the creditor, in case the currency of the borrowing bank and creditor is different, an additional fixed currency volatility haircut is applied that is calculated based on historically observed exchange rate volatility, in order to take depreciation risk into account (i.e. regarding UniCredit Group exposure, this haircut is applied to all counterparties that reside outside Eurozone).

Within the banks segment, the LGD framework has been improved to reflect more accurately the typically lower risk profile of some specific products (or transactions), in particular with respect to covered bonds and products with country risk mitigation.
In relation with covered bonds, two different values of LGD have been defined to be applied on the basis of the country of the issuer and to confirmation by the responsible credit analyst that the specific covered bond issue is in line with local market standards.
For products with country risk mitigation, the counterparty LGD is reduced according to the contribution of country risk on the counterparty total PD, through the application on LGD unsecured of a recovery factor of the specific transaction (Transaction Specific Recovery factor). Within the banks segment, the reduction of LGD applies to a particular type of product: short-term commercial loans between banks (Short Term Commercial Financing).

Group Internal Validation evaluates the LGD estimates by comparing with external benchmark: the last assessment confirmed the conservatism of internal estimates. In line with Basel IV regulation this model will be decommissioned for regulatory purposes: in consequence, the bank did not plan any development activity, but will rather ensure on an annual basis the conservatism of estimates.

Corporate (non-financial companies, including SMEs, specialised lending and purchased Receivables)

Group wide Models

Multinational Corporate Rating model
This rating model applies to multinational companies defined as companies with consolidated turnover or operating revenues greater than €500 million for at least 2 consecutive years.
The PD & LGD Group Wide Multinational Corporate rating model (GW MNC) is in production since 2008, for regulatory purposes and internal use. Starting from 2012, the Group wide Multinational Corporate (MNC) rating system is adopted also for the Italian Large Corporate (ILC) portfolio, which includes Italian companies with an operating revenues between €250 and €500 million.
A recalibration of the PD model has been implemented starting from May 2017, in order to improve the PD estimation with updated underlying history.

The approach used for the estimation of the Multinational rating, defined as a shadow rating, attempts to replicate the ability of ranking of external ratings (from ECAIs) through a combination of quantitative and qualitative factors.

The quantitative module covers several categories of factors such as capital structure, profitability, interest coverage and size. The result of this module is a quantitative score.
The qualitative model consists of a set of questionnaires that analyse corporate aspects such as management quality, industry sector performance, market share, etc. The result of this module is a qualitative score.

Credit risk

The quantitative and qualitative scores are then integrated and calibrated in order to fit the ECAIs external ratings.
Specific PD adjustments are applied in order to consider the following aspects:
- the support (if any) by the economic group to which the company belongs (based on an average of PD),
- the country risk; in this context, the model considers country risk and specific transfer risk, i.e. the risk that the debtor is not able to obtain foreign currency to meet its obligations even if in possession of relevant local currency.

The scope of the rating system also includes those subsidiaries that carry out corporate treasury activities (such as cash concentration, FX management and funding) or that are specialised funding vehicles (issuing MTN-Medium Term Notes, notes, bonds), notes, bonds) whose creditworthiness is driven by the parent/group support in the form of an explicit guarantee for the counterparties or its issues or via some other support mechanism (e.g. an agreement with the Parent Company): the rating of these counterparties is calculated by the specific model of Corporate Treasuries and Funding Vehicles (CTFV).
Since in most cases, the default of a CTFV customer is caused by the default of the group it belongs to, in the approach adopted, both for the PD and for the unsecured LGD, the distance in notches to the PD and the LGD of the parent company was estimated on the basis of the contributions and opinions by industry experts.
On the basis of a qualitative questionnaire, the downgrading notch in respect to the parent company's rating is determined to calculate the rating of the CTFV; with the same approach the increase of LGD is determined to be added to the parent company LGD to calculate that of the CTFV.

Group Internal Validation checks on an ongoing basis the Group Wide Multinational Corporate (MNC) rating system by an assessment of quantitative and qualitative analyses also considering the information retrievable from external providers to perform an exhaustive benchmarking activity. The areas to be improved identified in previous model validations have been addressed with a revision of the model (together with the update of historical time series, the introduction of a Margin of Conservatism in line with Group Methodological Standards) assessed as adequate by Group Internal Validation. The model revision has been submitted to ECB for Authorization in January 2019 and waiting for the finalization of the approval process.

Multinational Corporate LGD model
Given the lack of historical time series of internal recovery rates for Multinational companies (since this is a portfolio with a low risk of default), a regressive-statistical model, mainly based on recovery data provided by an external provider has been developed.
The LGD model refers to senior unsecured exposures towards performing companies (advanced methodologies common to several segments of Group wide are applied to junior exposures).
More in details, the LGD model consists of four main phases (in which is incorporated the add-on, that takes into account the negative phases of the economic cycle, downturn):
- in a first phase, a total of LGD counterparts (Overall LGD), independent from the seniority of creditors, is calculated on the basis of financial statements' quantitative factors;
- in a second phase, on the basis of a qualitative questionnaire, the variation on the increase of the senior unsecured Bond debts LGD is calculated, determining the Gross senior unsecured Bond LGD;
- then the LGD is adjusted to take into account the legal risks and costs related to the recovery process (Adjusted Senior Unsecured Bond LGD);
- to the final value of the unsecured Bond LGD (applicable to the bond debt) is applied a conversion factor that allows to obtain a Loan LGD (Final LGD Senior Unsecured Loan) which is lower, because it considers the probability and effects of the debt restructuring, typical of bank loans and similar products that are the most representative part of the UniCredit Group portfolio.

Similar as with the PD parameter, also the LGD of the Multinational Corporate system has been extended to the Italian Large Corporate segment (ILC).
The LGD framework properly reflects the lower risk profile typical of some specific products (or transactions), in particular, products with risk mitigation. Within the scope of the MNC segment, a special class of transactions has been considered, those in which payment is guaranteed by the sale of assets to a third-party resident in a low risk country (Only Delivery Risk).
The last validation assessment performed on the model showed a substantial alignment between internal estimates and observed values, with some exceptions on minor parts of the portfolio. Also in this case, pursuant to the decommissioning of the model for regulatory purposes due to Basel IV regulation, the Bank did not plan any development activity, but will rather ensure on an annual basis the conservatism of estimates.

Global Project Finance rating model (GPF)
The Group wide rating model Global Project Finance (GPF) is dedicated to project finance transactions/clients with total volume of project debt (evaluated at origination) over €20 million.
The estimation approach is performed by pooling the risks of the project in 5 areas of interest: the risk connected to the sponsors (shareholders) of the project, the risk of completion, operational risk, "special" risks (e.g. Risk of an earthquake, interest rate risk) and the risk associated with cash flows. The quantification of the risks in each area is based on specific qualitative questions.
The model was revised in 2011 with the aim to increase the statistical predictive power of the whole system, also trying to address and remove the weaknesses previously identified by the internal validation and audit functions or by the Supervisors.
The 2011 revision of GPF PD model aimed to optimize the following features of the model:
- the statistical weights of single factors;
- limitation of manual adjustments on rating only to the practice of "override";

Credit risk

- completion risk allowing to reduce weight factors along with the progress of construction and when the project begins to produce cash flows;
- explicit consideration of country-induced risk (general and transfer) implemented as an add-on on the intrinsic score/PD dependent on the PD of the country and with a different weight determined by a set of 6 specific questions;
- detailed description of risk factors in order to enhance the objectivity of the assessment.

A recalibration has been performed in 2019 to replace the last one adopted since January 2016 and address, as medium-term solution, some areas for improvement that were highlighted by Internal Validation function and temporarily addressed through the introduction of a specific Margin of Conservatism in 2018.

Group Internal Validation evaluates the rating system by an assessment including quantitative and qualitative analyses, mainly focused on model performance, calibration and stability. The ongoing validation demonstrated a good rank ordering ability of the model, as well as conservative estimates with respect to the last year default rate; nevertheless, model outcomes show some weaknesses that will be addressed within already planned re-development activities.

Global Project Finance LGD model (GPF)
The internal model for estimating GPF LGD is applied to the total direct exposures for performing counterparts.

The LGD methodology is essentially based on the "distressed assets" method developed by S&P’s, which examines the distribution tail of the project value, in the region where default has occurred and, thus, defines the LGD probability distribution as a distribution of “debt minus asset value” in this region.

This general framework has been adapted to real practices and to the business standard procedures in place in the Group, through the adoption of certain changes concerning: a) the calculation of the asset value, is replaced by direct calculation of the ratio between debt and the (maximum) value of "distressed assets" (DMDA) on the basis of a qualitative questionnaire and b) the determination of the default region.

Furthermore a scenario of "extreme event", characterized by very high losses, has been introduced, in addition to the "standard" scenario based on the methodology "distressed assets". The probability of an "extreme event" is determined based on the responses to a qualitative questionnaire and it is used as "weight" to compute a "standard" and "extreme event" weighted average LGD: this average is the expected LGD.
Also add-ons taking into account the negative phases of the business cycle (downturn add-on) and recovery costs are explicitly considered.

The current model structure allows a parallel calculation of LGD for senior positions and for those junior.

In 2019 a model calibration has been performed in order to cope with the outdated time series of development sample, as highlighted by the Internal Validation function.

Group Internal Validation evaluates LGD estimates based on an assessment including also a benchmark analysis that is conducted comparing internal estimates to available external information. This benchmark highlighted the conservatism of estimates when compared to similar data from external rating agencies. Nevertheless, the performance of the model does not meet internal standards, and in general the model design is deemed as no longer fully adherent to the latest regulatory updates: in this light, a complete re-development of the model has been planned.

Group wide EAD model
The current GW EAD model is in production since 2010. The main driver of the EAD is the product type and the calculation is tied to three components. Firstly, according to supervisory requirements, it has been assumed that the current balance sheet exposure will continue to exist until the default. To this value the expected value of a possible drawdown of the granted credit line has to be added, and third, the possibility of an overdraft over the amount of the current credit line is considered as a percentage of the granted credit line. Furthermore, for the significant products, the probability of a request of refund by a third party, which has been granted a guarantee in case of default, has to be considered.

During 2019 a new model was submitted to the Supervisor for approval. Even though Group Internal Validation detected further rooms for improvement (mainly related to the performance of the model and to the representativeness of the development sample), this model update allowed to considerably improve the model currently in production. The Bank is waiting for ECB authorization in order to apply the revised model for Regulatory purposes.

Credit risk

Local models, Italian Legal Entities

Italian Corporate Rating model

The Integrated Corporate Rating (RIC) model provides a rating for the counterparties of UniCredit S.p.A. afferent to the Mid-Corporate segment with revenue (or total assets if revenue information is not available) from €5 to €250 million.
In 2019 the model has been subject to a broad revision (new RIC model) by extending the scope to Holdings & Financial Enterprises with total assets above €250 million, while carving out Income Producing Real Estate transactions for which an ad-hoc approach has been developed (refer to the paragraph "Income Producing real estate Slotting criteria").

The structure of the rating system consists of three basic modules, two of which are quantitative and one qualitative:

- the economic-financial module, that considers the financial statements information in the archives of the Central Financial Statements Archive ("Sistema Centrale Bilanci") (cash flow and profitability, financial charges, financial structure and composition of debt, financial stability and liquidity; growth, volatility and operational structure);
- the behavioural modules, the first developed on the basis of internal data sources while the second on the basis of external data provided by Central Credit Archive ("Centrale Rischi"), allowing customer's monitoring (cash loans, withdrawal, short term maturity, long term maturity, self-liquidating loans, loan guarantees);
- the qualitative module, that considers the answers to the questions of the qualitative questionnaire filled out during the application phase.

The model features of the new RIC have been enhanced also by developing dedicated modules for Real Estate[32] and Holding & Financial Enterprises to take into account the various types and riskiness of these counterparties. Dedicated versions of the Financial, Behavioural and Qualitative modules have been developed for the three macro-segments covered by the new RIC model: Industrial, Real Estate and Holding & Financial.

The stand-alone evaluation of the counterparty is integrated with information of the Economic Group they belong to, where appropriate, taking into account the type of bond and the creditworthiness of all component companies.

The RIC model provides a rating updating process through a system of trigger events aimed at ensuring greater stability in the assessments, both with the timely update and the intervention of experts, where necessary (operators and rating desk).

The default definition in the new RIC has been updated according to Capital Requirement Regulation overcoming the technical past due treatment.
The model revision has been authorized by ECB in January 2019 and implemented in May 2019 together with a recalibration including a time series extension up to end of 2017.
Last calibration currently in production has been submitted to ECB in December 2019 and implemented in February 2020, envisaging an update of the historical time series.
In 2020, a recalibration has been submitted to Supervisory Authority for RIC PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Local Italian Corporate LGD models

The model for the calculation of the LGD risk parameter was firstly revised in 2013 developing the LGD estimation also for defaulted loans, differentiated by their default state. A further redevelopment of the LGD model has been submitted to the Supervisory Authority in September 2017, authorized by ECB in January 2019 and implemented in May 2019 together with a recalibration were the historical time series have been extended up to 2017.

In the new model, the estimated rate of loss continues to be based on a "workout LGD" approach by discounting the observed cash flows in every stage of recovery management using a current rates approach.

For "Defaulted Assets" LGD model for non-performing loans, doubtful loans, and past due, a statistical approach has been adopted that allowed to incorporate in the estimates the information related to the performance period in a defined state and to the trends of the previous recovery period. The "Defaulted Assets" LGD model estimates the loss rate referring to the vintage of the default classification, at the time in which the specific counterparty is located in default (so-called Time Dependency) taking into consideration, therefore, also available information after the moment of default itself.

A further step towards greater functionality and representativeness of the model is the recognition of the mitigating effect of guarantees on the estimates of the loss rate obtained with the implementation of rating systems "Confidi" and "Guarantors". The Guarantors Individuals rating system expresses an overall opinion on the creditworthiness of the Guarantor that results from the integration of elementary modules that merge the information retrieved from internal and external information sources.

32 The Real Estate corporate model is used for counterparties having the "05" balance structure (Real Estate Companies) according to the classification of "Centrale Bilanci" and total assets in excess of €5 million, consistent with the customer management segmentation adopted by the Bank and with its credit processes.

Credit risk

The new model includes the downturn effect into the danger rate module, the review of the default definition, as an intermediate step toward the new Definition of Default defined according to Bank of Italy Circular 272 classification and to CRR past due definition (ensuring full consistency with PD models), the inclusion of all open positions with the estimation of future recoveries in line with EBA Guidelines on PD/LGD.

Last calibration currently in production for LGD has been submitted to ECB in December 2019 and implemented in February 2020, envisaging an update of the historical time series.

In 2020, a recalibration has been submitted to Supervisory Authority for LGD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Local Italian Corporate EAD models

The start of the development activities on EAD model for Enterprises segment (RIC and RISB) is scheduled in the coming years, consistently with the progressive Group IRB roll-out plan.

Income Producing real estate Slotting criteria

Since August 2019, UniCredit adopted the Income Producing Real Estate (henceforth "IPRE") assessment criteria for the risk weights assignment based on the Slotting approach framework finalized by the Bank.

The adoption of the new IPRE rating system is aimed at:

- addressing a specific request received from the Supervisory Authority to identify and carve out the portion of IPRE transactions currently included into Probability of Default (PD) Mid-Corporate (Rating Interno Corporate - RIC) model application perimeter, also required by Internal Control functions;
- complying with the classification rules for the definition of IPRE transactions and with the IPRE development methodological framework valid for the entire UniCredit Group;
- extending the Internal Rating-Based (IRB) coverage to the portion of portfolio currently treated with Standardised Approach.

Given all the above, the approach is based on:

- a Group-level accepted definition of IPRE transactions based on the key characteristics defined by the Regulator (ref. to article 147(8) of the CRR);
- the definition of the Methodological Standards for the development of IPRE (slotting and internal) models valid for the entire Group;
- the identification of the IPRE portfolio (from 2010 to 2017).

The IPRE slotting model consists of an expert assessment of the credit risk of the transaction performed through qualitative scorecards. The expert appraisal of the IPRE transactions against such assessment criteria and operating instructions determines the assignment of a level of risk used in order to attribute the regulatory risk category (Slot) to the transaction.
The validation activities have evaluated as adequate the adopted IPRE Slotting methodology.
In 2020, a recalibration of IPRE Slotting model has been submitted to Supervisory Authority in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Local models, German Legal Entities

Mid-corporate rating model (MIT)

The "Mittelstandsrating" model applies to German corporate UCB AG customers with a reported turnover between €5 million and €500 million, excluding Specialised Lending and Real Estate customers. It comprises also public sector entities not guaranteed by public authorities with valid financial statements.

In December 2019 a revised version of the model, that was authorized by ECB in November 2019, has been implemented mainly to address Group Internal Validation findings and Supervisory recommendations as well as to align the model to Group Standards.

The model in production up to December was composed of a quantitative module using financial statements (Hard fact Module) and a qualitative module (Soft fact Module) and the final rating was obtained by combining the two partial ratings.
More in detail, the quantitative module consisted of four different financial statement sub-modules (MAJA – "Maschinelle Analyse von Jahresabschlüssen") depending on the company's industry sector (Production, Trade, Construction, Services).
Each of them combines a set of financial ratios that cover areas of analysis such as:

- asset and debt structure;
- cost structure, liquidity;
- profitability.

Credit risk

The automated assessment of the financial statement was complemented by additional factors regarding current company development, quality of financial statement and specifics of industry sector.

The qualitative module covered areas of analysis concerning:
- financial conditions;
- management qualification;
- planning and controlling;
- industry/market/products;
- special risk;
- industry sector rating.

In the new model a behaviour scoring component has been introduced, the Soft fact Module has been revised, the Hard fact Module has been reparametrized and the function integrating the three modules into one PD model has been revised as well. Moreover the model has been re-calibrated by using an extended data sample in compliance with the Group calibration Standards. Finally, the scope of application of the model has been extended to MIT obligors previously treated under the Standardised Approach by introducing a dedicated module (MIT Unrated) which rates these customers through a fixed PD.

As for the previous model version, adjustments to the model estimates are foreseen within the model framework in case of warning signals or rating aging. A manual correction of the calculated model PD in order to consider any circumstances not reflected by the automatically calculated PD/model - the so-called override - is possible as well. The use of overrides is clearly defined and described, subject to specific restrictions/constraints and is closely monitored within the local internal validation activities.

This rating model is adopted also by UniCredit Leasing GmbH and its subsidiaries as well.

In 2020, a recalibration has been submitted to Supervisory Authority for Mid Corporate PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

With reference to the LGD model refer to the description in the paragraph “Local German portfolios LGD model”.

Foreign Small and Medium Sized Enterprises Rating Model (FSME)

The Foreign Small and Medium Sized Enterprises Rating model (FSME) applies to corporate customers domiciled outside Germany with a reported turnover up to €500 million, excluding Specialised Lending, Real Estate customers, Financial Institutions and Public Sector entities.

The rating procedure was implemented in 2009 and authorized for regulatory capital purposes in 2011. The model comprises a quantitative and a qualitative module. The score resulting from the analysis of financial statements is based on externally developed hard fact models and complemented by internally developed qualitative module leveraging on experience with the German Mid Corporate segment. Currently, UniCredit Bank AG is using 24 mostly country specific external models to cover the relevant portfolio that refers to about 50 different countries.
Adjustments to the model estimates are foreseen within the model framework in case of rating aging. A correction of the calculated model PD in order to consider any circumstances not reflected in the automatic calculation (override).

A minor refinement related to hard-facts module update as well as an annual recalibration has been implemented in March 2018.

The Foreign Small and Medium Sized Enterprises Rating model (FSME) is subject to annual validation, quarterly monitoring and, if necessary, to calibration activities over time.

In 2020, a recalibration has been submitted to Supervisory Authority for FSME PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

With reference to the LGD model refer to the description in the paragraph “Local German portfolios LGD model”.

Credit risk

Commercial Real Estate Finance Rating model (CREF)

The rating model for UniCredit Bank AG's Commercial Real Estate Finance (CREF) is used to assess exposure to:
- real estate developers with published financial statements: companies with income mainly derived from construction (or purchase) and subsequent sale of buildings for residential or commercial purposes (offices, stores);
- real estate investors with published financial statements: companies with income mainly derived from the lease of owned residential and commercial properties;
- real estate investors without published financial statements: companies or individual customers with income originating mainly from the lease of own properties;
- building societies: companies whose main field of operation is the letting of residential properties on own behalf and account on a regular basis. The property and facility management are performed by the building society or company in the group (no external administration) and there is no financial recourse to private individuals.

These clients are evaluated through models built combining three modules (with client group-specific weights):
- a qualitative module that aims to assess the quality and reliability of management, the abilities of the management team, the quality of organizational management and the bank's experience in managing relationships with the company;
- a qualitative module that aims to assess the asset/project to be financed or already financed (by the bank or other lender), including the quality and implicit risk of the company's properties/projects, its planning capabilities (based on past experience) and cash flows planned/projected for future years;
- a quantitative financial module based on the company's financial statements supplemented with a qualitative assessment of the quality, reliability and completeness of the financial statements.

The application perimeter of the Real Estate Finance rating models has been enlarged since September 2014 to cover also Foreign (non-German) Reporting investors and developers, following the positive assessment by local regulators.
Also for this model rating aging restriction rules are considered as well as override possibilities.

On September 2019, a revision of PD CREF model has been submitted for approval to Supervisory Authority, following the new Group Methodological Standards in order to comply with the regulatory requirements as well as harmonize the modelling standards within the UniCredit Group.
The PD model revision has been also extended to CREF customers with an approval limit below €50 thousand, currently unrated, and unauthorized overdrafts which will receive a flat PD.
Main model changes include update of the customer segmentation, introduction of an internally developed behavioural score component; development of new qualitative module with focus on management, financial statement module (hard fact) and qualitative real estate features module; development of new integration function of the PD model for the four modules; recalibration of the model and update of age restriction rules. The new definition of default (DoD) has been considered for the development/calibration of the model. The authorization process by ECB is ongoing and implementation of the new model is planned in 2021.

In 2020 an additional recalibration has been submitted to Supervisory Authority for CREF PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

With reference to the LGD model refer to the description in the paragraph "Local German portfolios LGD model".

Acquisition and Leveraged Finance transactions rating model (ALF)

The "Acquisition and Leveraged Finance" (ALF) model is used for the assessment of projects to finance/refinance corporate acquisition transactions, in which additional bank liabilities are added to the normal operating debt of the company acquired in order to finance the acquisition.
The debt resulting from the acquisition is repaid out of the future cash flow of the company acquired, and, in certain cases (i.e., acquisitions that involve strategic investors), out of the cash flows of the acquiring company.

Acquisition transactions and their corporate and tax implications (often involving several jurisdictions) demand specific expertise during the audit phase, and require:
- appropriate risk-return relationships in addition to a loan structure based on a realistic cash flow simulation model;
- the adjustment of the acquired company's financial and debt repayment structure to future cash flows;
- the combined use of highly differentiated borrowing tools (senior debt, junior debt, mezzanine debt, etc.).

In terms of procedural aspects, the "ALF rating" is essentially a financial rating that calculates the acquired company's probability of default based on equity and financial ratios taken from the forecasted (budgeted) financial statements and income statement.

Credit risk

There is no qualitative module since in the preparation of the forecasted financial statements, a large amount of qualitative information based on experts' opinions is already implicitly taken into consideration. The forecasted financial statements are prepared through models that simulate future cash flows (INCAS, international financial model).
Also for this model rating ageing restriction rules are considered as well as possibilities of override.
An update of the PD calibration function has been performed in 2018 and a special Margin of Conservatism (MoC) was implemented in order to address some aspects of the model.
For ALF a total LGD approach is applied where all the collateral is included in the LGD estimation and no explicit collateral reflection takes place. There are two seniorities (senior and mezzanine) reflecting the two possible LGD values.

Income Producing Real Estate (IPRE) rating model

The model applies to special purpose vehicles (SPVs) specifically founded in order to invest in a real estate portfolio. The companies are non-recourse to the investor and ring-fenced from other companies. Their loans are repaid/serviced exclusively from the income generated by the properties being. There is no size limit in place.
The IPRE rating model is a transaction-based rating model that assigns a PD to a transaction, not to the corporate customer or fund who initiates and structures the transaction.

Since 2010, the model currently in place has been subject to some fine-tuning. A follow-up on-site model audit was missioned by ECB in February/March 2016.

The core of the IPRE model is a Monte Carlo based cash flow simulation. This approach is modelling the main drivers of the cash flows of a transaction by a stochastic process, where the parameters are estimated from historic data (market rents, interest rates, vacancy periods, etc.). The resulting cash flows are calculated quarterly until maturity and the PD is calculated from the ability to cover the debt service and further costs by the income generated from the financed real estate properties.

In order to capture additional aspects of the transaction the result of the simulation is adjusted based on:

- the assessment of the location and quality of the specific objects held by the SPV via the so called MoriX values[33];
- a qualitative assessment of e.g. quality of the management, contractual design or review of customer relationship.

Also for this model rating aging restriction rules are considered as well as possibilities of override.
The validation shows the need for a new calibration for which a model recalibration has been submitted to ECB in 2020. The go-live is planned in 2021. Additional issues addressed within the validation refer to the improvement of Rank Ordering Performance, the calculation of the Margin of Conservatism according to new regulatory standards and the update of macroeconomic input factors. Corrective measures to resolve these issues are already planned.

With reference to the LGD model methodology there is an individual IPRE LGD unsecured. The mortgage collateral valuation is used as in the Local German portfolios LGD model.

Global Shipping rating model for Ship financing (GLOS)

The target segment for GLOS are ship financing transactions where the repayment primarily results from the earnings of the financed object. The vessels are pledged.
The GLOS rating model assesses the risks of transactions by taking into account mainly the charter rates of vessels, the quality of the charterers, the vessel types and the repayment schedule. For this purpose, a cash flow model where the variable risk drivers are drawn from their distribution and the resulting cash flows are calculated is used. Additionally, not quantifiable risk drivers are taken into account for the final result.
The GLOS rating model was implemented in May 2008 and approved as IRBA model in 2009 by competent Authorities.
The focus of UniCredit Bank AG's ship finance is the financing of ships for which a liquid, transparent, and efficient secondary market exists. This includes e.g. container vessels, bulk carrier, and tanker.
The PD calculation in the quantitative module is based on a Monte Carlo simulation. The development of the quantitative factors (e.g. the ship value) is based on the stochastic process, where the parameters are validated and estimated regularly, based on external data. The cash flows are calculated for each quarter of the financing period.
The financial rating based on quantitative factors is adjusted based on the following qualitative factors (upward or downward adaptation of PD by a certain number of notches):

- commercial management (e.g. reputation);
- technical management (e.g. fleet size);
- position of UCB AG (e.g. covenants);
- insurance.

Also for this model aging restriction rules are considered as well as possibilities of override.

33 The MoriX values are obtained via a structured approach to assess the real estate properties' quality through the evaluation by real estate appraisers that apply bank internally developed criteria.

Credit risk

The calculation of the LGD follows a total LGD approach based on the general LGD model for Retail / Corporates (see the related paragraph). A special focus for the GLOS portfolio lies on the calculation of the vessels market value for which the Monte Carlo Simulation is used.

In March 2020, due to reduction of the GLOS portfolio, UniCredit submitted to the ECB an application for permission to revert to the standardised approach and to apply the permanent partial use of the standardised approach for the GLOS portfolio which has been authorized in December 2020. Therefore both PD and LGD models will be decommissioned in 2021 and the permanent partial use of the standardised approach will be applied for the underlying portfolio.

Wind Project Finance transactions rating model (WIND)

The Wind model applies to wind energy projects in Germany (on-shore), with a project volume of less than €20 million. Additionally, the industry code is clearly specified and due to the loan and collateral agreements, the bank must have a significant degree of control over the financed object. The cash flow model has been introduced in June 2009. The Wind-rating model was approved IRBA compliant in January 2011 by Supervisory Authority. A follow-up on-site model audit was missioned by ECB in June/July 2015.

The PD model is made up of a quantitative model, stemming from future cash flows' Monte Carlo simulations, whose outcome was adjusted by means of a qualitative component based on judgmental factors and weights.
Both modules, the quantitative and qualitative, are mandatory for the final evaluation and the qualitative module can upgrade or downgrade by clearly defined notches. The resulting final PD is converted via master scale to the final rating of the transaction.
Also for this model rating aging restriction rules are considered as well as possibilities of override in clearly defined cases.

Regarding LGD parameter, UCB AG developed a method to evaluate the collateral value of the Wind Energy plants. This approach is mainly based on Monte Carlo simulations of future cash flows of the Wind Energy plants. The simulations are consistently used for PD and collateral evaluation. Additionally a LGD on the unsecured exposure is determined.
The Wind model is subject to annual validation and regular monitoring.

Aircraft Finance (AIR)

The model applies to Aircraft-special purpose vehicles (SPVs) where the repayment primarily results from the earnings of the financed aircraft SPVs. Both PD and LGD AIR models have been decommissioned in 2020 due to immateriality of exposures in the Aircraft SPV portfolio and the permanent partial use of the standardised approach is applied for the underlying portfolio.

Local German portfolios LGD model

The scope of application of the UCB AG Local German LGD model is all the facilities related to corporate and retail customers, except for bonds, ALF and all specialised lending.
The LGD represents the financial loss suffered by the bank on the individual transaction and is calculated as a percentage of the exposure to default. The LGD is calculated for each individual transaction and takes account of the fact that different types of default are possible:

- Liquidation: total liquidation and the relationship with the customer is terminated, the customer is removed from the portfolio;
- Settlement: the customer re-enters the performing portfolio after reporting a loss (>= €100) to the bank;
- Cure: once the period of difficulty is over, the customer re-enters the performing portfolio without reporting a loss to the bank (< €100);

For all different types of default a forced sale of collaterals is basically possible.

In the case of a "Cure", the LGD is set at 0, while in the other two cases the estimation of the LGD follows a work-out approach, with separate estimation of the recoveries deriving from collaterals and those deriving from the unsecured part of the exposure. Personal guarantees and credit derivatives are not taken into account in the models, since the substitution approach is used for this type of guarantees.
In order to determine the final value of the LGD, the following factors are taken into consideration:

- minimum value that the LGD can assume according legislative provisions (e.g. 10% for residential mortgages assigned to retail exposure, CRR Art 164);
- the Exposure at Default;
- the sum over all collaterals securing the loan;
- estimated rate of non-cure cases;
- liquidation period;
- discounted expected recovery value of the collaterals, netted by direct costs;
- discounted expected rate of loss of the unsecured portion of the transaction; netted by the costs directly associated to the recovery process;
- percentage of indirect costs;
- any adjustment factor to take into account a potential worsening of the economic cycle.

Credit risk

With regard to the procedure for estimating the recovery rate from the collateral, this has been obtained on the basis of a historical sample and calculated differently for the following types of collaterals:
- real estate;
- other collaterals.

This value has then been discounted by taking into account the average observed period of the collateral realizations.

With regard to the procedure for estimating the unsecured part, on the other hand, this has been carried out by rating methods (the main categories are Mid Corporate Rating, Small Business Customer Rating, Product Scoring, Commercial Real Estate, Private Customer Rating, Foreign Small and Medium Sized Enterprises) and customer segments.

The LGD model is subject to annual validation and, if necessary, to parameterization activities over time. Based on the latest validation report, the LGD model resulted adequate.

In 2020, a recalibration has been submitted to Supervisory Authority for the LGD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Local German portfolios EAD model

The model is applied in UCB AG to all the credit products belonging to local partner that are IRB-A relevant (with the exclusion of the transactions belonging to partners with a group wide rating).

The EAD is defined as the exposure at the time of default. The exposure is the total outstanding amount before loan loss provisions and write-offs. The prediction horizon of the EAD model is one year. This means that, when the model is applied, the estimates refer to the expected exposure when default occurs within one-year time.
It is calculated for each individual transaction as the sum of two components, EAD on balance and EAD off balance, where the estimated part of the EAD is the off balance EAD.

This EAD depends on the following elements:
- CEQ: Credit Equivalent Factor; this is the credit conversion factor for the credit and represents the portion of the commitment/guarantee issued by the bank that will be used;
- LEQ: Limit Equivalent Factor; this is the percentage of the amount unused 1, 2,…,12 months before the default that is expected to be used at the time of the default;
- LOF (Limit Overdraft Factor)) is the parameters that estimate the expected amount of use that, at the time of the default, will exceed the allocated maximum limit (overdraft amount);
- Endorsement: amount of commitments issued to the bank’s customer;
- External line: line of credit;
- Drawing: current use of the line of credit.

The parameters defined above are then differentiated according to the product macro-typologies defined.
In 2020 no update of EAD parameters was necessary. The Model is subject to validation assessment and regular calibration activities.

Credit risk

Local Models, UniCredit Leasing GMBH and Subsidiaries[34] (UCLG)

German Mid-Market model

With reference to the Mid-Market Model, the rating description is the same as provided for UCB AG Mid-corporate rating model.

Specialised Lending (Slotting Criteria)

UCLG uses the slotting criteria approach to assign IRB risk weights according to CRR Article153 (5) for the specialised lending portfolio. The Model is subject to validation assessment and regular calibration activities.

Local LGD model

The current LGD model has been authorized by the Supervisory Authority and implemented in November 2017.

The local LGD model is applied to all contracts of customers belonging to UniCredit Leasing GMBH and subsidiaries, with the exception of:
- all exposures to customers rated with Group wide rating models (i.e. Banks/Multinationals);
- object or project finance.
- all exposure to Leasing companies

The calculation of LGD is generally carried out on the so-called contract component level and follows the logic that a different economic loss occurs for:
- Settlement: objects underlying the leasing contract are liquidated, the exposure of the Bank is recovered by relevant proceeds; if proceeds are not able to cover the whole exposure, the residual part is written off.
- Recovery: a lessee can recover through a natural recovery (disappearance of the original default characteristics) or through debt restructuring.

Other parameters are considered in the estimation process:
- the discount rate is the rate used to discount cash-flows, instalments and residual values to the time of default, the maturity-related refinancing rate is used;
- the direct/indirect costs, relevant for the calculation of LGD depend on the activities performed within the Restructuring, Legal and Finance departments. The sum of indirect costs is calculated annually by UCLG and it is spread over all defaulted contracts dealt during the financial year on EAD-weighted basis, while direct costs are considered directly on the relevant component.

There are two separate models to estimate the LGD in the case of liquidation – one for the performing business and one for defaulted business, each based on an own linear regression. The LGD for recoveries is defined considering the type of customer and the industry sector in which the customer operates.

The total LGD of a contract depends on the contract state. Specifically, a dynamically adjusted LGD methodology was developed with respect to the states a contract can pass through during a customer relationship (commencement date of contract, default date, date of settlement decision, date of liquidation). Moreover, the total LGD calculation considers a number of additional factors and margins of conservatism, e.g. a downturn-factor (applied also to defaulted business to cover unexpected losses after default), a margin of conservatism for the general estimation error and a margin of conservatism covering data quality issues.

The LGD-Model is subject to validation assessment and regular calibration activities.

In 2020 a recalibration has been submitted to Supervisory Authority for the LGD model of UCGL in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Local EAD model

The Exposure at Default (EAD) model of UniCredit Leasing Germany (UCLG) applies to all IRBA transactions (excluding those treated with Group wide models).

EAD is calculated on transaction level. Credit conversion factors for off-balance exposure for purchased receivables are used according to CRR Conversion factors are estimated for the off-balance exposure for credit lines.

The EAD-Model is subject to validation assessment and regular calibration activities.

34 UniCredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH.

Credit risk

Local Models, UniCredit Bank Austria AG

Mid Corporate rating model

The “Firmenkundenrating Inland” rating (Mid Corporate PD rating model) is applied to customers domiciled in Austria or in any other country outside CEE with annual turnover of more than €1.5 million and less than €500 million. The model consists of two components: a quantitative module and a qualitative module.
The risk factors for the quantitative module have been selected on the basis of both statistical and expert criteria.
The principal risk factors included in the quantitative module generally cover the following areas of analysis:
- size;
- structure of liabilities;
- dynamic factors (such as ROI - Return on Investment);
- equity ratio.

The qualitative module, on the other hand, covers the areas of analysis relating to:
- management quality;
- accounting and reporting;
- equipment, systems and organization;
- market and market position;
- level of orders/utilization of capacity;
- overdraft behaviour.

The “qualitative rating” and the “final financial rating” (quantitative rating after verification of the possibility of applying an “age restriction” and carrying out a first “override” on the basis of the information available) are combined to obtain the so-called “Combined Customer Rating”.
The “warning signals” are applied to this rating in order to obtain the “Modified Customer Rating. It is also possible to apply an override to this rating, thus producing the “Stand alone Customer Rating”. If this rating is older than 15 months, an “age restriction” is applied, resulting in a downgrade.
The Mid Corporate rating model is calibrated on the UCBA AG’s data sample (time series starting with 2002) and the model is based on logistic-regression concept.
In June 2019 a redevelopment of the PD Mid Corporate model has been submitted to Supervisory Authority to comply with the new regulatory requirements as well as harmonize the modelling standards within the UniCredit Group. Main changes include the increase of turnover threshold for the Mid Corporate perimeter from €1.5 million to €3 million resulting in a shift of (small) corporate customers to the rating model Small Business; the new PD model is calculated as the combination of three distinct modules: quantitative and qualitative modules, that were reworked with respect to current version, and Behaviour module that was introduced as new component, allowing a prompter analysis of customer risk. The new development considered the new Definition of Default. The authorization process by ECB is ongoing and implementation of the new model is planned in 2021.
In 2020, a recalibration of the redeveloped model has been submitted to Supervisory Authority, enhancing the used time history by the two most recent years. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Public Value Joint Building Association rating model

The “Public Value Joint Building Association” (PVJBA) rating model is applied to non-profit associations created for the construction of buildings.
This is a rating model consisting of a quantitative component (financial rating) and a qualitative component.
The financial rating is based on three principal types of information:
- adequacy of the available capital;
- profitability;
- available liquidity.

The qualitative rating, on the other hand, is based on 6 basic components:
- quality of management;
- accounting and reporting;
- organization;
- market position;
- performance behaviour;
- specific characteristics of the PVJBA.

The quantitative and qualitative ratings are combined in order to obtain the “Combined Rating”; this rating may be subject to an overruling on the basis of additional information available to the manager of the transaction, leading finally to the so-called “Valid customer rating”.

The Public Value Joint Building Associations rating model is mainly developed as expert model due to the low-default behavior of this segment.

Credit risk

Income Producing Real Estate (IPRE) and the Real Estate Customer (RECR) rating model

The IPRE model is a transaction rating applied to a particular type of specialised loans linked to "cash flow based" real estate transactions in which the bank has direct access to the cash flows deriving from the transaction. In this type of transaction, the essential question is whether the cash flows from the transaction are sufficient to repay the loans to the bank. In addition, BA also carries out an evaluation of the investor/builder. For this reason, the IPRE model consists of two components:

- transaction rating;
- customer rating (Real Estate Customer rating, RECR).

Both of these components are combined in order to obtain the final rating.
The transaction rating distinguishes three different phases in which the financing may take place:

- construction of the building;
- sale of the building;
- renting of the building.

The Real Estate Customer rating (RECR) is a "corporate rating" which differentiates between "real estate investors" and "real estate developers", the latter being further divided into "residential developers" and "other developers". For all of these, a quantitative module (referring to the balance sheet data) and a qualitative module are used.

The IPRE model is calibrated on the UCBA AG's data sample (time series starting with 2005). Investors' component of IPRE model is based on combination of score derived from cash-flow simulation (respective input variables are simulated from particular stochastic processes) and second the score from qualitative module (based on logistic regression). Each of Selling and Construction components is an integration of quantitative score and qualitative score (the former and the latter are based on logistic regression output). Aforementioned combination produces a Transaction score which is in the very end integrated with clients rating and mapped into the PD. The actual version of the IPRE rating model considers updated macroeconomic scenarios underlying the simulation.

The RECR model is calibrated on the UCBA AG's data sample (time series starting with 2006). Each component of RECR model (Investors, Residential developers and Other developers) results in integration of qualitative and quantitative scores (the former and the latter are based on logistic regression output).
After integration of the transaction rating and the counterparty rating, further adjustments are applied to take account of warning signals, over rulings and "age restrictions" (according to the age of the rating).

In September 2019 material model changes have been submitted to Supervisory Authority consisting in the setup of a slotting model for IPRE transactions and model redevelopment for RECR PD, to comply with the new regulatory requirements as well as harmonize the modelling standards within the UniCredit Group.
For the IPRE model, new logic of weighting of transactions into slots and risk areas based on expert assessment is applied. IPRE is characterized in 4 segments (sales versus rent and under construction versus completed). Operating instructions are given for each slot and risk area to evaluate the riskiness of the project along the different areas. Responses are weighted with triple rounding and clustered into the categories from 1{Strong} to 4{Weak}. Special warning signals, ageing & override reasons allow adjustments of the calculated values.

For RECR PD model, main changes vs. the currently implemented model, include: change in model structure with regards to the data inputs and models used, which are subsequently combined to a final model and calibrated; perimeter of new RECR model incorporating some of formerly Small Business customers and Public Value Joint Building Organization as well as parts of former IPRE portfolio. The financial module as well as the qualitative module were reworked, whereas the behaviour module was introduced as new component.
Changes included the new definition of default. The authorization process by ECB both for new IPRE slotting and PD RECR is ongoing and implementation of the new model is planned in 2021.

Furthermore, in 2020 a recalibration of the redeveloped model has been submitted to Supervisory Authority, enhancing the used time history by the two most recent years. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Credit risk

Local Austria portfolios LGD model

The LGD model developed by UCBA applies to all facilities related to all local customer segments (both corporate and retail).

The LGD represents the financial loss suffered by the bank and is calculated as a percentage of the exposure at default. The local LGD model is based on average calculation of the internal data of defaulted borrowers and represents a transaction-specific workout LGD approach.

The methodology accounts for three potential default events as outcome of the workout process for defaulted clients:

- Cure / Re-aging: return of the client to the performing portfolio without relevant loss for the bank;
- Settlement / Restructuring: re-entering of the client in restructured form to the performing portfolio with a loss (> €100) for the bank;
- Liquidation: complete collateral realization and debt enforcement with termination of credit relationship.

After closure of the workout process all defaults can be associated to one of the three default events and an ex-post LGD is calculated, based on the realized revenues and costs. In doing this, all single cash flows are discounted to the moment of default.

The general scheme of the LGD model provides separate estimation of the recoveries deriving from collateral and those deriving from the unsecured part of the exposure. Personal guarantees and credit derivatives are not taken into account in the models, since the substitution approach is used for this type of guarantees.

In order to determine the final value of the LGD, the following quantities are taken into consideration:

- EAD;
- expected recovery rate of the collateral, net of direct costs (especially regarding estimation of specific collateral haircuts based on realized recoveries and depending on collateral type);
- expected recovery rate of the unsecured portion of the transaction, net of direct costs;
- recovery process duration;
- discounting factors;
- indirect expenses rate (as result of the internal bank processes in the workout units);
- certain margins of conservatism and general conservatism to cover possible estimation inaccuracies;
- downturn factor.

With regard to the procedure for estimating the recovery rate of collateral, this has been obtained on the basis of a historical sample and calculated differently for the following main collateral types with possible consideration of additional segmentation criteria:

- residential real estate;
- commercial real estate;
- other real estate;
- financial collateral;
- life assurance policies;
- receivables;
- other physical collateral.

Concerning securities, an internal model for own volatility estimates (internal haircut model) has been implemented.

With regard to the procedure for estimating the "unsecured" part, on the other hand, this has been carried out separately for eight local categories primarily based on customer segments (the three main categories are private individuals, small business and corporate) in addition to applied group wide models (especially for Sovereigns, Banks and Multinational Corporates). For private individuals and small business a further drill-down into exposure class and currency is in place.

Furthermore, for the defaulted portfolio the "best estimate LGD" with a further drill-down by time-buckets for all eight local customer segments is in use.

Local LGD model is estimated on the UCBA AG's data sample (time series starting with 2008) and the model is based on average values, the LGD values are re-estimated regularly to include the latest observations.

The downturn LGD component is based on the Austrian GDP which is used as a predictor for systemic risk and UCBA AG's downturn methodology analyses the correlation between the negative trend of GDP (recession) and the subsequent increase of LGD values (NRR vintages).

In 2019 an annual re-estimation of LGD to recalculate the local LGD parameter based on a longer time series (up to 2017) was implemented. Furthermore, in 2020 a recalibration has been submitted to Supervisory Authority for the redeveloped model, here, enhancing the used time history by the two most recent years. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Credit risk

Local Austria portfolios EAD model

The EAD model determines the expected exposure on a transaction at the time of default. It is estimated for each individual transaction by using the following information:

- effective exposure at the time of the estimation;
- amount of guarantees/commitments issued by the bank to the counterparty;
- allocated maximum credit limit;
- currency (EUR or non-EUR).

The estimated parameters are as follows:

- CEQ (Credit Equivalent Factor): this is the credit conversion factor for contingent liabilities, and represents the portion of the commitment/guarantee issued by the bank that will be used;
- LEQ (Limit Equivalent Factor): this is the percentage of the amount unused 12 months before default that is expected to be used at the time of default;
- LOF (Limit Overdraft Factor): estimates the expected used amount at the time of default that will exceed the allocated maximum limit (overdraft amount) in relation to the external line size;
- BO (Base overdraft): an absolute amount (EUR) that estimates the overdraft independent of external line size (in particular relevant for “small” external lines).

Up to 12 monthly snapshots for each transaction were used and the parameters have been estimated by calculating averages for each segment. This segmentation is based on the product and customer categories.

EAD model is estimated on the UCBA AG’s data sample (time series starting with 2005). The EAD parameters are re-estimated regularly on a regular basis to include the latest observations.

The new model has been implemented in August 2016. In 2019 an annual re-estimation for the local EAD model has been conducted by extending the time series by another year (ranging from October 2005 to December 2017) spanning a period of more than 10 years.

An ongoing validation process by independent local validation function as well as Group Validation function is in place and all IRB PD as well as LGD and EAD models are validated on a regular/yearly basis.
The validation procedure is based on aligned validation method framework to clearly identify the scope of validation activities and final judgment. In case validation results show that improvements in credit risk models would be necessary, the Model Development function has to address that in an appropriate action plan to solve those items.

With reference to the abovementioned redevelopment activities, initial validations were conducted for the re-developed PD models Mid-Corporate, RECR and slotting model IPRE during 2019. The initial validation consisted of a detailed assessment of model performance, development data, IT environment and credit processes. For all models an improvement of model performance and accuracy could be observed. The results were part of the submission package for the Supervisory authorization process.

Credit risk

Local Models Central and Eastern European Countries

With reference to the Group perimeter in the Central and Eastern Europe (CEE) area, the Group was authorized since 2011 to use the F-IRB approach for measuring the capital requirements for credit risk in Czech Republic, Bulgaria, Slovenia and Hungary, and starting from 2012 also in Romania and Slovakia. Beside this, the use of A-IRB approach has been authorized in Czech Republic, starting from September 2014, with specific reference to the local Czech portfolio, and from June 2020 with specific reference to Retail Slovak portfolio. In Bulgaria the use of A-IRB approach has been authorized starting from July 2016.

PREVAILING ASSET CLASS	RATING SYSTEM	LEGAL ENTITY
Corporate	CZ Mid–Corporate (PD, LGD, EAD)	UCB Czech Republic & Slovakia
	SK Mid-Corporate (PD)	
	CZ IPRE (PD, LGD, EAD)	
	SK IPRE Slotting Criteria	
Retail	SK Small Business (PD, LGD, EAD), CZ Small Business (PD, LGD, EAD)	
	SK Private Individuals (PD, LGD, EAD), CZ Private Individuals (PD, LGD, EAD)	
Institutions, Corporate	Other minor Czech rating systems - Public Sector Entities, Municipalities, Religious Companies, Leasing (PD, LGD, EAD)	
Corporate	Mid -Corporate (PD, LGD, EAD)	UCB Bulgaria
	IPRE Slotting Criteria	
	Project Finance Slotting Criteria	
Retail	Small Business (PD, LGD, EAD)	
	Private Individuals (PD, LGD, EAD)	
Corporate	Mid-Corporate (PD)	UCB Slovenia*
Corporate	Mid-Corporate (PD)	UCB Hungary*
Corporate	Mid-Corporate (PD)	UCB Romania*

Note:
(*) These Banks are currently authorized only to use the IRB Foundation approach, therefore they only use PD internal estimations for determination of capital requirements.

The existing framework for the local Corporate / Retail exposures consists of:
- the Mid-Corporate rating model generally based on the combination of:
  - the financial module;
  - the qualitative module;
  - the behavioural module (only for some Legal Entities);
  - the definition of a warning signals set and an override system.
- the IPRE (Income Producing Real Estate) rating model, developed alternatively using the supervisory Slotting Criteria approach or an internal cash flows simulation approach;
- the Small Business rating model, generally foreseeing the following component:
  - socio-demographic (only for some Legal Entities);
  - financial (based on client type: Full accountancy, Simplified accountancy, Freelancers, etc.);
  - qualitative;
  - behavioural;
- the rating system for Private Individuals usually foreseeing several scorecards developed at product level for both application and behavioural phase.

Specific details are provided below.

Credit risk

Czech Republic and Slovakia

Since December 2013, UniCredit Bank Czech Republic a.s. is named UniCredit Bank Czech Republic and Slovakia a.s. following the merger with UniCredit Bank Slovakia a.s. However, different IRB authorized local models have been maintained for the treatment of Czech and Slovak exposures respectively.

More in detail, regarding the Czech portfolio, during 2009, the Bank went through a partial review of the “Mid-Corporate” rating model with internal data, refreshing quantitative factors’ weights. During 2011, qualitative rating module was refined and a behavioural component was introduced in order to gradually converging the model to a full locally customized, as suggested by GIV through the 2010 validation.
In 2013, due to local validation’s request to ensure higher consistency of the model with the local reference portfolio improving overall model performance, the Bank performed the refinement of the financial and behavioural modules and the simplification of the qualitative one, along with a revision of the modules weighting function and the update of the calibration. A further revision of the model has been performed by the end of 2015 in order to refine the qualitative module as well as to align the realized with the expected default rate.

Moreover, starting from January 2011, also the Czech real estate portfolio has been authorized the foundation approach using the same “Income Producing Real Estate” (IPRE) rating model currently authorized in UniCredit Bank Austria AG since 2008. Specific improvements have been implemented, first of all by performing a new recalibration and a review of the scenarios and then having a statistical revision of the weight of almost all the model components with the consequent reduction of the discretional / expert-based choices. During 2012, the refinement of the regression component of the IPRE model performed in UniCredit Bank Austria AG has been locally extended, first of all through a conservative calibration and then with the implementation of the new model version. Since September 2014 the Czech IPRE rating system has been approved as A-IRB compliant. In 2016 a recalibration of the PD IPRE model of the Investors and the Developers segment were performed based on an update time-series.
In addition, following the development activities performed locally between 2012 and 2013, also the Czech Private Individual and Small Business rating systems have been approved as A-IRB compliant since September 2014.

With regard to the Loss Given Default (LGD) model for the Retail portfolio (Private Individuals and Small Business), a refinement was performed by the end of 2014 mainly consisting in the adoption of a longer development time series and the application of a simplified decision tree approach instead of the logistic regression.

By the end of 2015, a new LGD model for the CZ portfolio of Private Individuals with mortgage loans was developed based on the Regulatory request to adopt an overall LGD approach instead of the secured/unsecured one. The new model has been authorized in the first half of 2017 and consequently implemented. Moreover, in 2016 a new LGD model for defaulted assets was developed with the aim of assigning specific risk parameters to the defaulted exposures which was submitted for approval to the competent Supervisory Authorities in 2016. During 2020, a broader revision of the LGD model has been done to ensure compliance with the regulatory requirements as well as the Group Methodological Standards and has been submitted to Supervised Authority for approval.

As far as the Slovak portfolio is concerned, during the first half of 2011, the Bank went through a refinement of the “Mid-Corporate” rating model, implying a deep customization of both financial and qualitative modules according to country specific default experience and a new calibration process was carried out. In particular, the use of internal default experience allowed for improvements both in terms of representativeness, with reference to the Slovak portfolio and calibration. A further revision of the model has been performed by the beginning of 2016 in order to ensure a more comprehensive model design through the introduction of a Behavioral component. The new model has been authorized in the first half of 2017 and consequently implemented.

Starting from September 2013, the Bank has been authorized to use the “supervisory slotting criteria approach” for regulatory capital calculation with regards to the “Income Producing Real Estate” exposures of Slovak portfolio.

Following the development activities for Private Individual and Small Business rating systems, which were performed locally between 2015 and 2016, the application for A-IRB approach was sent to the Supervisory Authority in 2017 and the authorization was received in June 2020.

Following the new Group Methodological Standards as well as to harmonize the modelling standards within the UniCredit Group and include the changes due to the new Definition of Default, the following material model changes have been submitted to Supervisory Authority and waiting for authorization:
- a unique PD model for CZ and SK Mid-Corporate portfolios, in order to replace the two separate models currently in production, including also a material model extension of the range of its application to CZ Leasing portfolio with the consequent decommissioning of the current authorized internal model CZ PD Leasing (submission in September 2019).

Credit risk

- a unique cross-countries model for both CZ and SK IPRE portfolios to replace the two separate models currently in production (a slotting one for SK) applying also a more strict definition of IPRE segment, resulting in a shift of some customers into Real Estate segment treated with the Mid Corporate PD model and reducing the scope of the IPRE model (submission in September 2019).
- a unique PD model for CZ and SK Private Individuals, to replace the two separate models currently in production, reworking and integrating several distinct informational areas (modules and sub-modules) resulting into common CZ&SK ones with exception of Credit Bureau sub-module with dedicated Czech and Slovak scorecards and credit cards with application module on Czech side and flat PD on Slovak side (Submission in October 2020).
- a unique EAD model for CZ and SK portfolios, in order to replace several separate models currently in production, introducing also the “drawings after default” component and an EAD Defaulted Asset model (Submission in October 2020).

In 2020, the recalibrations of PD and LGD models in production for CZ and SK Mid Corporate, Private Individuals and Small Business have been submitted to Supervised Authority to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.
All newly re-developed models were subject to an initial validation activity performed in line with Group validation methodology and including an assessment of the model per se, underlying data preparation process, IT-related aspects, and RWA impact simulation. Also subject to validation review were the recalibrations performed due to upcoming adoption of the new definition of default.

Bulgaria
As for Czech Republic and Slovenia, also the Bulgarian “Mid-Corporate” rating model during 2012 was subject to the refinement of the financial module and the qualitative factors weights, along with a revision of the modules weighting function and a new update of the calibration. During 2018, a Margin of Conservatism has been implemented in order to address a recommendation from the Supervisory Authority while, in September 2019, the model was subject to a broader revision to ensure the alignment with new Group Methodological Standards and the new Definition of default, which is currently under assessment by National Competent Autorithy.
Starting from January 2011, UniCredit Bulbank has been also authorized to the estimation of specialised lending exposures using the “supervisory slotting criteria”. Then, in the course of the first half of 2015, the Bank performed a recalibration of the above-mentioned approach in order to align the realized with the expected default rate.
Moreover, following the development activities performed locally between 2013 and 2015, also the Private Individual and Small Business PD models, together with the LGD and EAD models for both local Corporate and Retail exposures have been approved as A-IRB compliant since July 2016.

As already mentioned above, in September 2019, following the new Group Methodological Standards as well as harmonize the modelling standards within the UniCredit Group and including the changes due to the new Definition of Default, the following three material model changes have been submitted to Supervisory Authority and currently under assessment:
- PD Mid Corporate and PD Small Business models, where the main changes with respect to the currently implemented models include the revision of: segmentation criteria; Financial module (in line with Group Common Long list); Application module (by including Socio-demographic and External Bureau modules); Behavioural module (on client level and based on Group Common Long list); integration logic between Application and Behavioural modules. Finally a recalibration on a 9-years Central Tendency (2008-2016 default time frame), calibration methodology revision and introduction of overall Margin of Conservatism (MoC) have been performed.
- IPRE Slotting model, where the main changes include the revision of segmentation criteria; the introduction of additional assessment factors as well as 4 scorecards based on the Exit strategy and Construction phase; the update of the weights on each assessment factors and the calibration of the IPRE slotting criteria model to a Central Tendency (CT) based on long run average default rate.

Romania
Between late 2010 and March 2011, the Bank went through a refinement of the “Mid-Corporate” rating model, implying a deep customization of both financial and qualitative modules according to country specific default experience and a new calibration process was carried out. In particular, the mentioned customization enabled to contribute to a general rating system improvement. The newly refined model version allowed to improve model transparency, as a matter of fact all the methodological steps can be replicated and data samples as well as factor construction procedure are stored.
In addition, during the period between June 2013 and April 2014, further refinement activities have been carried out in order to improve both Financial and Qualitative modules and ensure a more comprehensive model design through the introduction of a Behavioral component. Moreover, the new model has been redeveloped using a longer time series and the target long run default rate has been redefined on a five-year period (i.e. 2009-2013).
The refined model has been authorized for the regulatory purposes in the fourth quarter of 2015. A further revision of the Mid-Corporate model, aiming at extending the time series, used for behavioral module development, was performed during 2017, submitted to the Supervisory Authority in December 2017 and authorized in May 2020.

Credit risk

In June 2020, the revised PD Mid Corporate model has been implemented and a recalibration has been submitted to Supervisory Authority to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.
The A-IRB application for Corporate, Retail and Group-wide exposure has been postponed and will be evaluated within a broader revision of the Group IRB roll-out plan.

Slovenia

The Slovenian “Mid-Corporate” rating model went through an ordinary re-calibration of the PD estimations in view of the F-IRB authorization, however a new re-calibration activity has been performed in the second half of 2014 in order to align the model results with the observed historical default rates. During 2016 refinement activities on the PD mid-corporate model were carried out in order to ensure a better representativeness of the model, fulfill the findings from regulatory on-site inspection held in 2015 as well as recommendations from GIV and to ensure the compliance of the model documentation with recent standards proposed by the Group and EBA, and submitted to Supervisory Authority for assessment in 2018. The model revision has been authorized by ECB in 2019 and implemented for regulatory reporting purposes since December 2019.

In 2020, a recalibration of the PD Mid Corporate model has been submitted to Supervisory authority to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Hungary

Starting from July 2011 the Hungarian mid corporate portfolio has been authorized to be evaluated with foundation approach. During 2012 the Bank performed a refinement of the “Mid Corporate” model which has been jointly assessed by the local and Parent Company validation functions.
Such model revision has been mainly focused on the refinement of the financial module and of the modules weighting function, along with a new update of its calibration.
In order to enhance the discriminatory power a further model revision was performed in 2017 and, following the Supervisory Authority’s authorization in February 2019, the model has been implemented for regulatory reporting purposes from March 2019.

In April 2020, following the new Group Methodological Standards and including the changes due to the New Definition of Default, a material model changes on PD Mid Corporate has been submitted to Supervisory Authority and is currently under assessment. The main changes include the update of the qualitative and financial modules, the introduction of a new behavioral component, a new Central Tendency (CT) computation methodology, the extension of times series and the updated of Margin of Conservatism (MoC) methodology.

Credit risk

Retail exposures (exposures secured by residential property; qualifying revolving retail exposures; other retail exposures)

Local Model, Italian Legal Entities

Italian Small Business Rating model
The Integrated Small Business Rating (RISB) provides a rating for the counterparties of UniCredit S.p.A. with revenues (or total assets if revenue information is not available) up to €5 million, according to the segmentation used by the constitution of UniCredit S.p.A.

The model has been structured in order to optimize the aggregation of different informative sources, both internal (qualitative, financial, customer data and behavioural) and external (Bank of Italy's Centrale dei Rischi - "CE.RI" - data flows and other private providers), differentiating lending between new or existent customers and on a corporate segmentation that reflects the company size and seniority within the market. The modules, underlying the model, are the following:
- customer data;
- external behavioural module (CE.RI – Centrale Rischi/ SIA SpA[35]);
- financial module not applied for NEOC (companies established from less than 21 months) and POE (small agents) counterparties;
- credit bureau modules[36];
- qualitative module;
- internal behavioural module.

Regarding the counterparties related to Real Estate Small Business segment, the model is derived from the integration of a financial module defined specifically for this type of counterparties and the set of modules in use as part of the Small Business Integrated Rating (RISB), except for the module related to customer data. See RIC model section for more details on Real Estate segment.
Also with reference to the perimeter Small Business, the bank has adopted an "ad hoc" approach to assess the creditworthiness of Corporate Customers belonging to an economic group in analogy to what is indicated for the Mid- Corporate model.

In January 2019 a revised PD model has been authorized by ECB and implemented in May 2019, including further enhancement (e.g. the model recalibration on updated time series up to Dec 2016 and the update of default definition according to Capital Requirement Regulation (CRR) overcoming the technical past due treatment).
In 2019 the historical time series have been extended up to 2017 and implemented corrective actions requested by Group Internal Validation.

Last calibration currently in production has been submitted to ECB in December 2019 and implemented in February 2020, envisaging an update of the historical time series.

In 2020, a recalibration of the RISB PD model has been submitted to Supervisory Authority to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

Italian Small Business LGD model
In reference to the LGD model for the small business segment, see the description under "Local Italian Corporate LGD Models".

[35] Company that manages the Interbank Alarm Center
[36] Credit Bureau managed by the companies Experian and CRIF

Credit risk

Private individuals Rating model

It's worth of notice that among the Private Individual Rating, UniCredit S.p.A. uses for regulatory purpose under IRB approach the Mortgage parameters System (PD, LGD, EAD), while Overdraft & Credit Cards and Personal Loans systems is used just for managerial purposes.
In December 2019 a unique model for Private Individuals customers ("RIP ONE") at counterparty level (covering the whole product portfolio) has been submitted for approval to Supervisory Authority, and currently under assessment, including:

- new segmentation in line with Group Methodological Standards; in particular, Natural Persons characterized by entrepreneurship risk ("Private-like") are excluded from RIP-ONE and included into the broader Small Business segment planned to be submitted as a sub-model of the overall new RISB model;
- replacement of the current PD product scorecard model structure with a new structure based on socio-demographic, product-financial and behavioural internal score modules and the development of a new integration function of the PD model to aggregate the three aforementioned internal modules and an external credit bureau
- alignment of the Calibration of the PD model with the Group Methodological Standards
- extension of the Private Individuals perimeter in terms of type of transactions from the current one (mortgage loans) to all the following types: unsecured mortgages, personal loans, loan on salary, credit cards, overdrafts and personal guarantees issued by the bank;
- computation of the Margins of Conservatism in line with the EBA Guidelines.

Mortgages

The target portfolio of the Integrated Individual Rating (RIP-MI) model consists of all categories of mortgages handled at UniCredit S.p.A. which are used for the purchase, construction and re-modelling of residential properties by individual customers and for the purchase of properties for business purposes carried out by individuals included in the Family Firm sector. The RIP-MI rating model uses different information as risk driver depending on whether the calculation is referred to the loan approval phase or to the monthly monitoring during the life of the mortgage.

The score used for the evaluation of the mortgage lending phase is based on the information reported below, divided into similar groups:

- demographic information, income and Credit Bureau (Experian, and CRIF) figures relating to the loan requestor (holders);
- characteristics of the loan required (duration, Loan to Value, etc.);
- financial asset evaluation of the holders and their family;
- information related to the company performance to which the holders are connected (if present);
- Central Credit Register (if present).

The RIP-MI rating model used in post-delivery phase calculates on a monthly basis the mortgage rating of loan massively on the entire portfolio residential mortgages.

The information modules underlying the model for the behavioural phase are the following:

- behavioural information of loan (severity, presence of historical accidents, length of the loan, any historical insolvency trend);
- balance sheet of the holders and their nucleus (financial assets and current accounts);
- information related to the company performance to which the holders are connected (if present).

In December 2018 a recalibration of the RIP-MI PD model (together with LGD and EAD models) - aiming at updating the regular time series and addressing at the same time findings / recommendations issued by Supervisor during the 2017 on-site TRIM (Targeted Review of Internal Models) inspection and Internal Control functions - was implemented. The remaining recommendations have been addressed in the new Private Individuals Rating model RIP-ONE.

Overdraft and Credit Cards

The Integrated Individual Rating (RIP) for overdraft and credit cards is aimed to estimate credit worthiness of private individuals with in current account facilities (overdraft, guarantee/endorsement loan, credit cards) and it derives from the integration of several basic score modules that use internal information (balance sheet, behavioral and customer data information) and external Credit Bureau information.
The integration of the different modules produces: (i) an underwriting score, used to estimate the credit worthiness both in granting and in renewal phase, and (ii) a monitoring score, used to evaluate the client who already has a relationship with the bank. For both phases there are specific models based on the type of credit line and customer.

The information underlying the financial / personal data module – collected during the underwriting process and rarely updated during the monitoring of the loan – are progressively underweighted in the model. On the contrary, the behavioral variables, potentially absent in the underwriting phase (new client), are explicative and monthly updated during the monitoring activities. The behavioral information provided by CRIF are updated on a quarterly basis.
In 2016, the calibration activity relating to the 2015 default rates was completed and implemented into production for managerial purposes in November 2016.The initial validation and subsequent ones have highlighted the need for a simplification of the model framework.

Credit risk

Personal Loans

The PD rating system for personal loans (RIP PP) is composed by different models according to the purpose of use (underwriting or monitoring), the underwriting channel and the application portfolio, in order to identify the peculiarities of the different segments in terms of business management, risk and statistical properties.
The model examines the same information assets evaluated for the granting of Mortgage considering the peculiar characteristics the financing in question.
Also on this model the Group Internal Validation highlighted the possibility of a further simplification of the overall model framework.

Local Italian retail LGD model

The Retail segment LGD models for Italian local portfolios have been revised during 2013 according to the logic and methodology used for the Corporate segment, to which we refer for more detailed information.
Both are characterized by:

- a high level of sample representativeness, considering also the last period losses, the ex-Capitalia exposures, the so-called incomplete work out, etc.;
- the use of current rates instead of historical rates in the actualization methodology;
- the introduction of specific Defaulted Asset modules.

In the fourth quarter 2017 a recalibration of the Mortgage Loan LGD model, together with further LGD refinement, has been implemented. The relative ongoing validation expressed a positive opinion showing an “Adequate” Overall Validation Assessment also concerning Defaulted Asset. Also with reference to the current account, overdrafts and credit cards model, the validation provided an evaluation of substantial compliance with regulatory requirements.

In December 2018 a new recalibration of the RIP-MI LGD model (together with PD and EAD models) - aiming at updating the regular time series and addressing at the same time findings / recommendations issued by Supervisor (during the on-site TRIM2017 inspection) and Internal Control functions - was implemented.

In December 2019, within the RIP-ONE Rating Model revision, in order to adopt the new EBA default definition (EBA/GL/2016/07), in force from January 2021, as well as to be compliant with the new EBA regulation on PD\LGD parameter (in force from January 2022), also a new development of Private Individuals LGD model (covering the whole product portfolio) has been submitted to Supervisory Authority and is currently under assessment.

Local Italian EAD individuals model

Together with the adoption of the overdraft/credit cards and personal loans rating system, the exposure at default (EAD) model has been developed. Moreover the internal model for mortgages has been enriched with the EAD estimation internal model and has been authorized by the Italian Regulator in December 2010.
The approach used for EAD estimation consists in all cases of a methodology "within 12 months", that starts from the analysis of all the exposures performing or with overdue payments but still in bonis in a given date (i.e. 31/12/t) that are classified as defaulted over the next 12 months.

With regards to overdraft and credit card, the EAD estimation is differentiated according to product types: overdraft, (including the portion related to credit cards already adjusted on current account and the residual account of commercial portfolio), credit cards and endorsement loans. The EAD for overdraft differs if there is an unutilized portion of the credit line (margin) or not in the instant of observation; in particular, where this margin is available an equivalent credit (CCF) is calculated while in the absence of it only an indicator of the current usage (K) is calculated. The overdraft and credit card are managed jointly given the fact that the credit card payments are charged monthly on the current account and determine on the credit card exposures which, each month, are completely independent from the movement on the previous months. Regarding, instead, the part of the credit card still not accounted, an EAD equal to the current drawn amount has been considered.
As for the endorsement loans, through which the bank accepts or guarantees a customer’s obligation (transferring to itself the default risk of the customer) the EAD model has assessed the endorsement loan value at the time of default which represents a potential risk for the bank (the actual risk, or the risk that the endorsement loan becomes cash exposures, is evaluated in the LGD model).
Finally, for the credit cards an EAD equal to the current drawn amount has been considered.

Credit risk

With regards to personal loans, however, the analysis carried out showed that exposure at the time of default is always less than 100% of the exposure at the observation date for all the segments defined in all portfolios. For this reason it was decided not to implement the model developed and conservatively assign to each exposure an EAD equal to the current exposure, for regulatory purposes. The Validation activity does not highlight any specific issue, being substantially aligned with the development choices. In the future development phases however, the activities will be performed aimed to verify the adequacy of the application of an EAD equal to 100% of the exposure.

Finally, with regards to the EAD model for mortgages, some sub-portfolios with an average EAD above 100% have been identified, particularly if an overdue was present at the time of observation. In coherence with the current regulation, each relation with an EAD less than 100% of current exposure, is forced to that value. The changes made to the rating system consist, regarding the EAD, in the revision of the estimation model, following the recommendations suggested by the Supervisory Authority and internal control functions.

The validation activities expressed a significant positive opinion on the simplicity of the model, intuitive and suitable for a product such as mortgages, not presenting edges and on which it is particularly important to discriminate the clusters population that exceed the regulatory floor of 100% compared to the rest of the portfolio which remains below threshold.
In 2017 also the EAD Mortgage Loans model has been recalibrated in order to incorporate the consequence of the time series lengthening of default rates until 2016. During the first half of 2017 the calibration activity for the extension of the calibration sample to the end of 2016 had been carried out consistently with the calibration on PD parameter and implemented in the fourth quarter 2017. Contextually, the calculation of the unique driver of the model (i.e. "Percentage of outstanding on granted amount") was adjusted in presence of an underlying re-management actions, in order to correctly contemplate deferred instalments, previously not considered, because put inside an accessorial account. The following validation deemed this correction adequate and expressed a positive opinion on this calibration.

In December 2018 a recalibration of the RIP-MI EAD model (together with PD and LGD models) - aiming at updating the regular time series and addressing at the same time findings/recommendations issued by Supervisor during the on-site TRIM 2017 inspection ("Targeted Review of Internal Models") and Internal Control functions - was implemented. In order to address the remaining recommendations a new development of the Private individuals EAD model (covering the whole product portfolio) has been submitted to Supervisory Authorities, and currently under assessment, within the RIP-ONE Rating System revision of December 2019, in alignment with the Group Methodological Standards, embedding all the steps characterizing the risk differentiation and risk quantification phases, including the Downturn and Margin of Conservatism frameworks as well.

Local Model, German Legal Entities

Small Business rating model
The "SBC" rating model covers small and medium-sized German companies, i.e. with a turnover below €5 million. The model applies also to individuals with residence in Germany whose income derives mainly from freelance activities, independent work or from a small or medium-sized business in which they are major shareholders or owners.
The "SBC" rating model is structured into four different sub-models, which are applied on the basis of the credit process phase and the approved exposure limit:
- Scoring/Rating SBC module (composed by two scorecards: GK1 (GK = Geschäftskunde) for entity with full private liability and GK2 for entity without full private liability). Both the scorecards consist of three sub-components: the financial module (i.e., the MAJA module), the Behavioural Score and Private Liability ratio (for GK1) or Industry rating (for GK2);
- Behavioural Scoring SBC is used both as a stand-alone rating for Small Business customers with an approval limit below €500,000, as well as an input factor of the Scoring GK module. The behavioural score is automatically updated on a monthly basis;
- Small Credit Line scorecard is applied during the application phase to clients without an available customer risk rating, with an approval limit below €50,000. It is not used for the yearly rating update.

The rating system foresees a list of events implying an override (upgrades as well as downgrades) of the statistical outcome, on the basis of an expert assessment. Overrides are closely monitored by the Internal Validation Function. The override process is only allowed for Scoring GK module, and is limited to individually managed businesses (i.e., customers with an approval limit greater than €0,5 million).

A redevelopment of the Small Business PD model has been submitted to ECB in June 2019, in order to comply with Group Methodological Standards and new Regulatory requirements. Main changes include the update of customer segmentation, development of new socio-demographic, financial and behavioural score modules (replacing the current ones), development of new integration function of the three modules; introduction of automatic monthly re-rating process, elimination of unrated customers and re-calibration of the model.
The authorization process by ECB is ongoing and implementation of the new model is planned in 2021.

Credit risk

In 2020, a recalibration has been submitted to Supervisory Authority for Small Business PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

With reference to the LGD model refer to the description in the paragraph "Local German portfolios LGD model".

Private Individual rating model
The "Private Individuals" rating model covers all individuals excluding self-employed customers. Individuals with high property lease income are also excluded. They are considered as part of the "Commercial Real Estate" portfolio and assessed using the appropriate rating system.
Private individuals Rating system was composed of two sub-models:
- Rating for Private Customers;
- Product scoring.

The main rating model for individuals called "Product Scoring" consists of application scorecards (differentiated by product type) and behaviour scorecards. Both scores are combined on account level, or one of the two scores is used depending on the time period since account opening.
A redevelopment of the model has been submitted to ECB in June 2019, also in order to comply with Group Methodological Standards and new Regulatory requirements. Main changes include the update of customer segmentation, development of new socio-demographic, product-financial and behavioural internal score modules (replacing the current product scorecard model structure), development of new integration function of the three modules plus an external (credit bureau) module; introduction of automatic monthly re-rating process and re-calibration of the model.
The authorization process by ECB in ongoing and implementation of the approval of the new model expected in 2021.

In 2020, a recalibration has been submitted to Supervisory Authority for Private Customers PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.

With reference to the LGD model refer to the description in the paragraph "Local German portfolios LGD model".

Local Models, UniCredit Leasing GMBH and Subsidiaries (UCLG)[37]

Small Business Rating model
The UCL GmbH GK rating model (GK) is applied to evaluate Small Business customers' creditworthiness, including all business customers with turnover lower than or equal to €5 million.
The GK PD model - a rating system at counterparty level - consists of two modules integrated according to the following rules ("transition function"):
- the Application Scoring (AS), used during the credit approval process and in addition during a monitoring phase of up to 12 months and is automatically updated on a daily basis in case new information is available;
- the Behavioural Scoring (BS), considered significant to the creditworthiness evaluation for the existing clientele starting the latest after twelve months of customer relationship duration with the bank that is automatically updated on a daily basis in case new information is available and is automatically updated on a monthly basis.

In case of payment irregularities in the initial phase of the client relationship, the Behavioural Scoring is applied if higher than the Application Score, otherwise the transition function is still valid. When applied to the current portfolio, a margin of conservatism is included after combination of Application and Behavioural Score in order to account for potential estimation errors.

Finally, the following override reasons can be applied:
- deterioration of economic situation;
- deterioration due to economic dependence on a business partner with worse rating and part of the same engagement compound / interconnection;
- deterioration due to worse concern rating (concern ceiling).

A positive override is not applicable.
Small Business rating model was last revised in 2015 in order to address regulatory findings and to improve the discriminatory power of the application model. The variables long list underlying the estimation process of the application module was enriched through the inclusion of product specific variables. The final calibration of the rating system is done after scorecard combination. In the final regression step, the average combined final PD (based on AS and BS scores instead of continuous scorecard PDs) are calibrated to the current average multi-year default rate.
A further revision of the model was performed and approved by the Supervisory Authority and subsequently implemented in November 2017.

37 UniCredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH.

Credit risk

The SBC PD-Model is subject to validation assessment and regular calibration activities.

In 2020, a recalibration has been submitted to Supervisory Authority for the PD Small Business model in order to support the inclusion of the New Definition of Default in the risk quantification phase. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.
Regarding to EAD and local LGD models see as described in corporate exposures paragraph for “Local Models, UCL GMBH UniCredit Leasing GMBH and Subsidiaries”.

Local Model, Bank Austria

Small Business rating model
This rating model is applicable to Austrian small business clients including non-profit organizations up to €1.5 million annual turnover or to clients using cash-based accounting. It includes both clients’ types: with full accounting balance sheet and cash-based accounting.
The general design of the model consists of an “application module” and a “behaviour module”, the latter separates between customers with transaction in Euro and in FX.

The application module is applied principally in the following cases:
- new client;
- the customer requests a further line of credit for which the total exposure exceeds €0,05 million or there is no behaviour score (irrespective of the amount of the exposure);
- updated balance sheet information is available;
- “warning signals” have been modified/have arisen.

The application module contains qualitative and quantitative information about the counterparty. Depending on the accounting regime, the quantitative risk factors cover at least 3 of the following areas of analysis:
- profitability
- debt coverage
- debt ratio
- earnings.

The qualitative risk factors cover the areas of analysis relating to:
- industrial sector / line of business
- default history
- experience of management
- protection against risk
- cash collection management.

If the customer’s transaction is older than 6 months and the counterparty’s exposure is not above €1 million, the behaviour module is calculated automatically on a monthly basis.
For counterparties with exposure exceeding €1 million only the application module is used but extended with the possibility for underwriters to overrule the calculated rating.
The two modules (application and behaviour) are combined using different weights according to the exposure and the age of the application score in order to obtain a combined PD, which, once mapped to the master scale, determines the “calculated rating”. The final “valid rating” is obtained by modifying the calculated rating on the basis of any available negative information or of “warning signals” in general.
Small Business rating model is calibrated on the UCBA AG’s data sample (time series starting from 2007) and the model is based on logistic-regression concept.
In June 2019 a redevelopment of the PD Small Business model has been submitted to Supervisory Authority to comply with the new regulatory requirements as well as harmonize the modelling standards within the UniCredit Group. Main changes include the increase of the turnover threshold from €1.5 million to €3 million resulting in an incorporation of (small) corporate customers to the rating model Small Business. Moreover, quantitative component of Application module and Behaviour module were reworked from current model and Socio Demographic module and External module – only for customer having no Behaviour module –were introduced as new components. New definition of default was applied for the model development.
The authorization process by ECB is ongoing and implementation of the new model is planned in 2021.
Furthermore, in 2020, a recalibration has been submitted to Supervisory Authority for the redeveloped Small Business PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase also enhancing the used time history by the two most recent years. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.
Regarding to the LGD/EAD model see as described in paragraphs “Local Austrian LGD model” and “Local Austrian EAD model”.

Credit risk

Private Individuals rating model
The Private Individuals rating model is applicable to all individuals other than self-employed professionals and freelancers.

The BA Private Individuals' rating comprises multiple statistically derived models: application score and behavioural models, product based, separately for customers with transactions in EURO and FX product based, combined with an integrative logic to a customer PD. The whole system was estimated through logistic regressions on a transactional level.

In particular, a score is assigned to each transaction through one of the scoring models. In case of a new credit request, the application score for the relevant product is used at the time of origination.
For individuals without a behaviour scoring this application score is valid for the following 6 months. At this point in time, the relevant behavioural score is calculated and kept updated monthly. For individuals which are behaviour scored the application score is only relevant for granting and pricing of the new loan, while for regulatory purposes the existing behavioural score is considered. For customers with more than one transaction, an integrative logic was developed that combines all the available application and/or behavioural scores into a final standardised transaction score.
In a next step the calibration of the transaction scores to 12 months probability of default has been performed. The central tendency has been defined leveraging on the 12 months cumulative default rate taken from vintage analyses.

The last step of the rating process combines all the final standardised transaction scores into a customer specific PD. The resulting PD is finally mapped to a "Master Scale" consisting of 28 distinct rating notches. In case of negative characteristics collected from the external Credit Bureau KSV or of automatic warning signals, the customer PD is downgraded.

Private Individuals rating model is based on logistic-regression concept; it has been recalibrated in 2019 with the enlargement of the time series from 2007 to 2018.

In June 2019 a redevelopment of the PD Private Individuals model has been submitted to Supervisory Authority to comply with the new regulatory requirements as well as harmonize the modelling standards within the UniCredit Group.
In comparison to the current model, the risk is calculated on customer level in the behaviour module instead of at transaction level risk and then aggregated to client risk. Moreover, additional data sources were included, first and foremost information based on daily transaction data. For the Application module an external source, CRIF, is incorporated, enhancing the information of a client, helping to increase the discriminatory power. As part of the behaviour module simplification, the calibration segments were reduced significantly. New definition of default was used in the model redevelopment.
The authorization process by ECB is ongoing and implementation of the new model is planned in 2021.

Furthermore, in 2020 a recalibration has been submitted to Supervisory Authority for the redeveloped Private Individuals PD model in order to support the inclusion of the New Definition of Default in the risk quantification phase also enhancing the used time history by the two most recent years. With reference to the quantification of the regulatory figures, the recalibration and the New Definition of Default classification process will go live in 2021.
Regarding to the LGD/EAD model see as described in paragraphs "Local Austrian LGD model" and "Local Austrian EAD model".

All IRB PD as well as LGD and EAD models are validated on a regular basis by the independent local validation function in cooperation with group internal validation function according to the Group validation framework.

Concerning the model versions currently in production, ongoing validations were performed for all IRB models in 2020. Furthermore, quarterly monitoring results were reported to the Bank Austria AG Risk Committee.

With reference to the abovementioned redevelopment activities, initial validations were conducted for the re-developed PD models Private Individuals and Small Business during 2019. The initial validations consisted of a detailed assessment of model performance, development data, IT environment and credit processes. For all models an improvement of model performance and accuracy could be observed. The results were part of the submission package for the Supervisory authorization process.

Local Models Central and Eastern European Countries (CEE)
With reference to Retail local models of CEE Legal Entities see paragraph "Local Models Central and Eastern European Countries" in section "Corporate (non-financial companies, including SMEs, specialised lending and purchased Receivables)".

Asset Backed Commercial Paper (Securitisation)
With respect to UCB AG Internal Assessment Approach (IAA) rating model for securitisations, reference is made to the dedicated chapter "Securitisations exposures".

Credit risk

IRB Approach - risk assets

(€ million)

	AMOUNT AS AT 12.31.2020				AMOUNT AS AT 12.31.2019			
	FOUNDATION IRB APPROACH		ADVANCED IRB APPROACH		FOUNDATION IRB APPROACH		ADVANCED IRB APPROACH	
PORTAFOLIOS	EXPOSURE AMOUNT	EXPOSURE WEIGHTED AMOUNT	EXPOSURE AMOUNT	EXPOSURE WEIGHTED AMOUNT	EXPOSURE AMOUNT	EXPOSURE WEIGHTED AMOUNT	EXPOSURE AMOUNT	EXPOSURE WEIGHTED AMOUNT
Exposures to or secured by central governments and central banks	376	192	25,415	1,682	534	268	27,423	1,331
Exposures to or secured by Institutions, public and territorial entities and other entities	1,690	436	30,795	8,311	1,818	588	39,497	10,533
Exposures to or secured by corporates:								
- Exposures to or secured by corporate: specialised lendings	1,292	1,007	21,876	9,812	1,317	1,027	21,856	10,362
- Exposures to or secured by corporate: SME	3,139	2,223	46,621	18,753	3,416	2,841	51,619	24,649
- Exposures to or secured by corporate: other	8,532	5,436	183,087	83,126	9,873	6,267	183,601	82,558
Retail exposures:								
- Exposures secured with residential real estate property: SME			5,338	1,245			5,504	1,512
- Exposures secured with residential real estate property: individuals			83,859	17,402			82,933	18,926
- Qualified revolving reatil exposures			5,473	663			2,371	241
- Other retail exposures: SME			11,507	4,148			14,816	5,413
- Other retail exposures: individuals			12,595	5,243			15,337	6,364
Other assets				3,909				3,880
Equity exposures			722	2,409			642	1,950
Total on-balance-sheet risk assets	**12,098**	**7,594**	**336,196**	**120,482**	**13,970**	**9,194**	**347,661**	**132,601**
Total guarantees given and committed lines	**2,553**	**1,540**	**69,436**	**28,709**	**2,744**	**1,668**	**67,947**	**27,281**
Total derivatives contracts and long settlement transactions	**352**	**155**	**14,278**	**6,881**	**236**	**127**	**13,853**	**5,302**
Totale SFT transactions	**24**	**5**	**7,377**	**631**	**9**	**2**	**16,140**	**2,535**
From contractual cross product netting	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**15,028**	**9,294**	**427,287**	**156,703**	**16,959**	**10,991**	**445,601**	**167,719**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit Risk

IRB Approach: Geographical breakdown

(€ million)

	12.31.2020								
	ITALY			OTHER EUROPEAN COUNTRIES			AMERICA		
	EAD	PD%	LGD%	EAD	PD%	LGD%	EAD	PD%	LGD%
Exposures to or secured by governments and central banks	9,062	0.05	21.26	8,799	0.32	25.25	2,203	0.00	10.01
Exposures to or secured by supervised institutions, regional governments and local authorities and others	13,041	0.39	43.62	16,568	0.18	36.09	171	0.19	60.03
Exposures to or secured by corporates	83,970	9.85	43.57	172,159	3.76	28.90	7,107	0.79	39.40
Exposures to or secured by corporates: Specialised lendings (no slotting)	4,621	10.71	31.99	13,058	3.98	17.39	3	0.18	21.74
Exposures to or secured by corporates: Specialised lendings (slotting)	3,894	-	-	1,583	-	-	-	-	-
Exposures to or secured by corporates: SME	15,607	21.41	50.28	34,118	6.36	18.46	1	0.83	38.62
Equity exposures: PD/LGD	-	-	-	106	0.41	90.00	-	-	-
Equity exposures: Simple risk weight approach	450	-	-	166	-	-	0	-	-
Equity exposures: Internal method approach	-	-	-	-	-	-	-	-	-

continued: IRB Approach: Geographical breakdown

(€ million)

	12.31.2020					
	ASIA			REST OF THE WORLD		
	EAD	PD%	LGD%	EAD	PD%	LGD%
Exposures to or secured by governments and central banks	5,725	0.02	20.71	-	-	-
Exposures to or secured by supervised institutions, regional governments and local authorities and others	1,879	0.11	61.29	-	-	-
Exposures to or secured by corporates	1,310	7.85	41.89	-	-	-
Exposures to or secured by corporates: Specialised lendings (no slotting)	8	1.34	5.05	-	-	-
Exposures to or secured by corporates: Specialised lendings (slotting)	-	-	-	-	-	-
Exposures to or secured by corporates: SME	33	2.55	38.51	-	-	-
Equity exposures: PD/LGD	-	-	-	-	-	-
Equity exposures: Simple risk weight approach	-	-	-	-	-	-
Equity exposures: Internal method approach	-	-	-	-	-	-

Notes:
- PD% and LGD% reported in tables above are Exposure weighted average PD (%) and LGD (%);
- Exposures are split by geographical breakdown in accordance of CRR article 452 (j) (3) where *"…the relevant geographical location of credit exposures means exposures in the Member States in which the institution has been authorised and Member States or third countries in which institutions carry out activities through a branch or a subsidiary."*

Credit risk

IRB Approach - Retail exposures: Geographical breakdown

(€ million)

	12.31.2020								
	ITALY			OTHER EUROPEAN COUNTRIES			AMERICA		
	EAD	PD%	LGD%	EAD	PD%	LGD%	EAD	PD%	LGD%
Retail exposures	**56,741**	**7.89**	**30.51**	**62,030**	**2.90**	**25.87**	**-**	**-**	**-**
Exposures secured by residential property	47,726	6.13	27.03	41,471	2.31	11.50	-	-	-
Exposures secured by residential property: SME	2,574	14.03	27.02	2,763	7.09	9.27	-	-	-
Exposures secured by residential property: Individual	45,152	5.68	27.03	38,707	1.97	11.66	-	-	-
Qualifying revolving retail exposures	-	-	-	5,473	5.53	83.23	-	-	-
Other retail exposures	9,015	17.20	48.94	15,087	3.59	44.55	-	-	-
Other retail exposures: SME	9,015	17.19	48.94	2,492	8.86	41.78	-	-	-
Other retail exposures: Individual	1	100.00	54.53	12,594	2.55	45.09	-	-	-

continued: IRB Approach - Retail exposures: Geographical breakdown

(€ million)

	12.31.2020					
	ASIA			REST OF THE WORLD		
	EAD	PD%	LGD%	EAD	PD%	LGD%
Retail exposures	**-**	**-**	**-**	**-**	**-**	**-**
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by residential property: SME	-	-	-	-	-	-
Exposures secured by residential property: Individual	-	-	-	-	-	-
Qualifying revolving retail exposures	-	-	-	-	-	-
Other retail exposures	-	-	-	-	-	-
Other retail exposures: SME	-	-	-	-	-	-
Other retail exposures: Individual	-	-	-	-	-	-

Notes:
- PD% and LGD% reported in tables above are Exposure weighted average PD (%) and LGD (%);
- Exposures are split by geographical breakdown in accordance of CRR article 452 (j) (3) where *"…the relevant geographical location of credit exposures means exposures in the Member States in which the institution has been authorised and Member States or third countries in which institutions carry out activities through a branch or a subsidiary."*

In this table values related to the following exposures are not included:
- Alternative treatment: secured by real estate;
- Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weights;
- Dilution risk: total purchased receivables.

Credit risk

EU CR6: IRB - Credit risk exposures by exposure class and PD range - AIRB

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l
EXPOSURE CLASS AIRB	PD SCALE	ORIGINAL ON-BALANCE SHEET GROSS EXPOSURES	OFF-BALANCE SHEET EXPOSURES PRE-CCF	AVERAGE CCF	EAD POST CRM AND POST CCF	AVERAGE PD	NUMBER OF OBLIGORS	AVERAGE LGD	AVERAGE MATURITY	RWAs	RWA DENSITY	EXPECTED LOSS	VALUE ADJUSTMENTS AND PROVISIONS
Exposures to Central governments and central banks	0.00 to <0.15	19,163	926	11.15%	20,282	0.02%	37	19.74%	2.68	1,329	6.55%	1	
	0.15 to <0.25	306	55	11.08%	123	0.19%	6	32.10%	3.72	47	38.24%	0	
	0.25 to <0.50	454	85	30.08%	261	0.27%	7	35.60%	4.72	158	60.42%	0	
	0.50 to <0.75	114	6	-	0	0.66%	3	30.99%	1.00	-	42.96%	0	
	0.75 to <2.50	660	364	10.63%	38	1.33%	20	44.82%	4.27	50	129.29%	0	
	2.50 to <10.00	176	49	-	-	-	5	-	0.00	-	-	-	
	10.00 to <100.00	223	15	42.62%	3	33.13%	7	43.78%	3.81	8	258.21%	0	
	100.00 (Default)	442	138	8.08%	24	100.00%	1,419	67.47%	2.96	4	16.41%	16	
	Sub-total	**21,540**	**1,637**	**11.14%**	**20,733**	**0.15%**	**1,504**	**20.12%**	**2.71**	**1,596**	**7.70%**	**19**	**26**
Exposures to institutions	0.00 to <0.15	16,500	7,551	12.52%	17,894	0.07%	386	39.10%	1.93	3,561	19.90%	5	
	0.15 to <0.25	3,464	1,263	11.73%	3,860	0.17%	76	28.26%	2.04	950	24.60%	2	
	0.25 to <0.50	1,096	1,642	15.91%	957	0.36%	104	40.29%	1.35	458	47.82%	1	
	0.50 to <0.75	241	438	16.45%	393	0.59%	52	35.40%	2.35	246	62.57%	1	
	0.75 to <2.50	609	745	16.66%	946	1.72%	72	57.76%	1.59	1,290	136.42%	10	
	2.50 to <10.00	63	94	10.66%	44	5.15%	36	54.72%	1.09	77	174.10%	1	
	10.00 to <100.00	4	15	11.44%	7	21.01%	13	57.84%	0.98	21	319.02%	1	
	100.00 (Default)	26	-	-	26	100.00%	19	90.20%	1.00	10	36.71%	23	
	Sub-total	**22,003**	**11,747**	**13.14%**	**24,127**	**0.30%**	**758**	**38.17%**	**1.92**	**6,612**	**27.41%**	**44**	**85**
Exposures to corporates - SME	0.00 to <0.15	5,555	4,146	16.98%	5,740	0.09%	5,630	17.64%	2.71	422	7.35%	1	
	0.15 to <0.25	4,821	3,016	14.70%	4,758	0.20%	4,076	21.14%	2.28	636	13.36%	2	
	0.25 to <0.50	6,559	5,531	15.65%	6,479	0.37%	8,047	26.97%	2.32	1,562	24.11%	6	
	0.50 to <0.75	4,065	2,556	14.91%	3,759	0.62%	4,936	27.53%	2.33	1,194	31.76%	6	
	0.75 to <2.50	12,105	6,710	19.40%	11,625	1.43%	14,469	28.95%	2.33	5,274	45.37%	48	
	2.50 to <10.00	7,428	3,465	16.56%	6,965	4.53%	11,349	31.86%	2.45	4,936	70.87%	103	
	10.00 to <100.00	1,848	604	18.50%	1,842	19.11%	3,143	29.71%	2.62	2,003	108.75%	100	
	100.00 (Default)	4,194	488	29.28%	4,245	100.00%	4,258	56.86%	1.91	1,910	45.01%	2,290	
	Sub-total	**46,574**	**26,516**	**16.99%**	**45,412**	**11.32%**	**55,908**	**29.39%**	**2.36**	**17,937**	**39.50%**	**2,557**	**3,329**
Exposures to corporates - Specialised lendings	0.00 to <0.15	954	465	32.79%	1,041	0.10%	72	17.33%	3.39	123	11.84%	0	
	0.15 to <0.25	2,143	459	20.63%	2,107	0.20%	170	16.82%	3.13	392	18.58%	1	
	0.25 to <0.50	2,563	515	19.54%	2,779	0.36%	187	25.77%	3.42	1,055	37.97%	3	
	0.50 to <0.75	1,803	192	19.02%	1,586	0.64%	134	27.67%	3.45	793	49.99%	3	
	0.75 to <2.50	6,635	1,165	18.49%	6,996	1.41%	471	15.72%	3.29	2,513	35.93%	15	
	2.50 to <10.00	1,327	263	10.35%	1,370	3.94%	134	14.38%	3.11	656	47.89%	8	
	10.00 to <100.00	270	7	13.63%	103	19.41%	19	28.18%	2.72	115	111.98%	6	
	100.00 (Default)	569	96	63.02%	616	100.00%	64	57.26%	3.68	303	49.17%	333	
	Sub-total	**16,263**	**3,162**	**20.88%**	**16,597**	**4.90%**	**1,251**	**20.29%**	**3.31**	**5,950**	**35.85%**	**369**	**356**
Exposures to corporates - Other	0.00 to <0.15	46,406	87,636	27.07%	71,210	0.07%	3,912	35.66%	2.42	13,683	19.22%	19	
	0.15 to <0.25	18,609	26,364	27.54%	25,888	0.19%	2,596	38.05%	2.14	8,898	34.37%	18	
	0.25 to <0.50	21,004	33,357	24.86%	27,576	0.35%	5,051	34.84%	2.16	12,028	43.62%	34	
	0.50 to <0.75	8,763	11,579	27.17%	11,135	0.61%	3,149	37.74%	2.32	7,242	65.04%	26	
	0.75 to <2.50	17,549	17,783	23.29%	19,677	1.39%	6,831	36.26%	2.31	16,294	82.81%	99	
	2.50 to <10.00	8,992	8,797	23.42%	10,551	4.77%	7,813	38.92%	2.19	13,748	130.30%	193	
	10.00 to <100.00	2,185	2,619	22.96%	2,192	17.49%	4,528	35.51%	2.03	3,889	177.40%	127	
	100.00 (Default)	5,746	2,771	22.00%	6,123	100.00%	5,538	56.79%	1.73	3,037	49.61%	3,296	
	Sub-total	**129,254**	**190,904**	**26.21%**	**174,353**	**4.33%**	**39,418**	**37.02%**	**2.28**	**78,821**	**45.21%**	**3,812**	**4,709**

Credit risk

continued: EU CR6: IRB - Credit risk exposures by exposure class and PD range - AIRB

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l
EXPOSURE CLASS AIRB	PD SCALE	ORIGINAL ON-BALANCE SHEET GROSS EXPOSURES	OFF-BALANCE SHEET EXPOSURES PRE-CCF	AVERAGE CCF	EAD POST CRM AND POST CCF	AVERAGE PD	NUMBER OF OBLIGORS	AVERAGE LGD	AVERAGE MATURITY	RWAs	RWA DENSITY	EXPECTED LOSS	VALUE ADJUSTMENTS AND PROVISIONS
Exposures to retail - secured by immovable property SME	0.00 to <0.15	180	22	51.99%	191	0.11%	1,236	21.06%		9	4.63%	0	
	0.15 to <0.25	479	54	51.97%	506	0.19%	4,304	23.16%		39	7.78%	0	
	0.25 to <0.50	735	69	53.51%	770	0.38%	5,788	21.95%		88	11.46%	1	
	0.50 to <0.75	509	47	52.85%	526	0.61%	3,432	16.57%		65	12.39%	1	
	0.75 to <2.50	1,548	114	54.66%	1,606	1.47%	9,794	13.77%		287	17.88%	3	
	2.50 to <10.00	980	53	63.31%	1,009	4.57%	6,458	13.69%		363	35.96%	7	
	10.00 to <100.00	328	15	62.02%	334	25.54%	2,479	17.80%		265	79.45%	16	
	100.00 (Default)	393	8	65.18%	396	100.00%	2,715	34.95%		128	32.34%	130	
	Sub-total	**5,153**	**381**	**55.03%**	**5,338**	**10.47%**	**36,206**	**18.19%**		**1,245**	**23.32%**	**158**	**276**
Exposures to retail - secured by immovable property non-SME	0.00 to <0.15	9,497	123	51.45%	9,574	0.12%	134,114	19.51%		585	6.11%	3	
	0.15 to <0.25	14,245	150	36.70%	14,298	0.20%	175,375	19.82%		1,265	8.85%	6	
	0.25 to <0.50	27,318	234	34.02%	27,209	0.37%	269,085	19.87%		3,586	13.18%	20	
	0.50 to <0.75	9,906	96	34.92%	9,797	0.61%	90,937	19.85%		1,869	19.07%	12	
	0.75 to <2.50	14,589	179	40.03%	14,632	1.27%	122,354	17.99%		3,988	27.26%	33	
	2.50 to <10.00	4,090	45	38.83%	4,074	4.53%	46,028	20.28%		2,680	65.77%	38	
	10.00 to <100.00	2,296	10	47.21%	2,287	33.61%	23,417	22.36%		2,767	120.96%	179	
	100.00 (Default)	1,983	2	79.08%	1,986	100.00%	18,150	36.18%		663	33.36%	670	
	Sub-total	**83,923**	**840**	**38.60%**	**83,859**	**3.97%**	**879,460**	**19.96%**		**17,402**	**20.75%**	**961**	**1,838**
Exposures to retail - Qualifying revolving	0.00 to <0.15	94	5,202	58.61%	3,142	0.06%	822,291	90.89%		108	3.43%	2	
	0.15 to <0.25	46	823	57.80%	522	0.19%	155,031	80.21%		46	8.85%	1	
	0.25 to <0.50	101	722	60.55%	538	0.36%	169,516	70.43%		68	12.56%	1	
	0.50 to <0.75	74	277	65.25%	255	0.61%	87,361	63.22%		45	17.55%	1	
	0.75 to <2.50	216	452	65.55%	512	1.34%	182,999	58.34%		147	28.61%	4	
	2.50 to <10.00	115	107	69.07%	189	4.53%	111,699	52.98%		118	62.37%	5	
	10.00 to <100.00	29	14	86.93%	41	18.24%	33,536	53.46%		53	130.29%	4	
	100.00 (Default)	270	7	60.82%	274	100.00%	39,290	92.77%		79	28.99%	254	
	Sub-total	**944**	**7,603**	**59.56%**	**5,473**	**5.53%**	**1,601,723**	**82.03%**		**663**	**12.11%**	**271**	**265**
Exposures to retail - Other SME	0.00 to <0.15	988	1,672	4.60%	670	0.11%	17,937	43.47%		63	9.46%	0	
	0.15 to <0.25	1,589	2,011	4.47%	1,069	0.20%	23,349	43.33%		154	14.38%	1	
	0.25 to <0.50	2,964	3,022	6.33%	2,037	0.36%	49,344	43.44%		432	21.22%	3	
	0.50 to <0.75	1,672	1,384	7.00%	1,138	0.61%	36,017	43.63%		328	28.81%	3	
	0.75 to <2.50	4,045	2,451	9.35%	2,848	1.40%	96,933	43.47%		1,153	40.48%	17	
	2.50 to <10.00	2,463	999	9.16%	1,635	4.76%	77,167	43.71%		861	52.66%	34	
	10.00 to <100.00	842	265	6.11%	603	24.10%	36,282	42.61%		454	75.31%	61	
	100.00 (Default)	1,529	98	9.16%	1,491	100.00%	40,642	77.48%		697	46.76%	1,105	
	Sub-total	**16,092**	**11,901**	**6.69%**	**11,490**	**15.41%**	**377,671**	**47.87%**		**4,142**	**36.05%**	**1,225**	**1,435**
Exposures to retail - Other non-SME	0.00 to <0.15	936	351	28.20%	1,032	0.09%	32,305	52.98%		124	12.00%	-	
	0.15 to <0.25	860	331	25.98%	940	0.20%	20,478	45.11%		183	19.49%	1	
	0.25 to <0.50	2,452	863	23.84%	2,640	0.37%	43,235	43.73%		736	27.88%	4	
	0.50 to <0.75	1,806	486	27.17%	1,930	0.62%	32,985	41.95%		692	35.86%	5	
	0.75 to <2.50	3,979	883	33.20%	4,231	1.32%	99,781	44.67%		2,212	52.28%	25	
	2.50 to <10.00	1,355	149	36.21%	1,387	4.53%	51,390	45.82%		981	70.70%	29	
	10.00 to <100.00	250	25	36.06%	257	19.73%	11,380	46.97%		263	102.46%	23	
	100.00 (Default)	127	5	100.33%	126	100.00%	5,935	66.57%		45	35.50%	84	
	Sub-total	**11,765**	**3,094**	**28.53%**	**12,543**	**2.55%**	**297,489**	**45.16%**		**5,236**	**41.74%**	**172**	**330**
Other non-credit obligation asset	**Sub-total**									**3,909**	**-**		
Specialised lending – slotting criteria	**Sub-total**	**3,736**	**693**		**4,157**					**3,266**	**78.57%**	**195**	**265**
Alternative treatment: secured by real estate	**Sub-total**	**-**	**-**		**-**						**-**		**-**
Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weights	**Sub-total**	**829**	**-**		**829**					**3**	**0.37%**		**-**
Dilution Risk: Total Purchased Receivables	**Sub-total**	**-**	**-**		**-**	**-**			**-**	**-**	**-**	**-**	**-**
Total AIRB (All portfolios) as at 12.31.2020		**358,078**	**258,478**	**24.83%**	**404,911**	**4.97%**	**3,291,388**	**32.01%**	**2.35**	**146,782**	**35.29%**	**9,781**	**12,914**
Total AIRB (All portfolios) as at 06.30.2020		**375,924**	**254,493**	**24.49%**	**431,415**	**5.42%**	**3,169,482**	**32.63%**	**2.38**	**159,125**	**35.92%**	**11,940**	**14,987**

Credit risk

EU CR6: IRB - Credit risk exposures by exposure class and PD range - FIRB

(€ million)

EXPOSURE CLASS FIRB	PD SCALE	a ORIGINAL ON-BALANCE SHEET GROSS EXPOSURES	b OFF-BALANCE SHEET EXPOSURES PRE-CCF	c AVERAGE CCF	d EAD POST CRM AND POST CCF	e AVERAGE PD	f NUMBER OF OBLIGORS	g AVERAGE LGD	h AVERAGE MATURITY	i RWAs	j RWA DENSITY	k EXPECTED LOSS	l VALUE ADJUSTMENTS AND PROVISIONS
Exposures to Central governments and central banks	0.00 to <0.15	-	0		13	0.00%	1			-	-	0	
	0.15 to <0.25	-	-		-	-	-			-	-	-	
	0.25 to <0.50	363	-		363	0.27%	1			192	53.00%	0	
	0.50 to <0.75	-	-		-	-	-			-	-	-	
	0.75 to <2.50	-	-		-	-	-			-	-	-	
	2.50 to <10.00	-	-		-	-	-			-	-	-	
	10.00 to <100.00	0	0		0	15.87%	1			0	233.28%	0	
	100.00 (Default)	0	-		0	100.00%	1			-	-	0	
	Sub-total	**363**	**0**		**376**	**0.26%**	**4**			**192**	**51.16%**	**0**	**0**
Exposures to institutions	0.00 to <0.15	703	526		985	0.07%	90			195	19.84%	0	
	0.15 to <0.25	412	114		269	0.19%	24			123	45.75%	0	
	0.25 to <0.50	281	12		288	0.27%	17			44	15.23%	0	
	0.50 to <0.75	2	5		8	0.63%	7			6	74.22%	0	
	0.75 to <2.50	67	16		85	1.22%	12			49	57.15%	0	
	2.50 to <10.00	0	1		3	3.02%	3			3	112.16%	0	
	10.00 to <100.00	0	0		0	19.39%	6			0	251.14%	0	
	100.00 (Default)	-	-		-	-	-			-	-	-	
	Sub-total	**1,465**	**674**		**1,639**	**0.19%**	**159**			**421**	**25.66%**	**1**	**2**
Exposures to corporates - SME	0.00 to <0.15	21	34		74	0.10%	25			15	20.40%	0	
	0.15 to <0.25	38	40		43	0.20%	108			13	29.51%	0	
	0.25 to <0.50	174	253		201	0.40%	429			87	43.11%	0	
	0.50 to <0.75	175	250		194	0.64%	402			101	51.85%	1	
	0.75 to <2.50	1,241	916		1,294	1.58%	1,966			939	72.59%	9	
	2.50 to <10.00	1,010	524		966	4.47%	1,758			906	93.80%	18	
	10.00 to <100.00	97	24		97	15.70%	261			151	156.06%	6	
	100.00 (Default)	262	46		253	100.00%	570			-	-	109	
	Sub-total	**3,018**	**2,087**		**3,122**	**10.70%**	**5,519**			**2,212**	**70.84%**	**144**	**265**
Exposures to corporates - Specialised lendings	0.00 to <0.15	-	-		-	-	-			-	-	-	
	0.15 to <0.25	-	-		-	-	-			-	-	-	
	0.25 to <0.50	-	-		-	-	-			-	-	-	
	0.50 to <0.75	-	-		-	-	-			-	-	-	
	0.75 to <2.50	-	-		-	-	-			-	-	-	
	2.50 to <10.00	-	-		-	-	-			-	-	-	
	10.00 to <100.00	-	-		-	-	-			-	-	-	
	100.00 (Default)	-	-		-	-	-			-	-	-	
	Sub-total	**-**	**-**		**-**	**-**	**-**			**-**	**-**	**-**	**-**
Exposures to corporates - Other	0.00 to <0.15	1,143	1,898		1,582	0.07%	212			386	24.38%	0	
	0.15 to <0.25	1,537	2,012		1,836	0.20%	118			858	46.72%	2	
	0.25 to <0.50	1,896	2,456		2,376	0.35%	293			1,483	62.41%	4	
	0.50 to <0.75	241	626		383	0.63%	168			300	78.23%	1	
	0.75 to <2.50	1,037	1,201		1,267	1.48%	476			1,361	107.49%	8	
	2.50 to <10.00	520	393		565	3.97%	335			804	142.24%	10	
	10.00 to <100.00	48	26		59	14.42%	773			126	213.45%	3	
	100.00 (Default)	163	46		175	100.00%	712			-	-	77	
	Sub-total	**6,586**	**8,659**		**8,242**	**2.91%**	**3,087**			**5,317**	**64.51%**	**106**	**181**
Specialised lending - slotting criteria	**Sub-total**	**1,137**	**202**		**1,273**					**993**		**56**	**59**
Alternative treatment: secured by real estate	**Sub-total**	**-**	**-**		**-**					**-**	**-**		**-**
Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weights	**Sub-total**	**-**	**-**		**-**					**-**	**-**		**-**
Dilution Risk: Total Purchased Receivables	**Sub-total**	**-**	**-**		**-**	**-**				**-**	**-**	**-**	**-**
Total FIRB (All portfolios) as at 12.31.2020		**12,570**	**11,622**		**14,652**	**4.32%**	**8,769**			**9,134**	**62.34%**	**306**	**508**
Total FIRB (All portfolios) as at 06.30.2020		**13,840**	**11,043**		**15,770**	**3.84%**	**7,475**			**10,132**	**64.25%**	**282**	**512**

Credit risk

EU CR6: IRB - Credit risk exposures by exposure class and PD range - Equity exposures

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l
CLASSE DI ESPOSIZIONE EQU	PD SCALE	ORIGINAL ON-BALANCE SHEET GROSS EXPOSURES	OFF-BALANCE SHEET EXPOSURES PRE-CCF	AVERAGE CCF	EAD POST CRM AND POST CCF	AVERAGE PD	NUMBER OF OBLIGORS	AVERAGE LGD	AVERAGE MATURITY	RWAs	RWA DENSITY	EXPECTED LOSS	VALUE ADJUSTMENTS AND PROVISIONS
Equity exposures: PD/LGD approach	0.00 to <0.15	21	0		21	0.10%		90.00%		22	105.29%	0	
	0.15 to <0.25	60	0		60	0.16%		90.00%		113	186.52%	0	
	0.25 to <0.50	13	0		13	0.38%		90.00%		29	229.11%	0	
	0.50 to <0.75	0	0		0	0.57%		90.00%		1	317.34%	0	
	0.75 to <2.50	8	0		8	1.42%		90.00%		24	323.49%	0	
	2.50 to <10.00	1	3		4	3.01%		90.00%		20	531.07%	0	
	10.00 to <100.00	0	0		0	12.08%		90.00%		2	494.18%	0	
	100.00 (Default)	0	0		0	100.00%		90.00%		-	-	0	
	Sub-total	**104**	**3**		**106**	**0.41%**		**90.00%**		**212**	**199.01%**	**-**	
Equity exposures: simple risk weight approach	NA	**596**	**19**		**615**					**2,197**		**14**	
Equity exposures: Internal approach	NA	**-**	**-**		**-**					**-**	**-**	**-**	
Total Equity exposure as at 12.31.2020		**700**	**22**		**722**	**0.41%**		**90.00%**		**2,409**	**333.77%**	**14**	
Total Equity exposure as at 06.30.2020		**719**	**26**		**745**	**0.42%**		**90.00%**		**2,355**	**315.93%**	**13**	

Notes:
The templates “CR6” above are subject to reconciliation of data across disclosure’s templates as represented in the Annex 3.
The templates “CR6” show above refer to the Credit risk, excluding the Counterparty risk (which is reported in the “CCR4” tables in the next paragraph “Counterparty Risk exposure”).
The amounts less than €1 million are reported with “0”.

To filling the tables above purposes, from June 2017, the Group Master Scale has been amended in order to respond to new cut-off levels, which are therefore different compared to the previous rating scale. Possible migrations of exposures among classes, compared to the previous Pillar III publications before June 2017, is not due to a worsening/improving of portfolio riskiness but only to the change in the rating scale itself.

The overall Group credit risk AIRB portfolio over the reporting period (December 2020 vs June 2020) records the following evolution:

- the overall Group exposure of the performing portfolio records a decrease of -€23,212 million, mainly determined by asset classes “Corporates - Other” (-€13,996 million), “Retail - Other non-SME” (-€2,833 million) and “Corporates - SME” (-€2,624 million), primarily attributable to the lower business evolution of commercial volumes in Germany, Italy and Austria;
- considering credit risk parameters, the performing portfolio shows -8 basis points decrease of the average PD and -40 basis points of the average LGD. Trend on PD is explained mainly by ratings improvement on mortgages portfolio and flows to default of clients having initially higher PD compared to the portfolio average, partially compensated by the PD worsening on Corporate and Multinational clients driven by the ongoing Covid-19 crisis;
- the overall Group defaulted exposures report a decreasing trend of -€2,611 million, mostly driven by disposals executed in Italy, partially compensated by new flows to default occurred mainly in the fourth quarter.

Credit Risk

EU CR7 - IRB approach - Effect on the RWAs of credit derivatives used as CRM techniques

(€ million)

	DESCRIPTION	a PRE-CREDIT DERIVATIVES RWAs	b ACTUAL RWAs
1	**Exposures under FIRB**		
2	Central governments and central banks	192	192
3	Institutions	421	421
4	Corporates - SMEs	2,212	2,212
5	Corporates - Specialised lending	993	993
6	Corporates - Other	5,317	5,317
7	**Exposures under AIRB**		
8	Central governments and central banks	1,599	1,599
9	Institutions	6,613	6,613
10	Corporates - SMEs	17,937	17,937
11	Corporates - Specialised lending	9,217	9,217
12	Corporates - Other	78,851	78,821
13	Retail - Secured by real estate SMEs	1,245	1,245
14	Retail - Secured by real estate non-SMEs	17,402	17,402
15	Retail - Qualifying revolving	663	663
16	Retail - Other SMEs	4,142	4,142
17	Retail - Other non-SMEs	5,236	5,236
18	Equity	2,409	2,409
19	Other non credit obligation assets	3,909	3,909
20	**Total as at 12.31.2020**	**158,355**	**158,325**
21	**Total as at 06.30.2020**	**171,645**	**171,612**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The table illustrates the effect of Credit Derivatives on IRB approach capital requirements' calculation, comparing RWA before and after Credit Derivatives mitigation.
At Group Level the impact of such effect is not significant and mainly referred to the corporate exposures treated under AIRB approach.

Credit Risk

RWAs flow statements – IRB method

In the fourth quarter of 2020, credit risk exposures under IRB approach recorded a -€7,379 million of decrease versus third quarter 2020 driven primarily by the item “Asset size” (-€4,834 million mostly due to lower business dynamics and benefit from Italian state guarantees introduced to mitigate Covid pandemic effects) and by the evolution of “Asset quality” item (-€1,025 million mostly explained by the effect of flows to default occurred in the quarter). Further contribution to the quarterly decrease are brought by the item “Methodology and policy” (-€673 million largely explained by the introduction of the use of the CRR option to calculate RWA for the Qualified Revolving Retail asset class in Austria) and by the item “Foreign exchange movements” (-€317 million mainly reflecting US Dollar depreciation).

EU CR8 - RWA flow statements of credit risk exposures under the IRB approach

(€ million)

		QUARTER CLOSING AT 12.31.2020		CUMULATIVE YTD AT 12.31.2020	
		A	B	A	B
	DESCRIPTION	RWA AMOUNTS	CAPITAL REQUIREMENTS	RWA AMOUNTS	CAPITAL REQUIREMENTS
1	**RWAs and Capital requirements beginning of period**	**165,704**	**13,256**	**170,744**	**13,660**
2	Asset size	(4,834)	(387)	(13,820)	(1,106)
3	Asset quality	(1,025)	(82)	6,491	519
4	Model updates	(111)	(9)	440	35
5	Methodology and policy	(673)	(54)	(3,730)	(298)
6	Acquisitions and disposals	-	-	-	-
7	Foreign exchange movements	(317)	(25)	(1,521)	(122)
8	Other	(419)	(34)	(280)	(22)
9	**RWAs and Capital requirements end of period**	**158,325**	**12,666**	**158,325**	**12,666**

Note:
The template above is subject to reconciliation of data across disclosure’s templates as represented in the Annex 3.

Credit Risk

Expected loss versus actual loss comparison

Within this section it is described the comparison between the expected loss calculated at beginning of the year ("Expected Loss") and the actual losses ("Write-down on loans") incurred at year-end, on the Group's main credit portfolios.
To properly assess the result of the comparison, it should be noted that the variables mentioned above, although in principle comparable, derive from different calculation methods.
The expected loss, used in this comparison, is the forecast of credit losses due to default of the counterparties with a horizon of one year, calculated on the portfolio of exposures treated under the IRB approach which were classified as performing at the beginning of the period. It is calculated using the Basel II internal parameter estimates for capital requirements calculation as result of the product of PD, LGD and EAD on performing loans at 31 December of the previous year, compared to the reference analysis date. Particularly, the internal PD parameter, used for expected loss comparison, is calibrated "through-the-cycle" to take in account the expansion and recession phases of an entire economic cycle. Furthermore, the LGD parameter refers to a time horizon that covers the entire life of the loan.
The actual loss is defined as the amount of write-down on loans incurred in the year and referred to the exposures treated under IRB approach as described above, which were classified as defaulted during the period and charged to the income statement in the reference year of the analysis.
The actual loss charged to income statement, calculated in accordance with IFRS international accounting principle, represent the write-down on loans incurred in the impairment loan portfolio and are based on the present value of expected cash flows; basic elements for the assessment are represented by the identification of estimated collections, timing of payments and the interest rate used. Recovery times are estimated based on the repayment schedule agreed with the borrower or included in a business plan or in forecasts based on historical recovery experience observed for similar classes of loans, considering the type of loan, the geographical location, the type of guarantees and collaterals and any other factor considered relevant.
Considering the differences described above, the following is a comparison of the expected loss related to calendar years 2018, 2019 and 2020 with actual losses recorded in the same financial years for major Group regulatory portfolios. The scope of the analysis includes exposures treated with Advanced IRB approach (except derivatives positions and securitization) of UniCredit Spa, UniCredit Bank AG, UniCredit Leasing Germany, UniCredit Bank Austria AG, UniCredit Bank Czech Republic & Slovakia and UniCredit BulBank.

(€ million)

ASSET CLASS	EXPECTED LOSS (DEC 2017)	ACTUAL LOSS (DEC 2018)	DELTA %	EXPECTED LOSS (DEC 2018)	ACTUAL LOSS (DEC 2019)	DELTA %	EXPECTED LOSS (DEC 2019)	ACTUAL LOSS (DEC 2020)	DELTA %
Corporate	**773.0**	**1,046.7**	**35.4%**	**774.6**	**820.0**	**5.9%**	**906.5**	**1,389.5**	**53.3%**
o/w Large Corporates	*426.0*	*698.6*	*64.0%*	*433.2*	*417.6*	*-3.6%*	*493.6*	*956.5*	*93.8%*
Italy	249.5	435.6	74.6%	247.8	147.7	-40.4%	296.8	294.8	-0.7%
Germany	116.9	182.6	56.2%	126.5	248.6	96.5%	135.9	465.6	242.6%
Other LEs[1]	59.6	80.4	34.8%	58.9	21.3	-63.8%	60.8	196.1	222.4%
Retail	**660.1**	**308.1**	**-53.3%**	**650.3**	**301.1**	**-53.7%**	**647.7**	**309.9**	**-52.2%**
o/w Individual Mortagages	*370.6*	*80.9*	*-78.2%*	*379.4*	*70.0*	*-81.6%*	*345.0*	*99.7*	*-71.1%*
Italy	318.8	61.9	-80.6%	329.0	57.9	-82.4%	292.9	82.6	-71.8%
Germany	29.0	12.8	-56.0%	28.2	6.2	-78.1%	31.0	8.0	-74.4%
Other LEs	22.8	6.3	-72.4%	22.1	5.9	-73.4%	21.0	9.2	-56.4%
Other[2]	**16.4**	**(0.1)**	**-100.8%**	**16.8**	**-**	**-100.0%**	**22.7**	**1.1**	**-95.2%**
TOTAL	**1,449.4**	**1,354.6**	**-6.5%**	**1,441.8**	**1,121.2**	**-22.2%**	**1,576.8**	**1,700.5**	**7.8%**

In 2020, at Group level, overall Actual Loss is slightly above the Expected Loss. The trend is principally explained by Corporate asset classes, only partially offset by Retail portfolio evolution.
In the "Corporate" segment, overall Actual Losses are above the Expected Loss, mostly driven by Germany, Austria and Czech Republic, mainly due to flows to default of clients belonging to industries highly impacted by COVID crisis, meanwhile Italy reported actual loss in line with the estimation.
The difference in the "Retail" segment can be observed in all regions in scope (i.e. Italy, Germany, Austria, CEE) and is mainly explained by the following reasons:

- lower default rate compared to the estimated PD at the beginning of the period, partly driven also by the moratoria schemes introduced to face COVID crisis;
- PD and expected loss calculated "through the cycle" and therefore not fully reflecting the specific conditions occurred during the year.

Credit Risk

EU CR9 - AIRB approach - Back testing of PD per exposure class

A	B	C	D	E	F		G	H	I
					NUMBER OF OBLIGORS				
EXPOSURE CLASS	PD RANGE	EXTERNAL RATING EQUIVALENT	WEIGHTED AVERAGE PD	ARITHMETIC AVERAGE PD BY OBLIGORS	END OF PREVIOUS YEAR	END OF THE YEAR	DEFAULTED OBLIGORS IN THE YEAR	OF WHICH NEW OBLIGORS	AVERAGE HISTORICAL ANNUAL DEFAULT RATE
AIRB - Central governments and central banks	Class 01 - from 0.00% to 0.0036%	AAA	0.00%	0.00%	47	43	-	-	0.92%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0.01%	0.02%	7	11	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.03%	0.06%	20	16	2	-	2.13%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.23%	0.24%	11	20	-	-	0,00%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	1.05%	1.13%	13	8	2	-	5.17%
	Class 06 - from 1.3694% to 3.2198%	B+	2.76%	2.44%	7	6	-	-	0,00%
	Class 07 - from 3.2199% to 7.571%	B	0,00%	0,00%	-	-	-	-	0,00%
	Class 08 - from 7.5711% to 17.8023%	B-	8.94%	10.35%	7	2	1	-	3.85%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	35.91%	35.91%	4	4	2	-	16.67%
AIRB - Institutions	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.07%	0.09%	330	296	8	6	0.35%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.20%	0.33%	228	272	1	-	0.29%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	1.02%	0.98%	84	72	-	-	0,00%
	Class 06 - from 1.3694% to 3.2198%	B+	1.65%	1.67%	42	38	-	-	0,00%
	Class 07 - from 3.2199% to 7.571%	B	6.20%	4.44%	18	13	-	-	1.33%
	Class 08 - from 7.5711% to 17.8023%	B-	7.91%	14.04%	14	13	-	-	0,00%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	25.77%	27.77%	18	8	1	-	3.23%
AIRB - Corporates - SME	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.08%	0.08%	4,146	4,855	14	4	0.60%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.32%	0.32%	15,563	15,500	65	9	0.34%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.93%	0.92%	10,969	10,636	111	5	0.84%
	Class 06 - from 1.3694% to 3.2198%	B+	2.08%	2.11%	9,941	10,112	185	6	1.75%
	Class 07 - from 3.2199% to 7.571%	B	4.66%	4.86%	5,998	6,632	241	15	4.37%
	Class 08 - from 7.5711% to 17.8023%	B-	11.64%	11.35%	3,237	3,565	377	112	8.24%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	27.07%	30.11%	972	1,013	205	44	22.44%
AIRB - Corporates - Specialised Lending	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.08%	0.09%	59	48	-	-	0,00%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.31%	0.29%	378	428	1	-	0.37%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.94%	0.98%	368	334	4	-	0.48%
	Class 06 - from 1.3694% to 3.2198%	B+	2.18%	2.34%	304	277	5	-	0.86%
	Class 07 - from 3.2199% to 7.571%	B	4.70%	4.68%	59	65	1	-	2.60%
	Class 08 - from 7.5711% to 17.8023%	B-	10.82%	10.75%	36	15	4	-	3.90%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	29.94%	21.63%	16	11	-	-	8.00%
AIRB - Corporates - other	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.06%	0.07%	3,408	3,014	7	-	0.21%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.27%	0.28%	10,117	10,068	50	6	0.34%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.92%	0.91%	5,473	5,392	85	15	1.20%
	Class 06 - from 1.3694% to 3.2198%	B+	2.08%	2.12%	4,938	5,000	107	25	1.94%
	Class 07 - from 3.2199% to 7.571%	B	4.70%	4.89%	4,545	4,406	145	46	4.21%
	Class 08 - from 7.5711% to 17.8023%	B-	10.99%	11.46%	3,762	3,219	295	117	11.90%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	28.98%	30.17%	2,667	2,140	1,965	1,174	28.40%

Credit Risk

continued: EU CR9 - AIRB approach - Back testing of PD per exposure class

A	B	C	D	E	F		G	H	I
					NUMBER OF OBLIGORS				
EXPOSURE CLASS	PD RANGE	EXTERNAL RATING EQUIVALENT	WEIGHTED AVERAGE PD	ARITHMETIC AVERAGE PD BY OBLIGORS	END OF PREVIOUS YEAR	END OF THE YEAR	DEFAULTED OBLIGORS IN THE YEAR	OF WHICH NEW OBLIGORS	AVERAGE HISTORICAL ANNUAL DEFAULT RATE
AIRB - Retail - secured by immovable property SME	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.09%	0.08%	391	428	3	-	0.45%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.33%	0.34%	11,285	12,180	32	-	0.29%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.93%	0.94%	7,667	7,226	55	1	0.60%
	Class 06 - from 1.3694% to 3.2198%	B+	2.14%	2.14%	6,868	6,450	71	1	1.45%
	Class 07 - from 3.2199% to 7.571%	B	4.76%	4.70%	4,323	3,949	125	-	3.58%
	Class 08 - from 7.5711% to 17.8023%	B-	11.38%	11.47%	2,065	1,865	126	-	8.50%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	36.41%	37.52%	1,675	1,349	358	3	23.33%
AIRB - Retail - secured by immovable property non-SME	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.08%	0.08%	16,528	26,456	8	-	0.09%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.31%	0.30%	565,400	586,271	924	7	0.17%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.87%	0.88%	136,009	132,218	500	7	0.38%
	Class 06 - from 1.3694% to 3.2198%	B+	2.03%	2.06%	63,150	56,106	815	4	1.31%
	Class 07 - from 3.2199% to 7.571%	B	4.74%	4.74%	34,843	28,626	1,043	2	3.17%
	Class 08 - from 7.5711% to 17.8023%	B-	11.19%	11.36%	12,543	11,157	903	7	7.86%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	40.31%	40.54%	19,061	16,505	3,985	9	19.27%
AIRB - Retail - qualifying revolving	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.05%	0.05%	403,609	720,955	106	11	0.02%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.28%	0.28%	265,820	464,292	1,129	273	0.21%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.91%	0.91%	93,041	157,010	1,203	180	0.84%
	Class 06 - from 1.3694% to 3.2198%	B+	2.09%	2.12%	72,377	124,253	2,152	226	2.24%
	Class 07 - from 3.2199% to 7.571%	B	4.74%	4.90%	41,155	53,899	2,338	281	4.32%
	Class 08 - from 7.5711% to 17.8023%	B-	11.09%	11.54%	23,265	32,177	3,014	342	9.59%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	24.71%	26.42%	6,754	14,995	2,316	216	23.20%
AIRB - Retail - other SME	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.09%	0.09%	8,258	8,671	20	3	0.23%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.32%	0.33%	88,833	95,468	201	11	0.24%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.91%	0.90%	71,110	69,283	422	13	0.59%
	Class 06 - from 1.3694% to 3.2198%	B+	2.11%	2.13%	58,001	55,209	778	49	1.55%
	Class 07 - from 3.2199% to 7.571%	B	4.83%	4.90%	43,001	37,954	1,328	66	4.35%
	Class 08 - from 7.5711% to 17.8023%	B-	11.65%	11.60%	26,143	21,972	2,202	175	10.95%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	36.66%	35.73%	21,210	17,683	13,359	5,982	32.61%
AIRB - Retail - other non SME	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.06%	0.06%	302,676	24,344	69	5	0.04%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.34%	0.30%	240,307	86,300	289	10	0.19%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.90%	0.92%	127,454	82,138	541	18	0.48%
	Class 06 - from 1.3694% to 3.2198%	B+	2.03%	2.20%	110,527	62,283	1,809	212	1.26%
	Class 07 - from 3.2199% to 7.571%	B	4.79%	4.81%	44,634	31,417	1,093	36	2.84%
	Class 08 - from 7.5711% to 17.8023%	B-	10.78%	10.87%	19,819	12,862	1,026	28	7.03%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	31.10%	31.20%	5,520	4,133	1,122	11	22.73%

Credit Risk

EU CR9 - FIRB approach - Back testing of PD per exposure class

A	B	C	D	E	F		G	H	I
					NUMBER OF OBLIGORS				
EXPOSURE CLASS	PD RANGE	EXTERNAL RATING EQUIVALENT	WEIGHTED AVERAGE PD	ARITHMETIC AVERAGE PD BY OBLIGORS	END OF PREVIOUS YEAR	END OF THE YEAR	DEFAULTED OBLIGORS IN THE YEAR	OF WHICH NEW OBLIGORS	AVERAGE HISTORICAL ANNUAL DEFAULT RATE
FIRB - Central governments and central banks	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.03%	0,00%	-	-	-	-	0,00%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.25%	0.26%	2	-	-	-	0,00%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0,00%	0,00%	-	-	-	-	0,00%
	Class 06 - from 1.3694% to 3.2198%	B+	0,00%	0,00%	-	-	-	-	0,00%
	Class 07 - from 3.2199% to 7.571%	B	0,00%	0,00%	-	-	-	-	0,00%
	Class 08 - from 7.5711% to 17.8023%	B-	0,00%	0,00%	-	-	-	-	0,00%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	0,00%	0,00%	-	-	-	-	0,00%
FIRB - Institutions	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.07%	0.07%	84	73	-	-	0,00%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.28%	0.28%	47	60	1	-	0.84%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	1.07%	1.10%	17	8	-	-	0,00%
	Class 06 - from 1.3694% to 3.2198%	B+	1.76%	1.64%	6	9	-	-	0,00%
	Class 07 - from 3.2199% to 7.571%	B	3.65%	6.56%	1	1	-	-	0,00%
	Class 08 - from 7.5711% to 17.8023%	B-	7.81%	14.67%	2	5	-	-	0,00%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	0,00%	0,00%	-	-	-	-	0,00%
FIRB - Corporates - SME	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.07%	0.07%	59	170	2	-	0.61%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.39%	0.37%	827	693	22	-	1.06%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.98%	0.97%	1,161	1,093	11	2	0.72%
	Class 06 - from 1.3694% to 3.2198%	B+	2.33%	2.35%	1,974	1,661	47	1	1.75%
	Class 07 - from 3.2199% to 7.571%	B	4.56%	4.64%	878	1,094	47	2	3.49%
	Class 08 - from 7.5711% to 17.8023%	B-	10.09%	10.09%	379	308	18	1	6.04%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	19.99%	20.15%	56	113	38	19	21.68%
FIRB - Corporates - Specialised lending	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0,00%	0,00%	-	-	-	-	0,00%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0,00%	0,00%	-	-	-	-	0,00%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0,00%	0,00%	-	-	-	-	0,00%
	Class 06 - from 1.3694% to 3.2198%	B+	0,00%	0,00%	-	-	-	-	0,00%
	Class 07 - from 3.2199% to 7.571%	B	0,00%	0,00%	-	-	-	-	0,00%
	Class 08 - from 7.5711% to 17.8023%	B-	0,00%	0,00%	-	-	-	-	0,00%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	0,00%	0,00%	-	-	-	-	0,00%
FIRB - Corporates - other	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.07%	0.09%	222	183	1	-	0.10%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.26%	0.26%	489	523	2	-	0.28%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	0.95%	0.98%	343	361	-	-	0.67%
	Class 06 - from 1.3694% to 3.2198%	B+	2.18%	2.17%	409	331	4	-	1.20%
	Class 07 - from 3.2199% to 7.571%	B	4.82%	4.69%	123	191	6	1	1.35%
	Class 08 - from 7.5711% to 17.8023%	B-	9.46%	12.07%	311	289	23	15	1.18%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	20.95%	21.57%	10	526	239	238	12.50%

Credit Risk

EU CR9 - Back testing of PD for exposure class - Equity treated under PD/LGD approach

A	B	C	D	E	F		G	H	I
					NUMBER OF OBLIGORS				
EXPOSURE CLASS	PD RANGE	EXTERNAL RATING EQUIVALENT	WEIGHTED AVERAGE PD	ARITHMETIC AVERAGE PD BY OBLIGORS	END OF PREVIOUS YEAR	END OF THE YEAR	DEFAULTED OBLIGORS IN THE YEAR	OF WHICH NEW OBLIGORS	AVERAGE HISTORICAL ANNUAL DEFAULT RATE
Equity Exposure - PD/LGD approach	Class 01 - from 0.00% to 0.0036%	AAA	0,00%	0,00%	-	-	-	-	0,00%
	Class 02 - from 0.0037% to 0.0208%	From AA+ to AA-	0,00%	0,00%	-	-	-	-	0,00%
	Class 03 - from 0.0209% to 0.1185%	From A+ to A-	0.10%	0.09%	5	5	-	-	0,00%
	Class 04 - from 0.1186% to 0.5824%	From BBB+ to BBB-	0.30%	0.35%	29	26	-	-	0.08%
	Class 05 - from 0.5825% to 1.3693%	From BB+ to BB-	1.16%	0.98%	11	10	-	-	0,00%
	Class 06 - from 1.3694% to 3.2198%	B+	2.22%	2.36%	10	9	-	-	0,00%
	Class 07 - from 3.2199% to 7.571%	B	4.98%	5.90%	2	1	-	-	0,00%
	Class 08 - from 7.5711% to 17.8023%	B-	7.90%	7.90%	1	2	-	-	0,00%
	Class 09 - from 17.8024% to 99.99%	From CCC to C	32.12%	32.12%	1	-	-	-	25.00%

The PD range are based on the PD used for the RWA calculation after considering the CRM application; the default status is detected at obligor level. The PD range used for the templates CR9 above, refer to Group Master Scale reported in this document.

Credit Risk

Back-testing of PD for exposure class

The templates EU-CR9 of the previous pages compare the PD used in IRB capital calculation with the effective default rates of institution's obligors observed both in the short term (year 2020) and long term (from year 2016 to 2020) in accordance with regulatory reporting at Group level as of December 2020. In particular, the information is provided by regulatory exposure class with a further breakdown by PD range.

It can be stated that the highest share of the portfolios (i.e., 86% and 86% respectively in terms of EAD and RWA compared to the whole IRB Rating System performing portfolios[38]) is covered by several key IRB models, further detailed below, within the perimeter represented by three major countries: Italy, Austria and Germany.

More in details, the main part of the obligors falling within the exposure class "Corporates" ("Corporates – Others", "Corporates – SME", "Corporates – Specialized Lending") is rated with the Mid Corporate and Small Business Local rating systems developed by the three above-mentioned countries and with the Group Wide Multinational Corporate and Group Wide Global Project Finance models applied at Group level (i.e., 70% and 72% respectively in terms of EAD and RWA compared to the whole "Corporates" exposure class for performing portfolio at Group level).

With regard to the exposure class "Retail" ("Other Retail SME/NonSME", "Qualifying Revolving", "Secured on real estate property – SME/NonSME"), the analyses show that the relevant obligors are mainly rated with the Private Individuals[39] and the Small Business locally developed models concerning the previous mentioned countries (i.e., 94% and 93% respectively in terms of EAD and RWA compared to the whole "Retail" exposure class for performing portfolio).
In particular, it can be highlighted that the specific asset classes "Other Retail – SME/Non SME" and "Secured on real estate property – SME/Non SME" are mainly covered by the Italian perimeter. On the other side, the Retail asset class "Qualifying Revolving" is represented by obligors predominantly rated with the German Private Individuals local model.

Finally, the obligors belonging to the "Central government and central banks" exposure class are fully rated with the Group Wide Sovereign rating system, while the exposure class "Institutions" is mainly represented by the Group Wide Banks model (i.e., 93% and 96% respectively in terms of EAD and RWA compared to the whole "Institutions" exposure class for performing portfolio).

Consequently, in the following section the back-testing results for the PD rating systems mentioned above are shown and where available, also the results for LGD and EAD are reported.

Model performance: comparison between estimated and actual results

Local models

The performance assessment on rating model is based on the principles described at the beginning of the qualitative information paragraph. Furthermore, in the sections related to each rating system the detailed outcomes on the last activities and the related results are specifically disclosed.

Following there is the comparison between estimated PDs, at September 2019, and 2020 observed default rates (DR) of the main Group models authorized for regulatory purposes. In particular, the analysis is focused on overall Corporate (including Real Estate exposures), Small Business and Private Individuals segments in the three major Group entities: UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria AG[40].

In general, the back-testing (with a default rate calculated as an average of the last five years) has highlighted a satisfactory degree of alignment between estimated PDs and empirical for each segment under assessment. The "overall" data refer to Italy, Germany and Austria.

38 Information on EAD and RWA for each rating system are based on September 2020 data.
39 In Italy we refer only to mortgages, since these products are the only ones allowed to use internal risk parameters for the RWA calculation.
40 Data for the backtesting analysis are based on the most up-to-date monitoring report "Annex 3 Local IRB PD models Monitoring September 2020". One exception is for the German Mid Corporate where the last full Ongoing Validation issued in November 2020 is used. On the latter the PD refers to March 2019 while the 1- year DR cover the period March 2019- March 2020.

Credit Risk

Table: Performance of Probability of Default (PD) local models

MODEL	COUNTRY	PD SEPTEMBER 2019	LONG-RUN DR	DR SEPTEMBER 2018-SEPTEMBER 2019	DR SEPTEMBER 2019-SEPTEMBER 2020	COMMENT
Mid Corporate	Overall	2.70%	1.92%	1.91%	1.67%	The satisfactory result is strictly connected with the decreasing trend of the Italian and Austrian default rate registered during 2020 for the Italian and Austrian perimeters. A slight increase in the DR for the German Mid Corporate segment with respect to the performance observed in 2019 is detected.
	Italy	2.96%	2.36%	2.10%	1.95%	
	Germany	2.60%	1.10%	1.05%	1.18%	
	Austria	1.75%	1.68%	2.76%	1.69%	
Small Business	Overall	3.91%	3.02%	2.80%	3.38%	The difference between the PD and DR is mainly driven by higher level of PD associated to the Italian Small Business portfolio, due to the alignment with the Central Tendency (CT 2005-2017: 7.07%).
	Italy	5.45%	4.02%	3.58%	4.65%	
	Germany	0.97%	1.13%	1.05%	1.03%	
	Austria	2.80%	2.40%	3.33%	2.22%	
Private Individuals	Overall	1.06%	0.81%	0.64%	0.78%	A satisfactory level of alignment between the observed and the estimated value is observed.
	Italy (Mortgages)	1.90%	0.96%	0.73%	1.07%	
	Germany	0.61%	0.64%	0.59%	0.55%	
	Austria	0.74%	0.85%	0.63%	0.74%	

The figures below show in more details the comparison between the estimated LGD against the observed one distinguishing by country and segment. For the Italian models, the figures represent the Loss Given Liquidation (LGL) for the performing portfolio which does not include the impact of cured cases.

Table: Performance of Loss Given Default (LGD) local models

COUNTRY	MODEL	ESTIMATED LGD	OBSERVED LGD	COMMENT
Italy	LGL Corporate (Mid+Small) - 2019	75.24%	84.18%	A not full alignment is detected between estimated and observed losses on Corporate, mainly due to the lower recoveries observed in 2019 and, in general, to the higher losses observed on the disposed positions. On Mortgages, the under conservative level of estimates is mainly due to an increasing trend in the average LGD of the credit files closed in recent years.
	LGL Corporate (Mid+Small) - 2001-2019	79.19%	82.46%	
	LGL Retail (Mortgages) - 2019	46.57%	60.37%	
	LGL Retail (Mortgages) - 2001-2019	47.27%	51.88%	
Germany	Corporate&Retail - 2019	36.88%	39.72%	The estimated LGD is conservative, a slight underestimation is observed for the last available snapshot.
	Corporate&Retail - 2005-2019	35.80%	34.03%	
Austria	Corporate&Retail - 2019	87.02%	59.05%	The overestimation is driven by the conservative approach adopted for small exposures and by lower losses observed in the most recent years for several segments.
	Corporate&Retail - 2005-2019	68.04%	49.14%	

The figures below show in more details the comparison between the estimated EAD against the observed one distinguishing by country and segment.

Table: Performance of Exposure at Default (EAD) local models

COUNTRY	MODEL	ESTIMATED EAD	OBSERVED EAD	COMMENT
Italy	Retail (Mortgages) - 2019	100.11%	97.57%	A good alignment is observed. A new EAD model developed in Italy covering the Private Individuals segment, ensuring the coverage of all types of products, is currently under assessment by the ECB.
Germany	Corporate&Retail - 2019 (€ million)	91,825	81,982	
Austria	Corporate&Retail - 2019	106.37%	95.85%	

Credit Risk

Group-Wide models

The quantitative evaluation of the Group Wide rating systems is annually performed, following the internal validation guidelines, as part of the regular validation activities through specific and dedicated analyses.

Due to the "Low Default Portfolio" nature, common to all customer segments subject to Group Wide ratings, calibration analyses are usually carried out through benchmarking at overall level with long-term estimates published by external providers or comparison at single counterparty level between internal and external ratings published by Standard and Poor's. The summary of the rating agencies assessments is commonly defined as "PD consensus" and the comparison is conducted between internal average PD and average consensus one, using samples including only counterparties that have agency ratings assigned. However, when possible, a back-testing with internal default data is also performed, using the portfolio containing all counterparts with an exposure towards the Group. For the back-testing activities the internal average PD is compared with DR of the subsequent year. A comparison against a "Through the Cycle" timespan of default rates is carried out when long- and robust-time history are collected, due to the peculiarity of this type of portfolios.

Table: Performance of Probability of Default (PD) Group Wide models

MODEL	PD JUNE 2020	CONSENSUS PD JUNE 2020	PD JUNE 2019	DR JUNE 2019-JUNE 2020	DR MULTI YEAR (2016/2020)	COMMENT
Multinational Corporate	1.16%	0.80%	0.68%	0.98%	0.63%	Internal PD is higher than consensus PD and DR of the last 5 years. For LCI segment internal PD is lower than the one-year DR and higher than multi-year DR. A new model has been submitted to ECB for authorization in January 2019.
Large Corporate Italia			1.26%	1.96%	1.19%	
Global Project Finance			1.07%	0.87%	1.03%	Internal PD is higher than observed DRs.
Banks - Overall	1.20%	1.12%				The outcome shows similar average internal PDs compared to external one. The analysis at sub-model level confirms the same result, with the only exception of “Pure Securities Industry”, where internal PD is widely more conservative than external consensus.
Commercal Banks - Developed Countries	0.43%	0.39%				
Commercal Banks - Emerging Markets	2.45%	2.31%				
Banks - Hybrid Banks	0.24%	0.22%				
Banks - Pure Securities Industry	0.23%	0.14%				
Sovereign - Overall	2.08%	2.52%				The overall internal PD is lower than external benchmark. The analysis performed at sub-segments level returns the same outcome for "Emerging Markets" and shows an internal PD higher than the benchmark for "Developed Countries".
Sovereign - Paesi Sviluppati	0.08%	0.05%				
Sovereign - Paesi Emergenti	3.08%	3.75%				

For LGD parameter a benchmark activity is conducted comparing internal estimates to external estimates on same type of counterparts reported in rating agency report when available.

Table: Performance of Loss Given Default (LGD) group wide models

MODEL	ESTIMATED LGD	OBSERVED LGD	AVERAGE PORFOLIO LGD	EXTERNAL LGD	COMMENT
Multinational Corporate	39.41%	49.75%			Calibration results highlights estimated results lower than observed. This result is driven by the ILC segment and has led a recommendation in December 2020 full ongoing validation.
Multinational Corporate - Only MNC	38.24%	33.95%			
Multinational Corporate - Only LCI	41.97%	88.76%			
Global Project Finance	23.23%	16.59%	21.94%	23.77%	LGD estimates are lower than the external LGD, but are conservative against the observed LGD.
Banks - Overall	63.23%	19.85%			LGD estimates are conservative against the observed LGD.
Sovereign - Overall	29.72%			13.41%	LGD estimates are conservative against the external LGD.

Credit Risk

The EAD model is tested using internal and observed values collected.

Table: Performance of Exposure at Default (EAD) group wide models

OVERALL	WILCOXON	PAIRED T-TEST	COMMENT
EAD	YELLOW CONSERVATIVE	RED	Il Wilcoxon test at overall level prove a YELLOW outcome conservative, instead at component level is GREEN not conservative for LEQ and YELLOW conservative for LOF. GW EAD model has been fully redeveloped and it is waiting for the finalization of the authorization process.
LEQ - Limit Equivalent factor	GREEN NOT CONSERVATVE	RED	
LOF- Limit Overdraft Factor	YELLOW CONSERVATIVE	RED	

Credit risk

Use of risk mitigation techniques (CRM)

UniCredit group, consistently with the "Revised Framework of International Convergence of Capital Measures and Rules" (Basel), is firmly committed to satisfying the requirements for recognition of Credit Risk Mitigation (hereafter "CRM") techniques for regulatory capital purposes, according to the different approaches adopted (Standardized, F-IRB or A-IRB).

In this regard, specific projects have been completed and actions have been carried out for implementing the Group's internal regulations and for bringing processes and IT systems into compliance. Considering the Group's presence in different countries, implementation measures have been made in accordance with local regulations and the requirements of the oversight authorities in the countries to which the individual entities belong.

UniCredit group has acknowledged the regulatory requirement with specific internal Guidelines issued by the Parent Company, in compliance with CRR. Such Guidelines pursue several objectives:
- to encourage collateral and guarantees optimal management
- to maximize the mitigating effect of collateral and guarantees on defaulted loans
- to attain positive effect on Group capital requirements, ensuring that local CRM practices meet minimum requirements provided in CRR
- to define general rules for eligibility, valuation, monitoring and management of collateral (funded protection) and guarantees (unfunded protection) and to detail special rules and requirements for specific collateral/guarantees.

Credit risk mitigations are accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet its obligations. For this reason they have to be evaluated in the credit application along with the assessment of the creditworthiness and the repayment capacity of the borrower, emphasizing the importance of the "legal certainty" requirement for all collaterals and guarantees, as well as their suitability. Legal Entities shall put in place all necessary actions to:
- fulfill the respect of any contractual and legal requirements, and take all steps necessary to ensure the enforceability of the collateral/guarantee arrangements under the applicable law
- carry out sufficient legal reviews confirming the enforceability of the collateral/guarantee arrangements on the parties and in the relevant jurisdictions.

Legal Entities conduct such review, as applicable, to ensure enforceability and suitability for the entire term of the underlying collateralized credit exposure. Any collateral/guarantee can be considered adequate if it is consistent with the underlying credit exposure and, for guarantees, when there are no relevant risks towards the protection provider.
Collateral management assessments and Credit Risk Mitigation compliance verifications are performed by the Legal Entities, specifically as part of the wider process of internal validation on rating systems and of IRB methods roll-out activities.

Policies and processes for, and an indication of the extent to which the Group makes use of, on – and off – balance sheet netting

In general, netting agreements on balance sheet of reciprocal credit exposures between the Bank and its counterparty are considered eligible if they are legally effective and enforceable in all relevant jurisdictions, including in the event of default or bankruptcy of counterparty, and if they meet the following operational conditions:
- provide for the netting of gains and losses on transactions cleared under the master agreement so that a single net amount is owed by one party to the other;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

In general, Group Legal Entities can apply netting agreements only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting agreement), monitoring and controlling debts, credit and netting value.

UniCredit group makes use of netting instruments mainly for OTC derivatives, repos and securities lending transactions where the counterparties are – generally – Corporate and Financial Institutions. The primary objective of the bank is to cover with netting agreements as many as possible transactions in order to reduce utilization of credit lines and to release the amount of required regulatory capital. In this regard, a special policy ("Global Policy – Counterparty Credit Risk Governance") has been issued aiming at defining an efficient and comprehensive framework for collateral management to safeguard the bank from avoidable risk-taking.

Credit risk

The effectiveness of a collateral agreement of each individual counterparty relationship depends on the selection of appropriate assets qualifying as eligible collateral. Certain collateral types may present inherent risks related to the price volatility, the liquidity, and the settlement of the asset. In addition, the collateral assets must be assessed in the context of the collateral providing counterparty (double default risk). Based on the guidelines of the above mentioned policy, details on the eligibility criteria have been outlined for both OTC derivatives and Repo/securities Lending Transactions, and the requirements in terms of documentations have been defined, requiring, as a general base, market standard agreements such as ISDA Master Agreement, Global Master Repurchase Agreement or European Master Agreement.

Policies and processes for collateral evaluation and management

UniCredit group has implemented a clear and robust system for managing the credit risk mitigation techniques, governing the entire process for evaluation, monitoring and management of collaterals.
The assessment of the collateral value is based on the current market price or the estimated amount which the underlying asset could reasonably be liquidated for (i.e. pledged financial instrument or mortgaged real estate fair value).
For financial instruments, valuation methods are different depending on their typology:

- securities listed on a recognized stock exchange, are evaluated according to the market price (the price of the most recent trading session)
- securities not listed on a recognized stock exchange, have to be based on pricing models based on market data
- undertakings for Collective Investments and mutual funds are based on the price for the units that are publicly quoted daily.

The market price of pledged securities is adjusted by applying haircuts for market price and /or foreign exchange volatility, according to regulatory requirements.
In case of currency mismatch between the credit facility and the collateral, an additional haircut is applied.
Possible mismatches between the maturity of the exposure and that of the collateral are also considered in the adjusted collateral value.
The current models in place within the Group are based both on pre-defined prudential haircuts and internally estimated haircuts. The methodological approach provides that the hedging value has to be estimated for each financial instrument on the basis of its market value (s.c. mark-to-market) adjusted with a haircut that has to consider the intrinsic riskiness according to the different factors (price risk, time of ownership and liquidity risk).
The main legal entities of the Group are also provided with tools for the automatic evaluation of the mark-to-market of the pledged securities, granting the constant monitoring of the financial collateral values.
For the valuation of real estate collateral, specific processes and procedures ensure that the property is evaluated by an independent appraiser at a value not exceeding the market value.
With reference to the main Group legal entities (i.e. those operating in Austria, Germany and Italy) systems are also in place for the periodic monitoring and revaluation of the real estate collateral, based on statistical methods, adopting internal databases or provided by external info-providers.
Other types of collateral (such as a pledge of movable assets) are subject to specific prudential haircuts. Monitoring activities strictly depend on the collateral characteristics. In general pledges on goods are treated with caution.

Description of the main types of collateral taken by the Group Entities

The collateral accepted in support of credit lines granted by the Group's Legal Entities, primarily includes real estate, both residential and commercial (around 59% of the stock) and financial instruments collateral, including debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS) (around 27%). The remaining part includes pledges on other assets (e.g. pledged goods) and other collaterals (e.g. movable properties).
However, in order to be considered eligible for risk mitigation, the general requirements according to Supervisory Regulations must be met, along with the specific requirements for the approach adopted for purposes of calculating regulatory capital for the individual counterparty/exposure (Standardized, F-IRB, A-IRB), in accordance with the legal framework of the country in scope.
The Parent Company provides specific guidelines for the eligibility of all kind of collaterals and each legal entity shall define the list of eligible collateral, according to Group methods and procedures and in compliance with local legal and supervisory requirements and peculiarities.

Main types of guarantors and credit derivative counterparties and their creditworthiness

Personal guarantees can be accepted as module complementary and accessory to the granting of loans, for which the risk mitigation serves as additional security for repayment. Their use is widespread within the UniCredit group, though their characteristics differ among the different local markets.
Less frequently, the risk of default is covered by personal guarantees provided by other legal entities (usually the Parent company or other companies belonging to the same economic group as the borrower), or by financial institutions and insurance companies.
At consolidated level, personal guarantees are provided by banks (around 6% of the stock), government, central banks, and other public entities (around 43%) and others (51%). The last category includes the personal guarantees provided by natural persons, whose eligibility for CRM depends on the approach used by the different legal entities.

Credit risk

Credit derivative protection providers are mainly banks and institutional counterparties.
The list of eligible protection providers depends on the specific approach adopted by each single Legal Entity. Specifically, under the Standardized approach, eligible protection providers pertain to a restricted list of counterparts, such as Central Government and Central Banks, public sector entities and regional and local authorities, multilateral development banks, supervised institutions and corporate entities that have a credit assessment by an eligible ECAI associated with credit quality step 2 or above. Legal Entities adopting A-IRB may recognize guarantees provided that the relevant minimum requirements are satisfied and, particularly, provided that the Legal Entity can evaluate the protection provider risk profile at the time that the guarantee is established and over its entire duration.

Before a personal guarantee is accepted, the protection provider (or the protection seller in case of credit default swap) must be assessed in order to measure his/her creditworthiness and risk profile. The hedging effect of guarantees/credit derivatives for the purpose of credit protection depends basically on the creditworthiness of the protection provider which is assessed during the credit underwriting phase.

Information about market or credit risk concentrations under the credit risk mitigation instruments used

Concentration risk occurs when the major part of Group-wide collateral financial assets (at portfolio level) are concentrated in a small number of collateral types, protection instruments, or specific providers of collaterals or sectors or when there is lack of proportion in the volume of collaterals taken.
Such concentration is monitored and controlled by the following processes/mechanisms:

- In case of personal guarantees/credit derivatives, a contingent liability (indirect risk) is charged to the protection provider. In the evaluation of the credit application, a secondary commitment is added to the guarantor and it is reflected in the guarantor's total credit exposure as deemed competent and approved in accordance with the bank's system of authority
- In case the protection provider, directly or indirectly, is a Central Bank or a Sovereign country, a specific credit limit has to be instructed and, if the guarantor is a foreign subject, a country limit must be obtained, if necessary.

Credit risk

The tables provide information about collateralization of on- and off-balance credit exposure with the indication of the amount of the Collateral/Guarantees eligible for Credit Risk Mitigation purposes.
In detail, the table on Collaterals is broken down by collateral type, type of security with the indication of the rating (related to the client who is covered by the guarantee) and maturity (calculated as average of residual contractual maturities of payments, each weighted by the relative amount). The table on Guarantees is broken down by type of guarantee (Credit Derivatives and Personal Guarantees) and type of issuer.

Distribution of collaterals on credit exposures to banks and customers

(€ million)

TYPE OF COLLATERAL	TYPE OF SECURITY BY ISSUER'S MACRO CATEGORY	RATING	MATURITY	STOCKS AS AT 12.31.2020 WITH BANKS VALUE OF THE GUARANTEE	STOCKS AS AT 12.31.2020 WITH BANKS O/W ELIGEBLE FOR CRM PURPOSES	STOCKS AS AT 12.31.2020 WITH CUSTOMERS VALUE OF THE GUARANTEE	STOCKS AS AT 12.31.2020 WITH CUSTOMERS O/W ELIGEBLE FOR CRM PURPOSES
Pledge on Securities	Governments Bonds (Central Banks, Multilateral Development Banks and International Organizations included)	Investment Grade	Short term (<5 years)	6,280	6,280	21,445	21,441
			(>= 5 years)	952	1	17,450	36
		Non Investment grade	Short term (<5 years)	149	149	113	111
			(>= 5 years)	60	60	38	37
		Unrated/not available	Short term (<5 years)	-	-	7,654	7,654
			(>= 5 years)	-	-	1,502	1,502
	Supervised Financial institution Bonds	Investment Grade	Short term (<5 years)	966	966	129	127
			(>= 5 years)	-	-	11	10
		Non Investment grade	Short term (<5 years)	-	-	53	50
			(>= 5 years)	500	500	13	13
		Unrated/not available	Short term (<5 years)	-	-	2	2
			(>= 5 years)	-	-	2	2
	Corporate Bonds	Investment Grade	Short term (<5 years)	150	150	402	397
			(>= 5 years)	4,364	4,364	116	115
		Non Investment grade	Short term (<5 years)	24	24	309	295
			(>= 5 years)	-	-	78	76
		Unrated/not available	Short term (<5 years)	-	-	0	0
			(>= 5 years)	-	-	0	0
	Other securities	Investment Grade	Short term (<5 years)	2,407	2,407	3,031	2,792
			(>= 5 years)	-	-	100	94
		Non Investment grade	Short term (<5 years)	187	187	660	439
			(>= 5 years)	3	3	357	291
		Unrated/not available	Short term (<5 years)	152	-	1,591	7
			(>= 5 years)	144	144	366	109
Pledge on Cash deposits				16	3	2,497	1,345
Other pledges				12	12	10,043	7,557
Properties				49	49	155,919	108,329
Other assets				9,445	48	15,429	5,305
			Total	**25,859**		**239,311**	

Credit risk

Distribution of guarantees on credit exposures to banks and customers

(€ million)

TYPE	TYPE OF SECURITY BY ISSUER'S MACRO CATEGORY	RATING	STOCKS AS AT 12.31.2020			
			BANKS		CUSTOMERS	
			VALUE OF THE GUARANTEE	O/W ELIGEBLE FOR CRM PURPOSES	VALUE OF THE GUARANTEE	O/W ELIGEBLE FOR CRM PURPOSES
Credit Derivatives	Credit-Linked Notes		-	-	-	-
	Government and Central Banks	Investment grade	-	-	-	-
		Non Investment grade	-	-	-	-
		Unrated/not available	-	-	-	-
	Other Public Entities	Investment grade	-	-	-	-
		Non Investment grade	-	-	-	-
		Unrated/not available	-	-	-	-
	Banks	Investment grade	-	-	-	-
		Non Investment grade	-	-	-	-
		Unrated/not available	-	-	-	-
	Other Entities	Investment grade	-	-	-	-
		Non Investment grade	-	-	-	-
		Unrated/not available	-	-	-	-
Personal Guarantees	Governments and Central Banks	Investment grade	450	450	13,958	13,640
		Non Investment grade	-	-	8,927	8,535
		Unrated/not available	21	-	5,958	2,640
	Other Public Entities	Investment grade	-	-	3,199	2,846
		Non Investment grade	-	-	1,083	966
		Unrated/not available	14	-	1,545	212
	Banks	Investment grade	113	113	1,778	1,677
		Non Investment grade	57	7	289	269
		Unrated/not available	112	54	2,510	284
	Corporate / SMEs	Investment grade	362	292	22,835	20,545
		Non Investment grade	7	6	13,831	11,659
		Unrated/not available	26	1	4,012	2,042
	Physical persons		-	-	21	20
		Total	**1,162**		**79,947**	

With reference to the table “Distribution of guarantees on credit exposures to banks and customers” above, an increase of €11.3 billion is registered in comparison with 31 December 2019. Such increase is mainly attributable to UniCredit S.p.A. as a consequence of the Law Decrees issued by Italian Government in order to introduce financial support measures to face the Covid-19 emergency.

Credit risk

Credit risk mitigation techniques: standardised approach

(€ million)

	AMOUNT AS AT 12.31.2020			AMOUNT AS AT 12.31.2019		
	FINANCIAL COLLATERALS	OTHER GUARANTEES	GUARANTEES AND CREDIT DERIVATIVES	FINANCIAL COLLATERALS	OTHER GUARANTEES	GUARANTEES AND CREDIT DERIVATIVES
Exposures to or secured by central governments or central banks	11	-	762	45	-	808
Exposures to or secured by regional governments or local authorities	12	-	72	1	-	79
Exposures to or secured by public-sector bodies	15	-	2,355	14	-	2,177
Exposures to or secured by multilateral development banks	-	-	-	-	-	-
Exposures to or secured by international organizations	-	-	-	-	-	-
Exposures to or secured by authorities	1,144	-	573	970	-	635
Exposures to or secured by corporates and other parties	2,200	15	6,466	3,189	16	6,979
Retail exposures	243	14	1,434	324	19	1,493
Exposures secured by real estate collateral	29	-	-	-	-	-
Defaulted exposures	22	1	51	18	1	28
High-risk exposures	20	-	24	60	-	35
Exposures in the form of guaranteed bank bonds (covered bonds)	-	-	-	-	-	-
Short-term exposures to corporates and other parties or authorities	1,367	-	2	600	-	-
Exposures to Undertakings for Collective Investment (UCI)	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-
Total	**5,062**	**30**	**11,737**	**5,221**	**36**	**12,234**

Risk mitigation techniques - IRB Approach

(€ million)

	AMOUNT AS AT 12.31.2020			AMOUNT AS AT 12.31.2019		
	FINANCIAL COLLATERAL	OTHER GUARANTEES	GUARANTEES AND CREDIT DERIVATIVES	FINANCIAL COLLATERAL	OTHER GUARANTEES	GUARANTEES AND CREDIT DERIVATIVES
IRB approach - foundation						
Exposures to or secured by central governments or central banks	-	-	-	-	-	-
Exposures to or secured by institutions, public and territorial entities and other entities	6	215	237	1	220	336
Exposures to or secured by corporate - SME	84	445	373	104	457	192
Exposures to or secured by corporate - Specialised lendings	-	-	-	-	-	-
Exposures to or secured by corporate - Others	71	283	926	75	318	239
IRB approach - advanced						
Exposures to or secured by central governments or central banks	1	-	3,428	1	-	4,333
Exposures to or secured by institutions, public and territorial entities and other entities	1,307	38	1,902	1,194	40	2,297
Exposures to or secured by corporate - SME	1,122	20,206	11,278	1,527	21,034	7,729
Exposures to or secured by corporate - Specialised lendings	165	7,649	1,069	114	7,896	909
Exposures to or secured by corporate - Others	1,569	20,843	20,674	1,775	21,398	14,218
Exposures secured with residential real estate property: SME	31	5,071	63	37	5,194	74
Exposures secured with residential real estate property: Individual	135	79,155	784	154	78,509	41
Qualified revolving retail exposures	-	-	0	-	-	-
Other retail exposures: SME	260	87	15,677	310	85	12,506
Other retail exposures: Individual	438	298	142	526	339	61
Total	**5,187**	**134,291**	**56,553**	**5,818**	**135,490**	**42,935**

With reference to the change of the total amount of the "guarantees and credit derivatives" compared to 31 December 2019, refer to comments reported under the table "Distribution of guarantees on credit exposures to banks and customers" on the previous page.

EU CR3 - CRM Techniques - overview

(€ million)

DESCRIPTION	EXPOSURES UNSECURED - CARRYING AMOUNT	EXPOSURES SECURED - CARRYING AMOUNT	EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES
Total exposures as at 12.31.2020	440,907	287,409	234,420	52,989	-
of which Defaulted	*3,245*	*5,683*	*4,052*	*1,631*	-

Credit risk

Counterparty risk exposure

Counterparty Credit Risk (CCR) is defined as the risk that the counterparty of a transaction may default before the settlement of the transaction cash flows.

The CCR is a particular case of general Credit Risk (e.g. loans). Unlike a firm's exposure to Credit Risk through a loan, where the exposure to Credit Risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty of the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

Counterparty Credit Risk exposure is estimated considering the effect of a period of stress (Stressed Expected Positive Exposure) and the collateral management practices.

The financial products falling into the scope of CCR are:

- over the counter derivative instruments (contracts not traded on an exchange);
- security financing transaction (repurchase transactions, securities or commodities lending or borrowing transactions based on securities or commodities and margin lending transactions based on securities or commodities);
- long settlement transactions, where the counterparty to the transaction has a contractual obligation to deliver a security, a commodity, or a foreign currency amount against cash, other financial instruments, or commodities, or vice versa, at a settlement or delivery date that is later than the earliest of the market standard for the particular transaction;
- exchange traded derivatives.

Counterparty Credit Risk governance principles

In order to design a framework of methodology, policies and processes for the management of Counterparty Credit Risk that is conceptually sound, implemented with integrity and consistent with Supervisory Authorities instructions, the following general principles have been defined:

- Counterparty Credit Risk is a particular type of credit risk and as such the processes and policies governing CCR activities have to follow the same logic as the ones of credit activities, to ensure a comprehensive view on counterparty exposure;
- CCR management must consider the risk limits and comply with the Global Rules issued by Group Risk Management and must fit into Legal Entities limit systems and processes;
- the oversight of CCR will be assured on a daily basis by dedicated risk functions in the Legal Entities and the Parent Company, together with the senior management, relevant Committees and Board of Directors;
- a robust process to ensure the capture and analysis of both Specific Wrong Way and General Wrong Way Risks has to be set up;
- for Legal Entities under Internal Model Method (IMM), a group counterparty credit risk model for CCR measurement has to be implemented and maintained by Parent Company Methodology function and a rigorous and comprehensive stress testing program has to be set up, considering also local relevant scenarios, based on the output of the CCR measurement;
- a legal framework must be set up to grant the enforceability of risk mitigation practices, such as Netting and Collateral agreements. Proper Legal opinion must be collected and considered in using such agreements in Counterparty Credit Risk exposure calculation.

Starting from these principles, the Counterparty Credit Risk Governance has been developed and approved by Senior Risk Committees. Below the key points:

Counterparty Credit Risk measurement methodology

UniCredit group Counterparty Credit Risk Management framework is centered on the daily control of risk exposure, defined by using an approach based on the calculation of the distribution of future values of relevant exchange traded, OTC derivatives, long settlement transactions and SFT transactions at single counterparty-level.

Parent Company risk methodology function has articulated into three steps the estimation of counterparty-level credit exposure distribution, these are:

- scenario generation. Future market scenarios are simulated for a fixed set of simulation dates, using evolution models of the risk factors;
- instrument valuation. For each simulation date and for each realization of the underlying Market Risk factors, instrument valuation is performed;
- aggregation. For each simulation date and for each realization of the underlying market risk factors, instrument values are added to obtain counterparty portfolio value.

For managerial purposes the counterparty-level exposure of transactions within the Internal Model Method (IMM) is measured using the Potential Future Exposure (PFE). For transactions not included in the scope of the CCR IMM, exposures are estimated using Simplified Exposure Measures (i.e. CCFs). The calibration of Simplified Exposure Measures (SEMs) results in a prudential estimation of Potential Future Exposure.

Credit risk

The internal models that generate daily pre-settlement exposure also generate exposure measures that are used in the Risk Weighted Asset calculation, for which UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria AG received the following authorization: on April 2014 Regulatory authorization; on June 2016 Regulatory authorization to extend the internal model to security financial transactions, certain equity and commodity OTC derivatives and exchange traded derivatives; on May 2017 the further Regulatory authorization to enhance the Internal Model by removing the zero floor from interest rate scenarios; in March 2019 UniCredit received the Regulatory authorization to extend for the legal entity UCI S.p.A. the use of the Internal model for Bond Lending transactions, already authorized for UniCredit Bank AG and UniCredit Bank Austria AG.
The same internal models also generate stressed simulations which are submitted into ICAAP process and provide Risk Management with counterparty, country and industry analysis and highlight potential general wrong way risks in the portfolio. In the Risk Weighted Asset calculation, no estimate of alpha is done, instead the fixed value of 1.4 is used.

Counterparty Credit Risk framework

Limits, set by UniCredit, in accordance to the risk appetite of the Bank, allows a consolidated view of exposure with each counterparty and represent a first step in portfolio counterparty risk management.
The idea is to characterize the potential future exposure (PFE) to a counterparty over time and ensure that this does not exceed a certain value.

UniCredit adopt several processes for the control and mitigation of the CCR including:
- manage collateral;
- pre deal check;
- exposure calculation and validation;
- overdraft management;
- reporting and information to HC and Local Senior management.

Furthermore, UniCredit mitigates Counterparty Credit risk from derivatives and other transactions exposed to CCR through the use of netting agreements, collateral exchange and use of Central Counterparties.

Netting agreements allows for the aggregation of positive and negative Mark-to-Market derivative transactions with the same counterparty to be offset, reducing the exposure. The enforcement and enforceability of these netting agreements is monitored by UniCredit's Legal Department on an on-going basis and captured in the daily exposure calculation.
Collateral agreements (if legally enforceable in the jurisdiction) might be required, depending on the creditworthiness of the counterparty and the nature of the transaction. As a rule, FX derivatives, interest rate derivatives, equity derivatives, credit derivatives, commodity derivatives, EU-emissions-allowance transactions, weather derivatives and other OTC derivative transactions must be collateralized by a collateral agreement, according to Delegated Regulation (EU) 2251/2016 (Regulatory Technical standards for risk-mitigation techniques for OTC derivative).
Such Regulation requires the exchange both of Variation Margin and Initial Margin if pre-defined thresholds of Notional amount of OTC derivatives bilaterally exchanged are breached; UniCredit is subject to Initial Margin exchange starting from the 1st of September 2018 with major counterparties also affected by such Regulation.
As anticipated, UniCredit uses Central Counterparties (CCP's) to mitigate the Counterparty Credit Risk of eligible OTC derivatives. By acting as an intermediary to an OTC derivative transaction a CCP replaces the bilateral counterparty of a trade, leaving UniCredit to manage the market risk of the trade.

Collateral management

Collateral Management is a fundamental activity for mitigating CCR that is operatively carried out on a daily basis. The collateral management framework in UniCredit group encompasses three main distinct set of activities which are carried out accordingly by the respective Legal Entity and Parent Company functions:
- Risk Management: Group and Local Reporting to Senior Management with regards to Collateral pool composition, Reuse, Margin disputes; collateral framework definition;
- Risk Control: Monitoring of non-Eligible collateral and Re-use of collateral if allowed;
- Operations: daily valuation of trades in terms of SFTs and OTC Derivatives and collateral, monitoring of liquidity score of collateral, collateral substitution in case of non-eligible collateral accepted, portfolio reconciliation and dispute management, daily margin calls management.

Eligibility criteria of received collateral are defined at Group Level for ensuring the on-going compliance with the binding regulations. The eligibility criteria for the acceptable collaterals, which ensures collateral agreed to be taken, exhibit characteristics such as price transparency, liquidity, enforceability, independence, and eligibility for regulatory purposes.
Cash and non-cash collateral collected as initial margin for non-centrally cleared OTC transactions cannot be re-hypothecated, re-pledged or re-used, and must be segregated by a Triparty Custodian or Triparty Agent, into a segregated account. The segregation must be certified by an independent legal opinion.

Credit risk

Legal Entities allowed to trade OTC Derivatives with Financial Counterparties can leverage on the Group Implementation of Initial Margin ISDA SIMM™ Model, designed at industry level to comply with Margin Requirements on non-centrally cleared derivatives and harmonize the calculation to reduce potential disputes in Collateral Exchange.

The use of ISDA SIMM™ Model required dedicated processes to be in place to rule:
- ISDA SIMM™ Model Governance;
- concept of "materiality of disputes" with regards to Initial Margin exchanges, to avoid unnecessary efforts in matching low disputes on Operations side;
- Model Maintenance;
- Model Back-testing;
- intragroup transactions treatment;
- non nettable third countries transactions treatment.

Stress testing

A rigorous and comprehensive stress testing is implemented that considers both Group relevant and Legal Entity specific scenarios based on the output of the CCR measurement.

The CCR Stress Testing process aims at identifying emerging vulnerabilities and analyzing pre-emptive risk mitigating actions, as well as facilitating a better understanding of complex, non-directional portfolio risks such as correlations and wrong way risks, illiquidity, and non-linearity. Stress Testing therefore represents a complement to the statistical measures of risk (such as peak-, expected- and potential future exposure) employed as part of the day-to-day risk management process.

Single factor CCR stress tests allow to assess the broad effect and magnitude of the sensitivity of the exposure profile to a change in key risk-factors, thus representing a simple but effective tool for identifying portfolio vulnerabilities and concentrations to specific risk factors; The single risk factor stress testing is performed both on current exposure and future exposure.

An assessment of the risk factors relevance and scenarios definition for current and future exposure single factor stress testing is performed at least annually by legal entities CCR control functions supported by the Risk Methodology function.
Multi factor CCR stress tests allow to assess combined impacts, at legal entity and Group Portfolios, of different risk factors shocks (e.g. interest rates, foreign exchange and CDS spreads).
On a yearly basis a reverse Stress test is carried out in order to identify linkages and hypothetical scenarios which could ultimately result in the failure of the bank's business model.

Wrong Way Risk management

Wrong Way Risk arises when the risk factors driving the exposure to a counterparty are positively correlated with the credit worthiness of that same counterparty. Wrong way Risk is distinguished in Specific Wrong Way Risk (SWWR) and General Wrong Way Risk (GWWR).

SWWR arises when the exposure on a transaction is positively correlated with the counterparty's creditworthiness for a reason that is specific to the counterparty. Most commonly this kind of correlation is seen where there is similar material legal/economic ownership between collateral/reference entity and counterparty.

SWWR can arise by a legal or economic connection and in case of high correlation between the trade exposure and the counterparty (e.g. the underlying or the underlying issuer is a company of the same industry sector of the counterparty). The business functions must identify trades affected by economic connection and to obtain a pre-approval prior to entering into the transaction.
SWWR transactions are closely monitored and controlled as part of regular risk management procedures. UniCredit has appropriate procedures in place to identify, monitor and control cases of SWWR and to apply separate capital rules to transactions where SWWR arises from a legal connection between the counterparty and a trade underlying.

GWWR arises when the likelihood of default by any counterparty is correlated with general market risk factors. In case of GWWR the credit quality of the counterparty is correlated with a risk factor which also affects the value of the transaction with the Group.

To identify possible GWWR scenarios, two complementary approaches are used: (i) quantitative (allows the identification of GWWR-relevant combinations of risk factor and counterparty) and (ii) qualitative (allows the identification of GWWR scenarios by countries/industries/product types).
Parent Company Global Rules aim at defining the framework for analyzing, monitoring and managing the potential impact of GWWR risk by product, region and industry and it also seeks to add additional levels of control to General Wrong Way Risk transactions.

Credit risk

Financial Institutions, Banks and Sovereign ('FIBS') counterparts are subject to a centralized credit process, based on the presence of credit competent teams distributed over the main legal entities of the Group. This ensures a homogeneous approach to credit business with FIBS counterparts over all phases of the credit process. The Credit Process aims at the definition, for any given Economic Group, of a Group-wide Plafond, representing the maximum risk appetite of the UniCredit group with regards to that specific Economic Group. The Group-Wide plafond is split into Plafond categories, expressing specific risks, including Counterparty Credit Risk (Pre-settlement risk plafond). Plafonds are sized based on the assessment of expected business volumes and risk considerations and are approved by the relevant competent approval Body. Credit limits univocally linked to specific plafond category may then be set. Such credit limits drive the ordinary operative credit management activity in the local credit systems.

With regard to Counterparty Credit Risk plafond category assigned to Group Legal Entities allowed to use Internal Model Method for Counterparty Credit Risk (UniCredit Bank AG, UniCredit S.p.A, UniCredit Bank Austria AG), the credit process explicitly requires that effects of stress scenarios on existing pre-settlement exposure are assessed and duly reflected in the quantification and management of the related credit limits. Furthermore, allocation of pre-settlement credit limits is conditional to minimum requirements for Master Agreements, established based on the credit profile of the counterparty, the products targeted, the nature and tenor of the underlying Pre-Settlement limits.

Against the backdrop of the business activity conducted within the credit limits set forth coherently with the approved plafonds, total exposure is further subject to Bulk Risk limits. Such limits are set according to the creditworthiness of the economic Group in Net Exposure at Default ('NEAD') terms and are reviewed annually through a dedicated approval process. All risks (including pre-settlement and excluding Clearing Houses) contribute to the determination of the measure.

Central Clearing Counterparts ('CCPs') are subject to a specific risk framework, encompassing explicit limitations in terms of Additional Economic Exposure ('AAE').

In particular, for each individual CCP a specific AAE is calculated, being it the sum of (i) default contributions (funded and unfunded) and (ii) any further contributions callable under Capital Calls or Default Fund Replenishment Mechanisms. The former represents the amount of cash and securities posted towards a CCP as a contractual obligation deriving from the membership to the Clearing House, callable in event of a Clearing Member(s) default, where the defaulting Clearing Member(s) Initial Margin and Default Fund contributions were insufficient to satisfy the loss. The latter is instead related to contingent liabilities that UniCredit could be liable for, under clearing membership agreements based on a CCP's power of assessment, in case a CCP's pre-funded Default Fund is exhausted.

The components of the AEE are calculated, advised and subject to changes unilaterally by the CCP, according to the size of UniCredit group business and volumes generated as Clearing Member.

The framework ensures that contributions and commitments to any given Default Waterfall Mechanism are subject to specific quantitative limits. In fact, quantification and monitoring the AEE is fundamental in understanding the potential economic loss in the event of a CCP distress. Considering that such exposures are largely set unilaterally by the CCP, the AEE is not managed through counterparty credit limits within the risk plafond structure, but within a specific monitoring threshold, segregated from the remaining risk types.

The AEE thresholds are defined internally by UniCredit group at CCP level. The definition of the thresholds towards each CCP is performed and approved in bulk annually in the context of the definition of the credit risk strategies, with eventual intra-annual changes delegated to the competent approval body of the Group the CCP belongs to.

The framework also features:
- an AEE Portfolio threshold, tracking aggregate AEE exposure and being set lower than the sum of the AEE thresholds approver for individual CCPs;
- a CCP Concentration Risk Metric, monitoring and limiting the risk that UniCredit group takes in a given CCP. Such metric is calculated as the Default Fund contributed by the UniCredit group to the Total Default Fund of the CCP. The CCP concentration risk is defined based on the importance of each CCP's business line for UCG and historical data;
- for Secured Financing Transactions only, limitations of Notional Amounts in terms of both Total (sum of long and short positions) and Imbalance (difference between long and short positions).

Credit risk

Counterparty risk - collaterals

(€ million)

COUNTERPARTY RISK - COLLATERALS	EAD AMOUNT AS AT 12.31.2020	12.31.2019
Standardised approach		
- derivatives contracts and long settlement transactions	60	240
- SFT transactions	2,518	1,614

Counterparty risk

(€ million)

COUNTERPARTY RISK	EAD AMOUNT AS AT 12.31.2020	WEIGHTED AMOUNT AS AT 12.31.2020	EAD AMOUNT AS AT 12.31.2019	WEIGHTED AMOUNT AS AT 12.31.2019
Standardised approach	**19,491**	**1,366**	**15,472**	**1,663**
- derivatives contracts and long settlement transactions	16,372	1,048	12,070	1,251
- SFT transactions	3,119	318	3,402	412
- contractual cross product netting	-	-	-	-
IRB Approach	**22,031**	**7,672**	**30,238**	**7,966**
- derivatives contracts and long settlement transactions	14,630	7,036	14,089	5,429
- SFT transactions	7,401	636	16,148	2,537
- contractual cross product netting	-	-	-	-
Total	**41,522**	**9,039**	**45,710**	**9,629**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

EU CCR1 - Analysis of CCR exposure by approach

(€ million)

		a	b	c	d	e	f	g
	DESCRIPTION	NOTIONAL	REPLACEMENT COST/ CURRENT MARKET VALUE	POTENTIAL FUTURE CREDIT EXPOSURE	EEPE	MULTIPLIER	EAD POST CRM	RWAs
1	Mark to market		1,031	1,541			2,631	1,255
2	Original exposure	-					-	-
3	Standardised approach		-			1.45	-	-
4	IMM (for derivatives and SFTs)				22,874	1.45	29,138	7,579
5	of which securities financing transactions				3,732	1.45	3,363	855
6	of which derivatives and long settlement transactions				19,142	1.45	25,775	6,724
7	of which from contractual cross-product netting				-	1.45	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						4,937	54
10	VaR for SFTs						-	-
11	**Total as at 12.31.2020**							**8,888**
12	**Total as at 06.30.2020**							**8,901**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

The table EU CCR1 above doesn't include the Central Clearing Counterparts exposure ("CCPs") that are reported in the following EU CCR8 table.

Credit risk

EU CCR2: CVA capital charge

(€ million)

	DESCRIPTION	a EXPOSURE VALUE	b RWAs
1	**Total portfolios subject to the advanced method**	2,238	1,071
2	(i) VaR component (including the 3× multiplier)		470
3	(ii) SVaR component (including the 3× multiplier)		601
4	**All portfolios subject to the standardised method**	4,088	470
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge as at 12.31.2020**	**6,326**	**1,540**
6	**Total subject to the CVA capital charge as at 06.30.2020**	**6,345**	**1,470**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

EU CCR8 - Exposures to CCPs

(€ million)

	DESCRIPTION	12.31.2020 a EAD POST CRM	12.31.2020 b RWAs	06.30.2020 a EAD POST CRM	06.30.2020 b RWAs
1	**Exposures to QCCPs**	**6,311**	**356**	**5,649**	**245**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	4,514	90	4,287	86
3	(i) OTC derivatives	26	1	42	1
4	(ii) Exchange-traded derivatives	2,269	45	1,840	37
5	(iii) SFTs	2,220	44	2,405	48
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-		-	
8	Non-segregated initial margin	33	1	-	-
9	Prefunded default fund contributions	1,763	205	1,362	62
10	Alternative calculation of own funds requirements for exposures		60		97
11	**Exposures to non-QCCPs**	**-**	**-**	**-**	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	-	-	-	-
13	(i) OTC derivatives	-	-	-	-
14	(ii) Exchange-traded derivatives	-	-	-	-
15	(iii) SFTs	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Prefunded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Credit risk

EU CCR4: IRB - CCR exposures by portfolio and PD scale - AIRB

(€ million)

EXPOSURE CLASS AIRB	PD SCALE	a	b	c	d	e	f	g
		EAD POST CRM	AVERAGE PD	NUMBER OF OBLIGORS	AVERAGE LGD	AVERAGE MATURITY	RWAs	RWA DENSITY
Exposures to Central governments and central banks	0.00 to <0.15	4,644	0.02%	4	27.43%	0.10	55	1.19%
	0.15 to <0.25	0	0.16%	1	32.70%	1.00	0	19.83%
	0.25 to <0.50	35	0.40%	1	38.24%	5.00	28	81.56%
	0.50 to <0.75	-	-	-	-	0.00	-	-
	0.75 to <2.50	-	-	-	-	0.00	-	-
	2.50 to <10.00	-	-	-	-	0.00	-	-
	10.00 to <100.00	-	-	-	-	0.00	-	-
	100.00 (Default)	1	100.00%	1	60.00%	5.00	0	7.50%
	Sub-total	**4,679**	**0.03%**	**7**	**27.52%**	**0.13**	**83**	**1.78%**
Exposures to institutions	0.00 to <0.15	5,391	0.08%	196	53.98%	1.28	1,456	27.01%
	0.15 to <0.25	238	0.20%	33	40.52%	0.90	81	33.96%
	0.25 to <0.50	130	0.37%	45	50.24%	0.77	68	52.17%
	0.50 to <0.75	24	0.60%	22	33.56%	2.06	15	64.04%
	0.75 to <2.50	39	1.17%	32	31.21%	1.67	29	74.00%
	2.50 to <10.00	15	7.43%	9	61.93%	4.23	41	282.23%
	10.00 to <100.00	6	11.97%	1	33.32%	1.02	9	153.48%
	100.00 (Default)	-	100.00%	1	60.00%	5.00	0	7.50%
	Sub-total	**5,842**	**0.14%**	**339**	**53.12%**	**1.26**	**1,699**	**29.08%**
Exposures to corporates - SME	0.00 to <0.15	174	0.10%	413	36.11%	3.20	34	19.82%
	0.15 to <0.25	84	0.20%	489	42.60%	2.27	24	28.06%
	0.25 to <0.50	170	0.37%	871	39.51%	2.48	65	38.20%
	0.50 to <0.75	154	0.62%	522	41.32%	2.54	82	53.01%
	0.75 to <2.50	296	1.50%	1,439	44.34%	2.63	221	74.75%
	2.50 to <10.00	288	3.74%	871	50.27%	3.14	347	120.61%
	10.00 to <100.00	17	19.08%	112	48.19%	2.49	29	172.06%
	100.00 (Default)	26	100.00%	88	64.61%	2.17	13	51.62%
	Sub-total	**1,209**	**3.85%**	**4,805**	**43.88%**	**2.76**	**816**	**67.48%**
Exposures to corporates - Specialised lendings	0.00 to <0.15	70	0.09%	25	35.11%	3.23	14	19.55%
	0.15 to <0.25	160	0.20%	69	31.98%	3.51	61	38.14%
	0.25 to <0.50	270	0.36%	87	24.79%	3.02	95	35.06%
	0.50 to <0.75	50	0.64%	73	34.94%	3.36	29	57.50%
	0.75 to <2.50	275	1.19%	90	26.67%	3.90	180	65.47%
	2.50 to <10.00	68	4.52%	16	25.02%	2.84	59	87.85%
	10.00 to <100.00	11	15.25%	2	37.61%	1.47	20	184.72%
	100.00 (Default)	189	100.00%	13	66.22%	4.20	116	61.43%
	Sub-total	**1,093**	**18.14%**	**375**	**34.74%**	**3.52**	**574**	**52.47%**
Exposures to corporates - Other	0.00 to <0.15	4,035	0.09%	656	41.03%	2.64	1,131	28.03%
	0.15 to <0.25	1,623	0.19%	468	58.55%	1.77	741	45.66%
	0.25 to <0.50	1,738	0.32%	835	43.98%	2.13	974	56.02%
	0.50 to <0.75	479	0.60%	485	44.20%	2.77	396	82.53%
	0.75 to <2.50	442	1.32%	967	47.74%	2.09	469	106.15%
	2.50 to <10.00	291	3.77%	431	43.76%	2.81	415	142.53%
	10.00 to <100.00	66	14.31%	69	53.18%	1.51	165	250.14%
	100.00 (Default)	60	100.00%	66	47.79%	1.47	15	24.38%
	Sub-total	**8,735**	**1.16%**	**3,977**	**45.61%**	**2.35**	**4,305**	**49.28%**

Credit risk

continued: EU CCR4: IRB - CCR exposures by portfolio and PD scale - AIRB

(€ million)

EXPOSURE CLASS AIRB	PD SCALE	a EAD POST CRM	b AVERAGE PD	c NUMBER OF OBLIGORS	d AVERAGE LGD	e AVERAGE MATURITY	f RWAs	g RWA DENSITY
Exposures to retail - secured by immovable property SME	0.00 to <0.15	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exposures to retail - secured by immovable property non-SME	0.00 to <0.15	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exposures to retail - Qualifying revolving	0.00 to <0.15	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exposures to retail - Other SME	0.00 to <0.15	1	0.12%	40	43.75%	-	0	9.77%
	0.15 to <0.25	2	0.20%	52	47.81%	-	0	16.15%
	0.25 to <0.50	3	0.35%	84	50.27%	-	1	24.08%
	0.50 to <0.75	1	0.61%	48	47.50%	-	0	30.86%
	0.75 to <2.50	7	1.55%	126	39.91%	-	3	38.61%
	2.50 to <10.00	2	4.47%	51	49.35%	-	1	58.54%
	10.00 to <100.00	1	17.22%	24	47.60%	-	1	76.69%
	100.00 (Default)	1	100.00%	13	84.04%	-	1	68.55%
	Sub-total	**17**	**8.81%**	**438**	**47.11%**	**-**	**7**	**39.20%**
Exposures to retail - Other non-SME	0.00 to <0.15	17	0.07%	147	13.68%	-	0	2.60%
	0.15 to <0.25	8	0.19%	61	18.59%	-	1	7.65%
	0.25 to <0.50	6	0.36%	60	19.41%	-	1	12.47%
	0.50 to <0.75	3	0.60%	28	20.71%	-	1	17.31%
	0.75 to <2.50	12	1.71%	57	15.93%	-	2	21.09%
	2.50 to <10.00	3	4.38%	25	19.18%	-	1	30.54%
	10.00 to <100.00	1	19.13%	11	22.97%	-	1	54.04%
	100.00 (Default)	1	100.00%	4	41.72%	-	0	28.33%
	Sub-total	**52**	**2.53%**	**393**	**17.03%**	**-**	**7**	**13.02%**
Specialized lending - slotting criteria		**28**					**22**	**78.57%**
Total AIRB (All portfolios) as at 12.31.2020		**21,655**	**1.65%**	**10,334**	**42.95%**	**1.65**	**7,512**	**34.69%**
Total AIRB (All portfolios) as at 06.30.2020		**39,486**	**0.77%**	**9,445**	**31.25%**	**0.90**	**7,446**	**18.86%**

Credit risk

EU CCR4: IRB - CCR exposures by portfolio and PD scale - FIRB

(€ million)

EXPOSURE CLASS FIRB	PD SCALE	a EAD POST CRM	b AVERAGE PD	c NUMBER OF OBLIGORS	d AVERAGE LGD	e AVERAGE MATURITY	f RWAs	g RWA DENSITY
Exposures to Central governments and central banks	0.00 to <0.15	-	-	-			-	-
	0.15 to <0.25	-	-	-			-	-
	0.25 to <0.50	-	-	-			-	-
	0.50 to <0.75	-	-	-			-	-
	0.75 to <2.50	-	-	-			-	-
	2.50 to <10.00	-	-	-			-	-
	10.00 to <100.00	-	-	-			-	-
	100.00 (Default)	-	-	-			-	-
	Sub-total	**-**	**-**	**-**			**-**	**-**
Exposures to institutions	0.00 to <0.15	49	0.09%	13			14	29.33%
	0.15 to <0.25	0	0.20%	5			0	46.57%
	0.25 to <0.50	1	0.34%	2			1	60.64%
	0.50 to <0.75	0	0.66%	1			0	84.68%
	0.75 to <2.50	0	1.22%	2			0	105.15%
	2.50 to <10.00	-	-	-			-	-
	10.00 to <100.00	-	-	-			-	-
	100.00 (Default)	-	-	-			-	-
	Sub-total	**51**	**0.10%**	**23**			**16**	**30.54%**
Exposures to corporates - SME	0.00 to <0.15	0	0.14%	1			0	25.07%
	0.15 to <0.25	0	0.21%	6			0	33.47%
	0.25 to <0.50	7	0.39%	35			3	46.83%
	0.50 to <0.75	0	0.65%	16			0	54.68%
	0.75 to <2.50	6	1.43%	84			5	74.78%
	2.50 to <10.00	2	4.46%	57			2	100.03%
	10.00 to <100.00	0	10.97%	7			1	170.58%
	100.00 (Default)	0	100.00%	13			-	-
	Sub-total	**17**	**3.54%**	**219**			**11**	**65.85%**
Exposures to corporates - Specialised lendings	0.00 to <0.15	-	-	-			-	-
	0.15 to <0.25	-	-	-			-	-
	0.25 to <0.50	-	-	-			-	-
	0.50 to <0.75	-	-	-			-	-
	0.75 to <2.50	-	-	-			-	-
	2.50 to <10.00	-	-	-			-	-
	10.00 to <100.00	-	-	-			-	-
	100.00 (Default)	-	-	-			-	-
	Sub-total	**-**	**-**	**-**			**-**	**-**
Exposures to corporates - Other	0.00 to <0.15	194	0.10%	14			64	32.76%
	0.15 to <0.25	65	0.21%	14			31	46.76%
	0.25 to <0.50	18	0.39%	19			12	66.50%
	0.50 to <0.75	6	0.60%	15			5	79.71%
	0.75 to <2.50	4	1.60%	28			4	111.22%
	2.50 to <10.00	3	5.18%	28			5	160.70%
	10.00 to <100.00	0	11.10%	2			0	211.78%
	100.00 (Default)	0	100.00%	7			-	-
	Sub-total	**289**	**0.25%**	**127**			**119**	**41.23%**
Specialised lending - slotting criteria		19					14	74.65%
Total FIRB (All portfolios) as at 12.31.2020		**376**	**0.37%**	**369**			**160**	**42.57%**
Total FIRB (All portfolios) as at 06.30.2020		**333**	**0.56%**	**347**			**157**	**46.95%**

Notes:
The templates "CCR4" above are subject to reconciliation of data across disclosure's templates as represented in the Annex 3.
The amounts less than €1 million are reported with "0".

The evolution of the overall Group counterparty credit risk AIRB portfolio over the reporting period (December 2020 versus June 2020) is principally driven by the following trends:

- the asset class "Central governments and central banks" shows an exposure decrease of -€16,625 million, visible in the performing portfolio, mainly related to a reduction of securities financing transactions in CEE countries;
- the asset class "Institutions" describes an exposure decrease of -€550million, visible in the performing portfolio, mainly explained by a reduction of securities financing transactions portfolio in Italy, offset only in part by derivatives exposures in Germany;
- the asset class "Corporates - Other" describes an exposure decrease of -€467million, visible in the performing portfolio, mainly explained by derivatives exposures across all main geographies.

Credit risk

RWAs flow statements – IMM method

In the fourth quarter of 2020, counterparty credit risk exposures under IMM Approach are higher by €713 million compared with the third quarter of 2020. The increase is explained by the item “Asset size” which recorded the increase of €703 million, impacted principally by higher securities financing transactions in Italy, as well as by higher derivatives exposures both in Italy and Germany.

EU CCR7 - RWAs flow statements of CCR exposures under the IMM

(€ million)

		QUARTER CLOSING AT 12.31.2020		CUMULATIVE YTD AT 12.31.2020	
		A	B	A	B
	DESCRIPTION	RWA AMOUNTS	CAPITAL REQUIREMENTS	RWA AMOUNTS	CAPITAL REQUIREMENTS
1	**RWAs and Capital requirements beginning of period**	**7,011**	**561**	**7,763**	**621**
2	Asset size	703	56	(764)	(61)
3	Credit quality of counterparties	7	1	436	35
4	Model updates (IMM only)	-	-	283	23
5	Methodology and policy (IMM only)	-	-	-	-
6	Acquisitions and disposals	-	-	-	-
7	Foreign exchange movements	-	-	(43)	(3)
8	Other	2	-	49	4
9	**RWAs and Capital requirements end of period**	**7,724**	**618**	**7,724**	**618**

Note:
The template above is subject to reconciliation of data across disclosure’s templates as represented in the Annex 3.

Credit risk

EU CCR5 - A - Impact of netting and collateral held on exposure values

(€ million)

	A	B	C	D	E
DESCRIPTION	GROSS POSITIVE FAIR VALUE OR NET CARRYING AMOUNT	NETTING BENEFITS	NETTED CURRENT CREDIT EXPOSURE	COLLATERAL HELD	NET CREDIT EXPOSURE
Derivatives	85,156	67,210	17,945	12,687	5,258
SFTs	59,577	2,050	57,527	44,413	13,114
Total (gross of AVA)	**144,733**	**69,260**	**75,472**	**57,100**	**18,372**
AVA					**195**
Total (net of AVA)					**18,177**

Note:
The amount related to AVA (Additional Value Adjustment) equal to €195 million is deducted from Own Funds (please refer to Own Funds section, Own Funds disclosure template, item 7).

On derivatives side, the Gross Exposure is mainly driven by UniCredit Bank AG's exposure (95%) and UniCredit S.p.A. exposure (4% over the total amount). On Securities Financing Transactions (SFTs) side, the Gross Exposure is mainly driven by UniCredit S.p.A. (64%) and UniCredit Bank AG's exposure (31%). At the end of December 2020, 34% of the counterparties benefit from legally enforceable netting agreement (mainly FIBS and large corporate counterparties).
With regards to the composition of the Collateral Held, on OTC side the major part is cash collateral (97%); the NON-CASH collateral (3%) is composed mainly by AA (40%) and BBB (19%) Sovereign Securities. On SFT side, the major part is NON-CASH collateral (73%) composed mainly by Bond and ABS.

EU CCR5 - B - Composition of collateral for exposure

(€ million)

	A	B	C	D	E	F
	COLLATERAL USED IN DERIVATIVE TRANSACTIONS				COLLATERAL USED IN SFTS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF POSTED COLLATERAL		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF POSTED COLLATERAL
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Total	380	12,308	4,451	20,392	44,413	51,512

With regards to the collateral used in SFTs, the collateral received is quite stable compared to the amount as of 30 June 2020; The decrease of collateral posted reflects the current activity on Reverse Repo transactions.

EU CCR6 - Credit derivatives exposures

(€ million)

	AMOUNT AS AT 12.31.2020					AMOUNT AS AT 12.31.2019				
	CREDIT DERIVATIVE HEDGES		OTHER CREDIT DERIVATIVES			CREDIT DERIVATIVE HEDGES		OTHER CREDIT DERIVATIVES		
DESCRIPTION	PROTECTION BOUGHT	PROTECTION SOLD		PROTECTION BOUGHT	PROTECTION SOLD	PROTECTION BOUGHT	PROTECTION SOLD		PROTECTION BOUGHT	PROTECTION SOLD
Notionals										
a) Credit default	-	-	8,264	4,699	3,565	-	-	9,506	5,171	4,335
b) Credit spread products	-	-	-	-	-	-	-	1,000	-	1,000
c) Total rate of return swaps	-	-	864	-	864	-	-	1,752	-	1,752
d) Others	-	-				-	-	-	-	-
Total notionals	**-**	**-**	**9,128**	**4,699**	**4,429**	**-**	**-**	**12,258**	**5,171**	**7,087**
Fair value										
Positive fair value (asset)	-	-	(82)	(6)	(76)	-	-	(114)	(28)	(86)
Negative fair value (liability)	-	-	291	118	173	-	-	260	120	140

Comparing to volumes as at 31 December 2019, there is a reduction of 26% on the overall notional amount for all type of derivatives, mainly observed on the portfolio of the UniCredit Bank AG, which held approximately of 99% of the total notional amount as at 31 December 2020.

Market risk

Exposure and use of internal models

Risk measures

Link between market risk metrics and Balance Sheet items

The table below shows the linkages between items in the balance sheet of the Group's consolidated position that are subject to market risk and the most relevant metrics used for monitoring purpose. HFT Assets and Liabilities are mainly monitored through VaR/SVaR/IRC. In addition, granular market limits for most relevant sensitivities/exposures are defined and regularly monitored. Other Assets and Liabilities, though managed with different risk metrics (sensitivity to Interest Rates, Credit spread, FX, Equity, etc. further to parameters which are typical of the Banking book such as NII and Economic Value analysis), are in some cases (namely FVtPL and FVtOCI items) managed and monitored through VaR. Furthermore, even when not specified below, interest rate risk of Banking book is anyway covered under Interest Rate Risk of Banking book Framework.

	END OF DECEMBER 2020				SENSITIVITY
MARKET RISK RELEVANT ASSETS	BOOK VALUE	VaR PERIMETER[1]	OTHER RISK MEASURES[2]		
10. Cash and cash balances	101,707	-	101,707		FX[4] IR
20. Financial assets at fair value through profit or loss:	87,825	-	15,374		FX EQ CS IR
a) financial assets held for trading	72,705	72,451	254	[3]	FX EQ CS IR
b) financial assets designated at fair value	226	-	226		FX EQ CS IR
c) other financial assets mandatorily at fair value	14,894	-	14,894		FX EQ CS IR
30. Financial assets at fair value through other comprehensive income	72,737	-	72,737		FX EQ CS IR
40. Financial assets at amortised cost:	623,501	-	623,501		FX CS IR
a) loans and advances to banks	117,489	-	117,489		FX CS IR
b) loans and advances to customers	506,012	-	506,012		FX CS IR
50. Hedging derivatives	3,802	-	3,802		FX IR
60. Changes in fair value of portfolio hedged items (+/-)	3,886	-	3,886		*Not relevant*
70. Equity investments	4,354	-	4,354		*Not relevant*
90. Property, plant and equipment	9,939	-	9,939		*Not relevant*
100. Intangible assets	2,117	-	2,117		*Not relevant*
110. Tax assets:	13,098	-	13,098		*Not relevant*
120. Non-current assets and disposal groups classified as held for sale	2,017	-	2,017		*Not relevant*
130. Other assets	6,473	-	6,473		*Not relevant*
Total Asset Market Risk Relevant	**931,456**	**72,451**	**859,005**		

(€ million)

	END OF DECEMBER 2020				SENSITIVITY
MARKET RISK RELEVANT LIABILITIES	BOOK VALUE	VaR PERIMETER[1]	OTHER RISK MEASURES[2]		
10. Financial liabilities at amortised cost:	(775,747)	-	(775,747)		*FX*
a) deposits from banks	(172,473)	-	(172,473)		FX
b) deposits from customers	(500,750)	-	(500,750)		FX
c) debt securities in issue	(102,524)	-	(102,524)		FX
20. Financial liabilities held for trading	(47,787)	(47,460)	(327)	[3]	FX EQ CS IR
30. Financial liabilities designated at fair value	(10,568)	-	(10,568)		FX EQ CS IR
40. Hedging derivatives	(5,699)	-	(5,699)		FX IR
50. Value adjustment of hedged financial liabilities (+/-)	(6,065)	-	(6,065)		*Not relevant*
60. Tax liabilities:	(1,358)	-	(1,358)		*Not relevant*
70. Liabilities associated with assets classified as held for	(761)	-	(761)		*Not relevant*
80. Other liabilities	(12,749)	-	(12,749)		*Not relevant*
90. Provision for employee severance pay	(592)	-	(592)		FX CS IR
100. Provisions for risks and charges:	(10,188)	-	(10,188)		*FX CS IR[5]*
Total Liabilities Market Risk Relevant	**(871,514)**	**(47,460)**	**(824,054)**		

Notes:
1. VaR Perimeter: main risk metric is VaR.
2. Other risk measure: main risk metrics are sensitivity to different risk factors.
3. Financial assets/liabilities held for trading classified as Banking book (MtM).
4. Fx risk arising from Cash Positions is included in VaR computation in agreement with approved IMA scope.
5. Pensions and other post-retirement benefit obligations only.

Market risk

RWA

Shown below are summary tables about Market Risk RWA under I-mod (table MR2-A ,MR2-B and MR3) reporting the values (maximum, minimum, average and the end of December 2020) resulting from approved models used for computing the regulatory capital charge at the Group level, as prescribed by EBA's final report Guidelines on Disclosure Requirements Under Part Eight of CRR..

Table EU MR2-A/Table EU MR2-B: in the second half of 2020, the RWA reduction with respect of the first half of 2020 is mainly due to a decreased exposure in terms of Interest Rate Risk in the Trading book of UniCredit Bank AG, occurred in both the third and the fourth quarters.

Table EU MR3: 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.
While during the second half of 2020, the lower level of VaR and SVaR, is mainly due to a decreased exposure in terms of Interest Rate Risk in the Trading book of UniCredit Bank AG.

EU MR2 - A - Market risk - under the internal model approach

(€ million)

DESCRIPTION	RWA	CAPITAL
VaR (higher of values a and b)	**1,347**	**108**
a) Previous day's VaR	*427*	*34*
b) Average of the daily VaR during the preceding 60 business days x multiplication factor	*1,347*	*108*
SVaR (higher of values a and b)	**3,058**	**245**
a) Latest SVaR	*1,270*	*102*
b) Average of the SVaR during the preceding 60 business days x multiplication factor	*3,058*	*245*
IRC (higher of values a and b)	**1,888**	**151**
a) most recent IRC value	*1,863*	*149*
b) average of the IRC number over the preceding 12 weeks	*1,888*	*151*
Comprehensive risk measure (higher of values a, b and c)	**-**	**-**
a) Most recent risk number for the correlation trading portfolio	*-*	*-*
b) Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	*-*	*-*
c) 8% of the own funds requirement in the SA on the most recent risk number for the correlation trading portfolio	*-*	*-*
Other	**-**	**-**
Total	**6,292**	**503**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

EU MR2-B - RWA flow statements of market risk exposures under the internal model approach

(€ million)

	DESCRIPTION	VaR	SVaR	IRC	CRM	OTHER	TOTAL RWAs	TOTAL CAPITAL REQUIREMENTS
1	**RWAs and capital requirements at 09.30.2020**	**2,020**	**3,696**	**1,832**	**-**	**-**	**7,548**	**604**
1a	*Regulatory adjustment*	*1,673*	*2,878*	*-*	*-*	*-*	*4,551*	*364*
1b	*RWAs and capital requirements at 09.30.2020 (end of the day)*	*346*	*818*	*1,832*	*-*	*-*	*2,996*	*240*
2	Movement in risk levels	81	452	31	-	-	564	45
3	Model updates/changes	-	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs and capital requirements at 12.31.2020 (end of the day)*	*427*	*1,270*	*1,863*	*-*	*-*	*3,560*	*285*
8b	*Regulatory adjustment*	*920*	*1,788*	*24*	*-*	*-*	*2,732*	*219*
8	**RWAs and capital requirements at 12.31.2020 (end of the day)**	**1,347**	**3,058**	**1,888**	**-**	**-**	**6,292**	**503**

Notes:
- The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.
- The amount reported in row 2 and 3 explains the change in the RWA shows in row 1b and 8a.

Market risk

EU MR3 - IMA values for regulatory trading book

(€ million)

VaR (10 DAY 99%)		
1	Maximum value	111
2	Average value	42
3	Minimum value	23
4	Period end	37
SVaR (10 DAY 99%)		
5	Maximum value	134
6	Average value	84
7	Minimum value	41
8	Period end	102
IRC (99.9%)		
9	Maximum value	196
10	Average value	138
11	Minimum value	90
12	Period end	156
COMPREHENSIVE RISK CAPITAL CHARGE (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

It should be considered that maximum, minimum and average refers to the observation period July-December 2020.

Market risk

Equity exposures not included in the trading book

Exposure Differentiation by Objective

Equity instruments included in the Group's banking book have several objectives:
- institutional;
- strategic, usually entities subject to significant influence and support in the performance and development of banking business (e.g. interests in financial or insurance companies);
- financial investment including in equity instruments and private equity;
- others e.g. investments resulting from loan restructurings.

Description of accounting techniques and valuation methodologies applied

Investments in associates and joint ventures

Investments in associates and joint ventures are recognized using the equity method.

Investments recognised using the equity method include any goodwill (less any impairment loss) paid for their acquisition. The interest in the comprehensive income from the investee is recognized:
- in the Income statement under item "220. Profit (Loss) of equity investments", if it relates to profit/loss after the date of acquisition;
- under other comprehensive income, if it relates to changes in the company's revaluation reserves.

Any dividend distribution is recognised as a reduction of the carrying amount of the investment. If the interest in the investee company's losses is equal to or more than its carrying amount, no further losses are recognized, unless specific contractual obligations have been assumed towards the investee or payments have been made to it.
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 comprehensive income.

Other financial assets mandatorily at fair value

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

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

On initial recognition, at settlement date, financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and revenue, which are recognised in profit and loss although directly attributable to the financial assets.
After initial recognition these financial assets are measured at their fair value through profit or loss.

Gains and losses, whether realized or unrealized, are recognised in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss: b) Other financial assets mandatorily at fair value".

Market risk

Financial assets at fair value through comprehensive income

A financial asset is classified at fair value through comprehensive income if:
- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

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

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

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortised cost criterion in item “10. Interest income and similar revenues”.
The gains and losses arising from changes in fair value are recognised in the Statement of comprehensive income and reported under item “120. Valuation reserves” in shareholders' equity.

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

In the event of disposal, the accumulated profits and losses are recorded in the Income statement in item “100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income”. Amounts deriving from financial assets carrying amount adjustment, gross of cumulated write-downs, in order to reflect modifications on contractual cash flows that do not give rise to accounting derecognition, are recognised in Income statement under item “140. Gains/Losses from contractual changes with no cancellations”; such line does not include the impact of contractual modifications on the amount of expected loss recognised in item “130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income”.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognised in the Statement of comprehensive income and reported under item “120. Valuation reserves” in shareholders' equity.
In the event of disposal, the accumulated profits and losses are recorded in item “150. Reserves”.
In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognised in the income statement. Only dividends are recognised in Income statement within item “70. Dividend income and similar revenues”.

(€ million)

	12.31.2020								
	ON BALANCE SHEET EXPOSURE		FAIR VALUE		MARKET VALUE	GAINS/LOSSES ON DISPOSAL AND IMPAIRMENT		UNEARNED GAINS/LOSSES (BOOKED IN BALANCE SHEET)	
EXPOSURES TYPE/VALUES	LEVEL 1	LEVEL 2/3	LEVEL 1	LEVEL 2/3	LEVEL 1	GAINS	LOSSES	GAINS (+)	LOSSES (-)
A. Investments	2,403	2,378	1,998		1,998	513	(1,891)		
B. Financial assets at fair value through other comprehensive income	21	1,531	21	1,531	21	14	(35)	26	(80)
C. Financial assets at fair value through profit or loss (other than those available for sale)	85	2,029	85	2,029	85	112	(167)		
Total as at 12.31.2020	**2,509**	**5,938**	**2,104**	**3,560**	**2,104**	**639**	**(2,092)**	**26**	**(80)**
Total as at 06.30.2020	**2,482**	**5,797**	**2,095**	**3,597**	**2,095**	**230**	**(1,907)**	**25**	**(62)**

Market risk

Exposures to interest rate risk on positions not included in the trading book

General aspects, interest rate risk management processes and measurement methods

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);
- 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 regards to the sensitivity of net interest income and the Group's economic value. Interest rate risk has an impact on all owned positions resulting from business operations and strategic investment decisions (Banking Book).

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's 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 bank or company assumes responsibility for managing exposure to interest rate risk within its specified limits. At consolidated level, the functions of Group Risk Management is in charge of interest rate risk measurement.
Interest rate risk measurement includes:
- Net Interest Income analysis: involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition, a simulation analysis includes the study of the impact on income arising from different shocks for the interest rates. The reference shock for a rate rise scenario is an immediate and parallel shock of +100bp. Whereas the shock for the rate fall scenario is -100bps or smaller, depending on the interest rate levels for the different currencies. Further scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift and other parallel and non-parallels shocks, including those required by EBA guideline (EBA/GL/2018/02).

These analyses include behavioral models in order to account for options risk, such as:
- sight items maturity profile, considering volumes stability and the partial reaction of customers to market rates movements conditional on the possibility of withdrawal for each bank account;
- the expected amortising profile of loans portfolios, taking into account, with respect to the contractual conditions and in particular the last reimbursement date, the probability of a prepayment from customers.

Both assumptions are based on statistical methods and historical data analyses on customers' behavior.

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. Basis risk and the risk of optionalities are also considered through the relative metrics of "IR Basis" and "IR Vega". 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.

Market risk

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 bank, taking into account also the strategic investment positions of the bank, e.g. transactions not directly related to hedging the commercial business.

The sensitivity of net interest income, calculated on the basis of the above assumptions and assuming a 100 basis points rise in interest rates, amounts to €1,116 million at the end of December 2020; the sensitivity computed assuming an interest rates decrease of 100bp or smaller, based on the interest rates levels for each currency, was -€351 million. This value highlights the effect of rate changes on the banking book, without considering any future changes in the asset and liabilities composition.
The following table reflects the effect of an unexpected positive interest rate shock, broken down by the main currencies.

(€ million)

NII INTEREST RATE RISK CURRENCY	+100 bps
Euro	1,085
United States Dollars	(123)
Poland Zlotych	1
United Kingdom Pounds	1
Switzerland Francs	0
Japan Yen	25
Turkey New Lira	0
Russian Ruble	9
Others	117
TOTAL	**1,116**

As at 31 December 2020, the sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps and -200bp was respectively equal to -€28 million and -€1,191 million. The sensitivity to interest rates changes for the worst-of-six "Supervisory Outlier Test", as envisioned by EBA guideline (EBA/GL/2018/02) was equal to -€1,137 million.

The following table reflects the effect of an unexpected positive interest rate shock, broken down by the main currencies.

(€ million)

BANKING BOOK INTEREST RATE RISK CURRENCY	+200 bps
Euro	585
United States Dollars	(9)
Poland Zlotych	(0)
United Kingdom Pounds	(2)
Switzerland Francs	(88)
Japan Yen	5
Turkey New Lira	(0)
Russian Ruble	(126)
Others	(393)
TOTAL	**(28)**

The above measures consider modelled maturity assumptions for balance sheet items with an expected profile different from the contractual one, for example mortgages, or with no specific time bucketing, such as sight items.
The economic value decrease is computed according to EBA guideline (EBA/GL/2018/02) and is maintained both within the management limits and those considered as the threshold of attention by the current Supervisory provisions.

Market risk

(€ million)

BANKING BOOK INTEREST RATE RISK						
Currency [€mln]	+1BP LESS THAN 3 MONTH	+1BP 3 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 3 YEARS	+1BP 3 YEARS TO 10 YEARS	+1BP OVER 10 YEARS	TOTAL
Euro	(2.0)	0.4	0.7	16.6	1.6	17.2
United States Dollars	(0.1)	0.0	(0.1)	0.0	0.0	(0.1)
Poland Zlotych	(0.0)	(0.0)	(0.0)	0.0	-	(0.0)
United Kingdom Pounds	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Switzerland Francs	0.1	(0.0)	(0.1)	(0.7)	(0.5)	(1.3)
Japan Yen	0.1	(0.0)	0.0	(0.0)	(0.0)	0.0
Turkey New Lira	(0.0)	0.0	0.0	(0.0)	-	(0.0)
Russian Ruble	(0.0)	(0.0)	(0.1)	(0.5)	(0.0)	(0.7)
Others	0.0	(0.1)	(0.5)	(1.3)	(0.1)	(2.0)
TOTAL	**(2.0)**	**0.3**	**(0.2)**	**14.2**	**0.9**	**13.2**

The table above lists the economic value sensitivity for a parallel shift of +1 basis point of interest-rate curves. This sensitivity is calculated at Group level for a series of time-buckets and currencies.
Group exposure insists mainly on Euro curves. The highest exposure, with positive sign, is concentrated in the bucket 3Y-10Y.

Securitisation exposures

The Group acts as originator and sponsor of securitisations as well as investor, according to the definitions provided by Basel 3 and implemented in the CRR, subsequently updated with CRR2.

The Group as originator

The Group's origination consists of the sale of on-balance sheet receivables portfolios to vehicles set up as securitisation companies under Law 130/99 or similar non-Italian legislation.

The buyer finances the purchase of the receivables portfolios by issuing bonds of varying seniority and transfers its issue proceeds to the Group. The yield and maturity of the bonds issued by the buyer therefore mainly depend on the cash flow expected from the assets being sold.

As a further form of guarantee to bondholders, these transactions may include special types of credit enhancement, e.g. subordinated loans, financial guarantees, standby letters of credit or over-collateralization.

The Group's objectives when carrying out these transactions are usually the following:
- to originate securities that can be used to secure repos with Bank of Italy and the European Central Bank (counterbalancing capacity);
- to obtain funding through the placement of securities on the market. This also allows a diversification of the funding sources and of the investors' basis with improvement in reducing the cost of Group's funding;
- to free up economic and regulatory capital by carrying out transactions that reduce capital requirements under current rules by reducing credit risk of the underlying portfolio;
- to reduce the exposures toward non-performing customers (e.g. FINO project);
- to optimise the recoveries of exposures portfolios towards non-performing customers, referring to specific asset classes (e.g. Pillarstone and Sandokan transactions);
- other purposes related for example to corporate re-organization, M&A or divestment's assets where the true sale securitization is instrumental to the deleveraging and assets transfer.

The Group carries out both traditional securitisations, whereby the receivables portfolio is sold to the SPV, and synthetic securitisations which use financial guarantees or cash to purchase protection over all or part of the underlying risk of the portfolio. The latter, on the contrary to traditional securitisations, is not sold to vehicles but remains also legally within the Group. In this case, moreover, the financial guarantees purchased as protection of such loans are also booked on the balance sheet as well as the impacts on the income statement related to them.

The amount of loans securitized[41], net of transactions in which the Group has purchased all liabilities issued by the vehicles (so-called self-securitisations), accounts for 1.35% of the Group's total loan portfolio as at 31 December 2020. Self-securitisations account for 4.46 % of the loan portfolio.

For more information on both traditional and synthetic securitisations originated by Group's legal entities during the year 2020 refer to the Part E of the Notes to the consolidated accounts, in the "C.1 Securitisation transactions - Developments of the period" paragraph.

A first Covered Bond (OBG - Obbligazioni Bancarie Garantite) Programme was launched in 2008 under the provisions of Italian Law 130/99. The underlying residential mortgage loans were transferred to an SPE set up for this purpose and included in the banking group.

Moreover, in order to create counterbalancing capacity, at the end of January 2012 UniCredit S.p.A. initiated a second Covered Bonds (OBG or Obbligazioni Bancarie Garantite) programme ("New OBG Programme"), without specific ratings and having residential mortgage loans and commercial mortgage loans as underlyings.
Under these programmes:
- UniCredit S.p.A. is issuer and also acts as transferor of suitable assets and servicer;
- UniCredit BpC Mortgage S.r.l. and UniCredit OBG S.r.l. (special purpose vehicles set up within the banking group as expressly authorised by Banca d'Italia) are guarantors of the OBG holders of the first and the second programme respectively, within the limits of the cover pools; and
- the auditing firm BDO Italia S.p.A. is Asset Monitor for both the programmes.

41 It is referred to loans sold, also synthetically, but not derecognized from the balance sheet.

Securitisation exposures

The first programme, guaranteed by UniCredit BpC Mortgage S.r.l., is characterised by a Soft Bullet method[42] of reimbursement and is rated by Fitch (AA-), S&P (AA-), Moody's (Aa3).
The second programme, guaranteed by UniCredit OBG S.r.l., is characterised by a Conditional Pass-Through method[43] of reimbursement and is rated by Moody's (Aa3).
At 31 December 2020 the series of covered bonds issued under the two programmes totalled 31 and were worth €27,856 million, of which €21,200 million was repurchased by UniCredit S.p.A.
At 31 December 2020 similar covered bonds under German, Austrian (Pfandbriefe), Czech and Hungarian law amounted to €29,468 million, of which €24,687 million were backed by mortgage loans and €4,781 million by loans to the public sector.

Accounting Policies - Derecognition
According to IFRS9, the derecognition is the removal of a previously recognised financial asset from an entity's balance sheet.

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a non-Group counterparty.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):
- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Group is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Derecognition is also subject to verification of effective transfer (true sale) of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognize the transferred asset(s). In this case it is necessary to recognize a liability corresponding to the amount received under the transfer and subsequently recognize all income accruing on the asset or expense accruing on the liability.

Under traditional securitisations, the Group assesses the derecognition of the portfolio in light of the risks and rewards retained and control on the underlying loan portfolio.

In particular, the originator performs the derecognition when:
- the originator had transferred basically all the risks and rewards; or
- the originator has not transferred neither retained substantially all the risks and rewards but transferred the control.

In the assessment of risks and benefits retained, all the exposures in form of securities, guarantees and receivables which the originator owns toward the SPV, are considered applying, if the case, specific models which assess its exposure to the variability of the cash flows before and after the transfer.
On the contrary, if such conditions are not met, the underlying credit portfolio is not derecognised and a financial liability is recognized for an amount equal to the risk kept.

Furtherly, under traditional securitisations the Group might keep the first loss in the form of junior bonds or similar exposure and in some cases provides further credit enhancement as described above. This enables the Group to benefit from the portion of the sold receivables' yield in excess of the yield due to the senior and mezzanine tranches.

For such transactions, retention by the Group of the first loss risk and the corresponding yield means that most of the risk and return on the portfolio is retained. Such transactions are recognized in the accounts as financings and no profits arising out of the transfer of the assets are recognised and the sold receivables are not derecognised.

Synthetic securitisations also entail retention of the receivables subject to credit default protection on the balance sheet. The swap is recognised in the accounts, as well as any other purchased interest.

42 Soft Bullet repayment method: in case the issuer is insolvent and the OBG guarantor has insufficient funds to repay in full the OBG at the maturity date, the maturity date is automatically extended by 1 year and any unpaid and due amount shall be payable by such date. In case the OBG guarantor is not able to redeem the OBG at the extended maturity all the outstanding OBG become due and payable and the guarantor has to sale the whole underlying portfolio.
43 Conditional pass-through repayment method: in case the issuer is insolvent and the OBG guarantor has insufficient funds to repay in full the OBG at the maturity date, the OBG turns in to "pass-through" and the maturity date is extended by 38 years. During the extended period the OBG guarantor has the option to attempt a selected sale of the underlying portfolio every 6 months in order to redeem the pass-through OBG.

Securitisation exposures

In this context, credit derivatives, under which the issuer must make agreed payments to indemnify the insured for an actual loss suffered as a result of a debtor's failure to pay a debt instrument at maturity, are classified as purchased financial guarantees.
As a consequence, the credit risk mitigation effects, associated with the purchase of protection, are taken into account when assessing the underlying receivables. Any premiums paid for the purchase of protection are classified as other assets and amortized in the income statement over the life of the contract.

Credit enhancement, in addition to the most subordinated tranches of each securitisation, can also consist in subordinated loans or deferred purchase prices (DPP).

The value of these instruments, in the case of traditional securitisations, is shown as a reduction in the value of liabilities associated with assets sold but not derecognized, while in the case of synthetic securitisations, credit enhancements are recognized as financial assets and valued according to their portfolio.

For the tables showing the features both of traditional (including self-securitisations) and synthetic securitisations originated by entities belonging to the Group and effective as at 31 December 2020 refer to Consolidated financial statements as at 31 December 2020 - Annex 3 - Securitisations - qualitative tables.

The Group as sponsor

UniCredit group has many years of experience in securitizing its assets, as well as in structuring securitisations for its customers (banks, financial firms, and businesses). In this context and with reference to trade receivables the Group acts as a sponsor of asset-backed commercial paper (ABCP) conduits.
UniCredit group has long been active in the market for the refinancing of its Clients' trade receivables, on both a recourse and a non-recourse basis, and has also acted for its Clients in structuring securitisations under the Italian securitisation legislation contained in Law 130/1999. The securitisation of trade receivables represents an important alternative way for businesses to obtain funding from the banking system. It often serves a complementary role to more traditional bank lending and is often more than competitive.
The Group set up as multi-seller customer conduits set-up for the sole purpose of financing selected core-clients of UniCredit giving them the access to the securitisation market at lower cost.
The legal and financial scheme that UniCredit group has used for securitisations of trade receivables under Law 130/1999 adheres to the standard structure under the legislation and has the following principal features: (i) stand-alone securitisation for a single client: each client has a separate securitisation conducted on a stand-alone basis, with its own specific structure and contractual documentation; (ii) receivables are assigned directly to the SPV: the client agrees to assign, on an ongoing and non-recourse basis, the receivables that satisfy particular eligibility criteria, to a second level special-purpose securitisation vehicle that has been incorporated pursuant to Law 130/1999 (each Purchase Company, "PC") and which typically is available only for the particular transaction;(iii) issuance of the notes: In order to obtain the funds necessary to pay the purchase price for such receivables, the relevant SPV issues a series of notes pursuant to Law 130/1999, divided into two or three tranches, with different degrees of subordination (senior and junior notes, where there are two tranches, or senior, junior and mezzanine notes, where there are more tranches); (iv) subscription of the notes: senior notes are subscribed within the conduit programme sponsored by UniCredit Bank AG known as "Arabella" through the issuance of Commercial Papers Notes while junior notes (and the mezzanine notes, where issued) are subscribed by specialist professional investors and/or by the Client.
Payment of interests and redemption of the securities issued by the conduit depends on cash flow from the receivables purchased (credit risk) and the ability of the conduit to roll over its market funding on maturity (liquidity risk).
Starting from the second half of 2007, investor appetite for the securities issued by these conduits declined significantly. As a consequence, the Group directly purchased part of the outstanding commercial paper.
On 31 December 2020 the notes retained by UniCredit Bank AG amount to €2.2 billion, to which are added loans directly provided to Purchase Companies amounting to €57 million
Due to the activity performed, the Group bears most of the risk and receives most of the return on conduit business and also has control of the conduits. Consequently, as required by IFRS10, the Group have consolidated the above-listed SPVs.

Adopting the line-by-line consolidation method, the following items are recognised in the consolidated accounts:
- assets held by consolidated vehicles in place of the loans provided to them or the liabilities subscribed by Group companies, now eliminated on consolidation;
- loans to purchase companies for non-consolidated subordinated vehicles.

With respect to non-consolidated Purchase companies, the Consolidated financial statements, while not including the assets recorded in their books, show the maximum amount of the risk borne by the Group which, with respect to purchase companies wholly financed by the consolidated conduits, corresponds to the value of the assets of these purchase companies.
At regulatory point of view the risk is measured on liquidity facility provided to each purchase companies within the ABCP Conduit Programme.

Securitisation exposures

Conduit Program
At December 2020 the Conduit Program comprises one Customer Conduit: Arabella Finance.
The Conduit program business aims to finance the clients through the purchase of their portfolio by second level vehicles (Purchase Companies) financing them by the issuance of ABCP. Following the restructuring of Conduit Program took place on 2012, UniCredit Bank AG grants full support facilities directly to each Purchase Company. Each Liquidity facility has to be available to cover in full the payment of the principal amount and the interests on the ABCP: the amount of this liquidity support has to be at least 102% of the underlying asset purchase commitment, covering both liquidity and credit risk. Arabella has no exposure to mark-to-market risk as investments in arbitrage products and ABS Security are not permitted.

Under a regulatory perspective, Risk Weighted Assets quantification for Arabella is realized through the application of the Internal Assessment Approach (IAA) or of the SEC-CA, according to the regulation in force for exposures related to ABCP Conduit Programs (CRR)[44] updated by the New Securitisation Framework "Regulation EU of the European Parliament and of the Council 2401/2017 on prudential requirements for credit institutions and investment firms" entered in force starting from 1 January 2019 only for the new securitisation transactions starting from this date and from 1 January 2020 for all the outstanding securitisation transactions.

Arabella Finance
Arabella is a multi-seller customer conduit with two separate Legal Entities: Arabella Finance DAC Dublin in Europe and Arabella Finance LLC Delaware in the US.
The underlying portfolio of Arabella is constituted mainly by Trade receivables (54%) Car Leases (30%), Car residual values (10%) Consumer Loans (4%) and a small portion of Equipment Lease (2%) and Fleet Lease (2%). The majority of assets are concentrated in Germany (42%), Italy (25%) and Austria (7%).

As at 31 December 2020 the total portfolio is composed by 37 Pools (33 as at December 2019) and total amount is €5.1 billion. The total Committed liquidity activities amount is €6.1 billion of which €0.1billion drawn.

During 2020 new transactions were realised, which resulted in an increase of the amount of ABCP issued to €5.1 billion (from €4.9 billion as at 31 December 2019), of which €2.2 billion were purchased by UniCredit Bank AG and the remaining placed on the market.

The Group as investor
The Group also invests in structured credit products issued by special-purpose entities that are not consolidated pursuant to the accounting rules in force, insofar as such instruments do not bear most of the risk or receive most of the returns associated with the activity carried out by these special-purpose entities.

With regard to these activities, the Group holds within the Global ABS portfolio exposures of securitisations (both '"Simple, Transparent, Standardized - STS" and "non-STS") established by third-parties such as RMBS, CMBS, CDO, CBO/CLO and other ABS.

In line with the development of the financial markets and, specifically, the securitisation market, the Global ABS Portfolio was transformed from a separate portfolio in liquidation to strategic investment portfolio for the Group in 2011 and was integrated into the Markets Strategic Portfolio ("MSP"), managed with a view to generating a profit margin and creating an appreciable capital return through long-term investments in fixed-income securities.

The development of client-related operations is also an integral part of MSP activities and includes actions to strengthen the customer base and support securitisations. This portfolio is subject to monitoring and reporting by the business and risk management functions. All activities relating to the MSP are carried out in conformity with established policies and procedures, specifically credit approval procedures.

The analysis of investments in ABS focuses specifically on the following elements:
- structural analysis of all internal and external risks inherent to a similar investment, e.g. Default Risk, Dilution Risk, Residual Value Risk, Servicer Risk, Interest Rate Risk, Liquidity Risk, Commingling Risk, Legal Risk, Adequacy of performance triggers, etc. These risks may differ according to the underlying assets class;
- analysis of the underlying portfolio, including the analysis of all performance indicators significant for each underlying asset class;
- cash flows/quantitative analysis/modelling;
- credit rating and experience of the participants e.g. vendor/servicer - financial soundness, capacity and availability to service assets.

44 UniCredit Bank AG has continuously retained a material net economic interest in the CP Program of at least 5% pursuant to Art.405 1. a) of CRR.

Securitisation exposures

Any interests acquired are financial assets classified in one of the portfolios provided for by the applicable international accounting standard, depending on the nature of the contract and the purpose for which they are acquired. These assets are therefore evaluated according to the portfolio in which they are classified, on the basis of the performance of the underlying portfolio and taking account of their tranching. These exposures are therefore measured at amortised cost less cumulated impairment in case they are classified in the portfolio “financial assets at amortised cost”, at fair value recognizing the differences in fair value through profit or loss in case these exposures are classified as “financial assets held for trading”, “financial assets designated at fair value” or “financial assets mandatorily at fair value”, at fair value recognizing the differences in fair value through other comprehensive income in case these exposures are classified as “financial assets at fair value through other comprehensive income”.

Moreover, it should be noted that as at 31 December 2020 there were 2 SPVs of third parties securitisations, Ice Creek Pool No.1 DAC and Ice Creek Pool No.2 DAC, where the Group acts as lender or investor, and subject to consolidation. Exposures to these vehicles amount to €401 million of cash exposures and €17 million of credit lines.

During the period the Group has not provided financial support to any non-consolidated securitisation vehicle in absence of contractual obligation to do so. Moreover, the Group has not the current intention to provide such support.
The Group does not provide securitisation-related services (such as advisory, asset servicing or management services) to securitisation special purpose entities other than those which acquire exposures originated and those which are sponsored or consolidated by the Group.

Finally, it should be noted that there are no exposures in Asset Backed Securities as at 31 December 2020 related to re-securitisation exposures, i.e. transactions in which at least one of the underlying assets is in turn a securitisation position.

Securitisation exposures

The following tables show the information required by CRR's Art.449 (d), (e) and (f), as amended by the EU Regulation 2019/876 Art.2, 119).

Securitisation Special Purpose Entities (SSPE) which acquire exposures originated by the institution

NAME OF THE ENTITY	TYPES OF EXPOSURES	INCLUDED IN THE INSTITUTION' REGULATORY SCOPE OF CONSOLIDATION	LEGAL ENTITY AFFILIATED WITH THE INSTITUTION THAT PROVIDES SUPPORT (*)
Capital Mortgage S.r.l. - CAP. MORTGAGE 2007 - 1	Debt securities Loans Derivative contracts	Yes	-
Cordusio RMBS - UCFin S.r.l.	Debt securities Loans Derivative contracts	Yes	-
Cordusio RMBS Securitisation S.r.l.	Debt securities Loans	Yes	-
F-E Mortgages S.r.l. - 2003	Debt securities Loans	Yes	-
F-E Mortgages S.r.l. - 2005	Debt securities Loans	Yes	-
Heliconus S.r.l.	Debt securities Loans	Yes	-
SUCCESS 2015 B.V.	Debt securities Loans	Yes	-
FINO 1 SECURITISATION S.r.l.	Debt securities Loans	No	-
FINO 2 SECURITISATION S.r.l.	Debt securities Loans	No	-
GARIBALDI TOWER BASKET BOND S.r.l.	-	No	-
ONIF FINANCE S.r.l.	Debt securities Loans	No	-
Pillarstone Italy SPV S.r.l. - Premuda	Debt securities	No	-
Pillarstone Italy SPV S.r.l. - Rainbow	Debt securities	No	-
PRISMA SPV S.r.l.	Debt securities	No	-
RELAIS SPV S.r.l.	Debt securities Loans	No	-
YANEZ SPV S.r.l. - Sandokan	Debt securities	No	-
YANEZ SPV S.r.l. - Sandokan 2	Debt securities	No	-

Note:
(*) For the notion of support refer to Art.248 of CRR.

It should be noted that the exposure type "Loans" includes the excess spread accrued but not yet settled by the Special Purpose Entity, if any.

Securitisation exposures

Securitisation Special Purpose Entities (SSPE) sponsored by the institution

NAME OF THE ENTITY	TYPES OF EXPOSURES	INCLUDED IN THE INSTITUTION' REGULATORY SCOPE OF CONSOLIDATION	LEGAL ENTITY AFFILIATED WITH THE INSTITUTION THAT PROVIDES SUPPORT (*)
Arabella Finance DAC	Debt securities (ABCP) Derivative contracts Credit line	Yes	-
Elektra Purchase No. 28 DAC	Credit line	Yes	-
Elektra Purchase No. 31 DAC	Credit line	Yes	-
Elektra Purchase No. 32 S.A. - Compartment 1	Credit line	Yes	-
Elektra Purchase No. 33 DAC	Credit line	Yes	-
Elektra Purchase No. 36 DAC	Credit line	Yes	-
Elektra Purchase No. 37 DAC	Credit line	Yes	-
Elektra Purchase No. 38 DAC	Credit line	Yes	-
Elektra Purchase No. 39 DAC	Loans Credit line	Yes	-
Elektra Purchase No. 41 DAC	Credit line	Yes	-
Elektra Purchase No. 43 DAC	Credit line	Yes	-
Elektra Purchase No. 44 DAC	Credit line	Yes	-
Elektra Purchase No. 46 DAC	Credit line	Yes	-
Elektra Purchase No. 54 DAC	Credit line	Yes	-
Elektra Purchase No. 55 DAC	Credit line	Yes	-
Elektra Purchase No. 56 DAC	Credit line	Yes	-
Elektra Purchase No. 57 DAC	Derivative contracts Credit line	Yes	-
Elektra Purchase No. 64 DAC	Credit line	Yes	-
Elektra Purchase No. 69 DAC	Credit line	Yes	-
Elektra Purchase No. 71 DAC	Credit line	Yes	-
Elektra Purchase No. 74 DAC	Credit line	Yes	-
Elektra Purchase No. 718 DAC	Loans Credit line	Yes	-
Elektra Purchase No. 911 Ltd	Credit line	Yes	-
Elektra Purchase No. 8 Limited	Credit line	No	-
Elektra Purchase 17 S.A. RE COMPARTMENT 14	Credit line	No	-
Elektra Purchase No. 17 S.A. (Re Compartment 18)	Credit line	No	-
Elektra Purchase No. 25 DAC	Credit line	No	-
Elektra Purchase No. 29 DAC	Credit line	No	-
Elektra Purchase No. 45 DAC	Credit line	No	-
Elektra Purchase No. 60 DAC	Credit line	No	-
Elektra Purchase No. 61 DAC	Credit line	No	-
Elektra Purchase No. 62 DAC	Credit line	No	-
Elektra Purchase No. 66 DAC	Credit line	No	-
Elektra Purchase No. 67 DAC	Credit line	No	-
Elektra Purchase No. 68 DAC	Credit line	No	-
Elektra Purchase No. 70 DAC	Credit line	No	-
Elektra Purchase No. 72 DAC	Credit line	No	-
Elektra Purchase No. 73 DAC	Credit line	No	-

Note:
(*) For the notion of support refer to Art.248 of CRR.

Securitisation exposures

Legal entities affiliated with the institution and that invest in securitisations originated by the institution or in securitisation positions issued by SSPEs sponsored by the institution

NAME OF THE ENTITY	SECURITISATIONS ORIGINATED BY THE INSTITUTION IN WHICH THE ENTITY INVESTS	SECURITISATIONS SPONSORED BY THE INSTITUTION IN WHICH THE ENTITY INVESTS
UniCredit Bank AG	Capital Mortgage S.r.l. - CAP. MORTGAGE 2007 - 1	Arabella Finance DAC
	Cordusio RMBS - UCFin S.r.l	Elektra Purchase No. 28 DAC
	Cordusio RMBS Securitisation S.r.l.	Elektra Purchase No. 31 DAC
	F-E Mortgages S.r.l. - 2005	Elektra Purchase No. 32 S.A. - Compartment 1
	PRISMA SPV S.r.l.	Elektra Purchase No. 33 DAC
	RELAIS SPV S.r.l.	Elektra Purchase No. 36 DAC
		Elektra Purchase No. 37 DAC
		Elektra Purchase No. 38 DAC
		Elektra Purchase No. 39 DAC
		Elektra Purchase No. 41 DAC
		Elektra Purchase No. 43 DAC
		Elektra Purchase No. 44 DAC
		Elektra Purchase No. 46 DAC
		Elektra Purchase No. 54 DAC
		Elektra Purchase No. 55 DAC
		Elektra Purchase No. 56 DAC
		Elektra Purchase No. 57 DAC
		Elektra Purchase No. 64 DAC
		Elektra Purchase No. 69 DAC
		Elektra Purchase No. 71 DAC
		Elektra Purchase No. 74 DAC
		Elektra Purchase No. 718 DAC
		Elektra Purchase No. 911 Ltd
		Elektra Purchase No. 8 Limited
		Elektra Purchase 17 S.A. RE COMPARTMENT 14
		Elektra Purchase No. 17 S.A. (Re Compartment 18)
		Elektra Purchase No. 25 DAC
		Elektra Purchase No. 29 DAC
		Elektra Purchase No. 45 DAC
		Elektra Purchase No. 60 DAC
		Elektra Purchase No. 61 DAC
		Elektra Purchase No. 62 DAC
		Elektra Purchase No. 66 DAC
		Elektra Purchase No. 67 DAC
		Elektra Purchase No. 68 DAC
		Elektra Purchase No. 70 DAC
		Elektra Purchase No. 72 DAC
		Elektra Purchase No. 73 DAC
UniCredit Bank Ireland Plc	F-E Mortgages S.r.l. - 2005	

Securitisation exposures

The methods of calculation of the risk weighted exposures used by the bank for securitisations

The Regulation on prudential requirements (CRR) specifies that securitisation means “a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics: a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme”.

Securitisation is an important element of well-functioning financial markets. A structured securitisation is an important channel for diversifying funding sources and allocating risk more widely within the Union financial system. It allows for a broader distribution of financial-sector risk and generate regulatory capital that can be allocated to further lending to the economy.
In recent years, the securitisation market has been heavily impacted by the numerous regulations that led the banks to review all the framework for the application of healthy, prudent, and transparent rules.
These rules were included in the Regulation (EU) 2017/2401 and Regulation (EU) 2017/2402 of 12 December 2017 that amend CRR Regulation. The new securitisation Framework defines the criteria to identify simple, transparent, and standardised (“STS”) securitisations and a system of supervision to monitor the correct application of those criteria by originators, sponsors, issuers and institutional investors. Furthermore, that regulation provides for the methods of Risk Weight Amount calculation, a set of common requirements on risk retention, due diligence, and disclosure for all financial services sectors.

Securitisations affect banks’ balance sheets, whether they are sellers of assets or risks, or acquire the securities issued by third party vehicle. In particular, the originator may, subject to certain conditions listed in the regulations, excludes securitized assets from capital requirements and, if IRB methods are available, the expected losses as well.

In accordance with the new European Regulation EU 2017/2401, the regulatory capital requirements have been subject to amendments. A new hierarchy of regulatory approaches to be adopted has been introduced: SEC-IRBA, SEC-SA. SEC-ERBA and 1250%. The CRR allows the possibility to change the order of approaches application. As of now UniCredit group has notified to the competent authority to use the SEC-ERBA instead of SEC-SA for all rated securitisation positions. For the calculation of regulatory capital requirements where UniCredit is able to use an internal method approach based (“IRB”) the SEC-IRBA is applied otherwise for the securitisation position that have an external rating the approach to be used is SEC-ERBA. When the first two approaches are not available, UniCredit calculates its capital requirement adopting the standardized Approach SEC-SA.
While SEC-IRBA and SEC-SA require the adoption of an ad hoc formula, for the SEC-ERBA the capital requirements is assigned to securitisation tranches based on their external rating provided by ECAI (External Credit Assessment Institution). The tables to be used are different for STS and no-STS securitisation.

The following risk weights are those applied to no STS securitisation according to the SEC-ERBA.

Template 1 - Securitisation and re-securitisation positions

	SENIOR TRANCHE		NON SENIOR (THIN) TRANCHE	
	TRANCHE MATURITY (M_T)		TRANCHE MATURITY (M_T)	
CREDIT QUALITY STEP	1 year	5 years	1 year	5 years
1	15%	20%	15%	70%
2	15%	30%	15%	90%
3	25%	40%	30%	120%
4	30%	45%	40%	140%
5	40%	50%	60%	160%
6	50%	65%	80%	180%
7	60%	70%	120%	210%
8	75%	90%	170%	260%
9	90%	105%	220%	310%
10	120%	140%	330%	420%
11	140%	160%	470%	580%
12	160%	180%	620%	760%
13	200%	225%	750%	860%
14	250%	280%	900%	950%
15	310%	340%	1050%	1050%
16	380%	420%	1130%	1130%
17	460%	505%	1250%	1250%
All other	1250%	1250%	1250%	1250%

Securitisation exposures

The following risk weights are those applied to STS securitisation according to the SEC-ERBA.

Template 2 - Securitisation and re-securitisation positions

	SENIOR TRANCHE		NON SENIOR (THIN) TRANCHE	
	TRANCHE MATURITY (M_T)		TRANCHE MATURITY (M_T)	
CREDIT QUALITY STEP	1 year	5 years	1 year	5 years
1	10%	10%	15%	40%
2	10%	15%	15%	55%
3	15%	20%	10%	70%
4	15%	25%	25%	80%
5	20%	30%	35%	95%
6	30%	40%	60%	135%
7	35%	70%	95%	170%
8	45%	90%	150%	225%
9	55%	105%	180%	255%
10	70%	140%	270%	345%
11	120%	160%	405%	500%
12	135%	180%	535%	655%
13	170%	225%	645%	740%
14	225%	280%	810%	855%
15	280%	340%	945%	945%
16	340%	420%	1015%	1015%
17	415%	505%	1250%	1250%
All other	1250%	1250%	1250%	1250%

Internal Assessment Approach ("IAA")

UniCredit calculates a risk weight based on the internal assessment approach ("IAA") for unrated securitisation positions which are related to Asset-Backed Commercial Papers (ABCP) programs.

The model output according to this approach are used for various purposes such as regulatory risk calculation, expected loss and economic capital calculation, credit decisions as well as in the monitoring process.
The model IAA was developed by replicating the approach of the rating agencies, which assigns a rating to the credit liquidity lines and derivatives provided by UniCredit Bank AG in order to support the issuing of ABCP by the conduit.
In line with regulatory requirements, the model is differentiated according to the type of the underlying exposure.
Currently the following IAA models are in place:

- Trade Receivables used for trade, consumer and healthcare receivables;
- Loans and Leases used for auto loans/leases, unsecured consumer and small business loans, and equipment leases;
- "Blended LIQ rating" used to evaluate the risk of the programme-wide exposures.

The asset-specific sub-models consist of a quantitative module which aims to quantify the potential loss to the transaction (virtual tranching) and a qualitative module which determines an up notch /down notch factor due to additional, not-quantifiable aspects. Given the qualitative factor the virtual tranching is adjusted upwards or downwards, respectively.

For the quantitative module two principal methodologies are used according to the type of underlying exposure:

- "Reserve based" approach: typically used for assets with a short to maturity like trade/consumer receivables. For this type of transactions, a point in time valuation is carried out in order to determine the expected loss of the underlying assets;
- "Cashflow-based" approach: typically used for medium-term asset portfolios of loans and leases. The evaluation of the assets is based on modelling of the expected cash flows to determine the loss at the end of the transaction's life.

The qualitative module was developed mainly on the basis of the expert opinion.

The "Blended LIQ rating" tool derives the rating of the programme-wide facilities from the exposure-weighted average rating of the underlying transactions. As the liquidity facilities are provided on the transaction level, the credit risk of the programme-wide facilities is fully reflected in the transaction-specific ratings, i.e. the credit risk of the programme-wide facilities cannot be larger that this of the underlying transactions.

The model rating assignment process foresees three main actors: business unit, risk unit (responsible credit analyst - "RCA" and deputy credit analyst - "DCA") and model development unit.

Securitisation exposures

The rating assignment process can be summarized in the following macro steps:
- the business together with the RCA ensures that the IAA eligibility requirements are fulfilled;
- the RCA in coordination with the business unit selects the proper IAA model on the basis of the applicability criteria described in the working guideline;
- in case of new transactions the model applicability has to be confirmed by the model development unit, unless the new transaction is in any aspect identical to other existing transaction which is currently rated with the same IAA rating model;
- RCA fills the model input (supported by the working guidelines) and proposes the rating for the approval (no override is allowed). The rating is shared with business; in case the business unit raises objections to the rating result, the rating decision is escalated in line with the policies and guidelines applicable in force;
- DCA checks the model inputs for completeness and correctness. If the rating was carried out properly, the DCA approves the rating (no override is allowed). In case the rating was not carried out properly, a new rating for approval is requested. The four eyes principle is ensured since it is technically checked that the RCA and DCA are two different persons;
- business unit agrees on the final rating and enter the results to the risk engine. RCA verifies the correctness of the data entry.

The approved rating has to be attached to the credit request.

Second level controls are defined as follow: the local validation is performed by UniCredit Bank AG Local Internal Validation unit in co-ordination with Group Internal Validation and it is made by two main areas of assessment:
- Model validation (model design and performance);
- Process validation (usage, technical implementation, reporting & model evolution).

The models are reviewed on a regular basis in line with the Group Internal Validation Policy. Follow-up validation activities in 2019 and 2020 focusing mainly on selected model validation topics confirmed that all addressed deficiencies were adequately remediated and resulted in an adequate assessment

Here below the recent overall portfolio amount covers by IAA model ratings, compared with the last period available.

(€ million)

EXPOSURE TYPE	EXPOSURE AS AT 12.31.2020	EXPOSURE AS AT 12.31.2019	EXPOSURE AS AT 12.31.2018
Letter of credit	-	-	-
Liquidity facility	5,087	5,993	5,302
Currency & Interest rate Swap (*)	45	46	46
TOTAL	**5,132**	**6,039**	**5,348**

Nota:
(*) The exposure was calculated as the current market value plus add-on.

The IAA compliant model replicates the published asset-specific rating criteria and methodology of ECAIs; the stressed factors taken into account by each model are reported below:
- Trade Receivables (Model Type - Reserve requirement test):
  - Credit Loss reserve;
  - Dilution reserve;
  - Concentration loss reserve;
  - Carrying cost reserve;
  - Commingling reserve;
  - Fx reserve;
- Loans and Leases (Model Type - Cash flow model):
  - Default rate;
  - Recovery rate;
  - Residual value;
  - Prepayments;
  - Commingling of cash;
  - Servicer fee;
  - Interest rate.

The above-mentioned factors are stressed in a quantitative rating for each tranche, a rating adjustment is determined by a qualitative module.

Securitisation exposures

Calculation of regulatory requirement: SEC-IRBA, SEC-ERBA and SEC-SA approaches

For securitisation transactions originated by the Group (excluding self-securitisation), the Group quarterly performs the calculation of the risk weighted amount of the exposure towards securitisations transactions, according to the CRR.
If the Bank has the permission to apply the Internal Ratings Based Approach ("IRB") on the underlying of the securitisation and it is able to calculate the regulatory capital requirements as if this had not been securitised ("K irb"), SEC-IRBA approach is applied.
Where the Bank cannot use SEC-IRBA, if the securitisation is externally rated the approach to be applied is SEC-ERBA otherwise SEC-SA. The SEC-SA relies on a formula that has as input the Standardised Approach parameters used for the credit risk calculation as the portfolio had not been securitised ("K SA").

As at 31 December 2020 No.32 transactions, of which No.27 as synthetic securitisations and No.5 as true sale securitisations, are recognized for risk transfer obtaining benefit in terms of regulatory capital.

The synthetic securitisations originated by UniCredit S.p.A. on performing portfolio are Agribond, Agribond 2, Bond Italia 1 Investimenti, Bond Italia 2 Investimenti, Bond Italia 3 Investimenti, Bond Italia 3 Misto, Bond Italia 4 Investimenti, Bond Italia 4 Misto, Bond Italia 5 Investimenti, Bond Italia 5 Misto, Bond Italia 5 BIS, Bond Italia 6 Investimenti, Bond Italia 6 Misto, Bond Italia 7, Bond del Mezzogiorno, Bond del Mezzogiorno 2, FinPiemonte, FI.L.S.E. Liguria, UniCredit A.R.T.S. - Italian Mid Cap 2015-2, UniCredit A.R.T.S. - Italian Mid Cap 2016-1, UniCredit A.R.T.S. - Italian Mid Cap 2016-2, Puglia Sviluppo 1, SardaFidi, EASI Microcredito, EASI Microcredito 2 and ACT Toscana.

EIF Jeremie is a synthetic securitisation originated by UniCredit Bulbank AD.

The True sale transactions originated by UniCredit S.p.A. on non-performing portfolio are FINO1 Securitisation S.r.l., FINO2 Securitisation S.r.l. ONIF Finance S.r.l. and PRISMA S.r.l. while on a performing portfolio only Basket Bond Puglia was structured during 2020.

On 2020 the transactions: Bond Italia 1 Mix e Bond Italia 2 Mix, SME Initiative, Federconfidi and Federasconfidi are no more recognised for risk transfer purpose.
During 2020 no securitisation originated or structured by UniCredit group meet the requirements foreseen by UE 2017/2402 art.242, point 10 and art 18 referred to simple, transparent and standardised securitisations.

In accordance with CRR and the amendments EU No.2017/2401 and No.2017/2402, the Group evaluates the Significant Risk Transfer ("SRT") through the Mezzanine/Junior test, commensurate test and verifying the absence of the contractual conditions that could affect the recognition of the SRT. In order to verify the commensurateness test, the Group has adopted an internal method that compares two indicators aims to demonstrate that the own fund requirement reduction obtained through the securitisation is equivalent to the risk transferred to third parties. The transactions that do not meet the Significant Risk Transfer tests are excluded from the Securitisation Framework losing the regulatory capital requirements benefits.
In order to support the evidences arising from the comparison of regulatory requirements related to securitisation transactions, as stated above, Group Risk Management set up an ad hoc credit process to analyse, monitor and control the aforementioned transactions in order to confirm the compliance with the qualitative and quantitative requirements set by the CRR (and subsequent amendments), as well as the Public Guidance on the Recognition of Significant Credit Risk Transfer issued on 24 March 2016 by the European Central Bank.

In particular, the transactions are analysed in order to verify:
- the obligation of the originator (or sponsor) to retain a portion of risk in the securitisation transaction in order to ensure the absences of interests' misalignment between the originator and the final investor;
- the absence of potential connections between the originator and the final investor that could be considered as economic support;
- the eligibility of guarantee obtained by third parties;
- the absence of contractual clauses that could be affect the SRT;
- that the internal risk measures support the regulatory evidences obtained.

Securitisation portfolio is subject to a quarterly monitoring process in order to check the portfolio performance and all the credit risk parameters that can affect the Significant Risk Transfer achieved, such as: the evolution of portfolio (amortization), the prepayment, the substitution and/or the replenishment. The size of these factors has to be constantly monitored because they can interfere with the persistence of the SRT.
For this reason, on a quarterly basis, the Group performs appropriate controls on the portfolios and on its credit components during all the life cycle of the transactions.

Securitisation exposures

The securitisation transactions originated by the Group have been included within the Group portfolios in order to calculate the internal risk measures (for credit risk, market risk, interest rate and liquidity).
Regarding the net positions obtained based on the compensation principle application and allocated in the regulatory trading portfolio, starting from December 2011, the risk weighted exposures amount is calculated applying the prudential rules used for the banking portfolio (standardised or rating based methods). The capital requirement applied is the same and it is equal to 8% of risk-weighted exposures.
As regards the abovementioned portfolio, the Group operates a continuous monitoring of both the fair value and the economic value of securitisation portfolio.
For this purpose, in relation with the structured products portfolios in which the Group invests on IPV (Independent Price Validation) process has been approved and implemented to all the legal entities belonging to UniCredit group on a monthly basis. This process was implemented with the coordination of Group Risk Management function.
The IPV process aims at defining a proper evaluation and classification of securities according to the Fair Value level hierarchy. The hierarchy is split into 3 classes based on the progressive levels of reliability of the observed market prices. The evaluation model takes into account also the mark-to-model hypothesis and proxy whereas the prices seem opaque.
With reference to the carrying value and fair value as at 31 December 2020 of the reclassified ABS, it shall be referred to Consolidated financial statements, Part A - Accounting policies, Section A.3 - Information on transfers between portfolios of financial assets.

Indication of the methods that the Group applies to securitisation activity for the management and mitigation of following risks

Liquidity risk

As regards the management of impacts generated by securitisation transactions that can affect the Group liquidity (hence the traditional securitisation and self-securitisations for which the Group acts as originator), UniCredit:

- monitors and includes the impacts of these positions on the basis of a mapping rule defined by internal regulations.
- verifies the eligibility of senior positions granted by the European Central Bank included in the Counterbalancing Capacity, evaluating them based on the price provided by European Central Bank and their haircuts.
- monitors and estimates the effects on the Group liquidity caused by possible rating downgrade of the notes or of the Group (originator).

The Group can act as Swap counterparty, Account Bank and Servicer for its originated securitisations and for its OBG1 Program. The latter is subject to stress test exercise in order to calculate the additional liquidity to be posted in case of a rating downgrade both 1 and 2 notches of the securitisation notes, or UniCredit group and/or of Italy. As at 31 December 2020 the additional liquidity posted by UniCredit is €420 million and in case of stress scenario is respectively €60 million for 1 notch and null for 2 notches downgrades.

Interest Rate risk

As far as regards the management of interest rate risk of securitisation transactions originated by the Group, implied by the structure of interest rate swaps, the Group retains the interest rate profile of the securitized portfolio acting as a swap counterpart. The Group holds, calculates and monitors this risk as if the portfolio had not been securitized.
Concerning the management of interest rate risk of the positions for which the Group is investor or sponsor, they are usually included in the reference portfolio and managed according to standard Group procedures.

Currency Risk

As far as regards the management of currency risk of securitisations transactions both in case of originator and investor positions, the Group holds an active role about the foreign exchange positions in several different currencies. The management of this risks is performed through the Cross Currency Swap (CCS) where one party pays variable or fixed amounts in a specified currency calculated on an established notional amount expressed in the same currency and a second party pays fixed or variable amounts calculated in another currency on the same notional amount converted. This instrument allows the hedging of long-term currency risks. Interest payments and notional amounts are exchanged to hedge against exchange rate fluctuations.

Credit risk

As far as regard the management of credit risk on securitisation, in addition to the Pillar I requirements and the qualitative and quantitative analysis defined by the regulation in force (CRR), the Group includes the securitisation exposures in the calculation of Credit Risk Economic Capital (ICAAP contribution).
Among the credit risk mitigation actions, the Group adopt the synthetic securitisation as a credit protection instrument on the portfolio. The guarantee received by third party can be financial (funded guarantee, a cash collateral) and/or not financial (personal guarantee). The difference between them is the deposit of cash collateral by the guarantor. In case of unfunded guarantee, the obligor undertakes the obligation to pay an amount (contractually defined) in the event of default on the portfolio without any cash deposit as collateral. In case of funded guarantee, the obligation to pay is generally collateralized by a liquidity deposit. The Group acts as protection buyer in a Credit Default Swap in order to manage the default event.

Securitisation exposures

List of the ECAIs (External Credit Assessment Institution) and ECAs (Export Credit Agency) used in the standardised, advanced approach and of the credit portfolios on which the ratings supplied by these entities are applied

Securitisations

PORTFOLIOS	ECA/ECAI
Position on securitisations with short term rating	Fitch Ratings Moody's Investor Services Standard and Poor's Rating Services
Position on securitisations different from those with short term rating	

Securitisation exposures

The contents of the following “SEC” templates have been prepared according to the “Final draft implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of CRR (EBA/ITS/2020/04), with reference to the “Disclosure of exposures to securitisation positions (Article 449)”.

Template EU-SEC1 - Securitisation exposures in the non-trading book

(€ million)

		a	b	c	d	e	f	g
		INSTITUTION ACTS AS ORIGINATOR						
		TRADITIONAL				SYNTHETIC		
		STS		NON-STS				
			OF WHICH SRT		OF WHICH SRT		OF WHICH SRT	SUB-TOTAL
1	**Total exposures as at 12.31.2020**	**-**	**-**	**31,196**	**178**	**2,487**	**2,479**	**33,684**
2	Retail (total)	-	-	16,422	178	2,487	2,479	18,909
3	Residential mortgage	-	-	5,445	3	-	-	5,445
4	Credit card	-	-	-	-	-	-	-
5	Other retail exposures	-	-	10,977	175	2,487	2,479	13,464
6	Re-securitisation	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	14,775	-	-	-	14,775
8	Loans to corporates	-	-	14,728	-	-	-	14,728
9	Commercial mortgage	-	-	-	-	-	-	-
10	Lease and receivables	-	-	47	-	-	-	47
11	Other wholesale	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-
13	**Total exposures as at 06.30.2020**	**-**	**-**	**31,670**	**271**	**637**	**564**	**32,307**

continued: Template EU-SEC1 - Securitisation exposures in the non-trading book

(€ million)

		h	i	j	k	l	m	n	o
		INSTITUTION ACTS AS SPONSOR				INSTITUTION ACTS AS INVESTOR			
		TRADITIONAL				TRADITIONAL			
		STS	NON-STS	SYNTHETIC	SUB-TOTAL	STS	NON-STS	SYNTHETIC	SUB-TOTAL
1	**Total exposures as at 12.31.2020**	**2,765**	**3,357**	**-**	**6,122**	**3,058**	**5,876**	**-**	**8,934**
2	Retail (total)	-	301	-	301	3,058	5,532	-	8,590
3	Residential mortgage	-	-	-	-	642	1,358	-	2,000
4	Credit card	-	-	-	-	-	-	-	-
5	Other retail exposures	-	301	-	301	2,416	4,174	-	6,590
6	Re-securitisation	-	-	-	-	-	-	-	-
7	Wholesale (total)	2,765	3,055	-	5,821	-	344	-	344
8	Loans to corporates	612	-	-	612	-	-	-	-
9	Commercial mortgage	-	-	-	-	-	50	-	50
10	Lease and receivables	2,153	3,055	-	5,209	-	294	-	294
11	Other wholesale	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-
13	**Total exposures as at 06.30.2020**	**2,294**	**3,925**	**-**	**6,220**	**2,292**	**6,673**	**-**	**8,964**

UniCredit group has many years of experience in securitizing its assets, as well as in structuring securitizations for its customers (banks, financial firms, and businesses). In this context and with reference to trade receivables the Group acts as a sponsor of Asset-Backed Commercial Paper (“ABCP”) conduits.
As at December 2020 the one Conduit Program in place is Customer Conduit Arabella Finance, for details refer to the paragraphs (i) Conduit Program and (i) Arabella Finance on the previous pages.

Securitisation exposures

Template EU-SEC2 - Securitisation exposures in the trading book

(€ million)

		a	b	c	d	e	f	g	h	i	j	k	l
		INSTITUTION ACTS AS ORIGINATOR				INSTITUTION ACTS AS SPONSOR				INSTITUTION ACTS AS INVESTOR			
		TRADITIONAL		SYNTHETIC	SUB-TOTAL	TRADITIONAL		SYNTHETIC	SUB-TOTAL	TRADITIONAL		SYNTHETIC	SUB-TOTAL
		STS	NON-STS			STS	NON-STS			STS	NON-STS		
1	**Total exposures as at 12.31.2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**21**	**-**	**26**
2	Retail (total)	-	-	-	-	-	-	-	-	4	21	-	25
3	Residential mortgage	-	-	-	-	-	-	-	-	-	1	-	1
4	Credit card	-	-	-	-	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	-	-	-	-	-	-	4	20	-	25
6	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	0	-	0
8	Loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-
9	Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-
10	Lease and receivables	-	-	-	-	-	-	-	-	-	0	-	0
11	Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
13	**Total exposures as at 06.30.2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**2**	**-**	**12**

Securitisation exposures

Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

(€ million)

		a	b	c	d	e	f	g	h	i
		EXPOSURE VALUES (BY RW BANDS/DEDUCTIONS)					EXPOSURE VALUES (BY REGULATORY APPROACH)			
		≤20% RW	>20% TO 50% RW	>50% TO 100% RW	>100% TO <1250% RW	1250% RW/ DEDUCTIONS	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/ DEDUCTIONS
1	**Total exposures as at 12.31.2020**	**4,418**	**3,291**	**864**	**206**	**1**	**2,657**	**6,122**	**-**	**1**
2	Retail (total)	2,699	2,695	727	178	1	178	6,122	-	1
3	Securitisation	2,699	2,695	727	178	1	178	6,122	-	1
4	Retail underlying	-	301	-	178	-	178	301	-	-
5	*Of which STS*	-	-	-	-	-	-	-	-	-
6	Wholesale	2,699	2,394	727	-	1	-	5,820	-	1
7	*Of which STS*	2,270	495	-	-	0	-	2,765	-	0
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	Wholesale (total)	1,719	596	137	28	-	2,479	-	-	-
10	Securitisation	1,719	596	137	28	-	2,479	-	-	-
11	Retail underlying	1,719	596	137	28	-	2,479	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-
14	**Total exposures as at 06.30.2020**	**3,661**	**4,276**	**964**	**196**	**-**	**2,878**	**6,220**	**-**	**-**

Continue: Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

(€ million)

		j	k	l	m	n	o	p	q
		RWEA (BY REGULATORY APPROACH)				CAPITAL CHARGE AFTER CAP			
		SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/ DEDUCTIONS	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/ DEDUCTIONS
1	**Total exposures as at 12.31.2020**	**1,749**	**1,573**	**-**	**-**	**140**	**126**	**-**	**-**
2	Retail (total)	1,117	1,573	-	-	89	126	-	-
3	Securitisation	1,117	1,573	-	-	89	126	-	-
4	Retail underlying	1,117	136	-	-	89	11	-	-
5	*Of which STS*	-	-	-	-	-	-	-	-
6	Wholesale	-	1,437	-	-	-	115	-	-
7	*Of which STS*	-	388	-	-	-	31	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Wholesale (total)	633	-	-	-	51	-	-	-
10	Securitisation	633	-	-	-	51	-	-	-
11	Retail underlying	633	-	-	-	51	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-
14	**Total exposures as at 06.30.2020**	**1,807**	**1,841**	**-**	**-**	**145**	**147**	**-**	**-**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Securitisation exposures

Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

(€ million)

		a	b	c	d	e	f	g	h	i
		EXPOSURE VALUES (BY RW BANDS/DEDUCTIONS)					EXPOSURE VALUES (BY REGULATORY APPROACH)			
		≤20% RW	>20% TO 50% RW	>50% TO 100% RW	>100% TO <1250% RW	1250% RW/ DEDUCTIONS	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/ DEDUCTIONS
1	**Total exposures as at 12.31.2020**	**7,177**	**1,433**	**196**	**88**	**32**	**-**	**7,503**	**1,390**	**32**
2	Retail (total)	7,177	1,433	196	88	32	-	7,503	1,390	32
3	Securitisation	7,177	1,433	196	88	32	-	7,503	1,390	32
4	Retail underlying	6,982	1,419	128	22	32	-	7,344	1,206	32
5	*Of which STS*	2,740	318	-	-	-	-	2,728	330	-
6	Wholesale	196	14	68	66	0	-	159	184	0
7	*Of which STS*	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	Wholesale (total)	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-
14	**Total exposures as at 06.30.2020**	**7,055**	**1,610**	**213**	**43**	**34**	**-**	**7,478**	**1,443**	**34**

Continue: Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

(€ million)

		j	k	l	m	n	o	p	q
		RWEA (BY REGULATORY APPROACH)				CAPITAL CHARGE AFTER CAP			
		SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/ DEDUCTIONS	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/ DEDUCTIONS
1	**Total exposures at 12.31.2020**	**-**	**1,586**	**210**	**-**	**-**	**127**	**17**	**-**
2	Retail (total)	-	1,586	210	-	-	127	17	-
3	Securitisation	-	1,586	210	-	-	127	17	-
4	Retail underlying	-	1,451	182	-	-	116	15	-
5	*Of which STS*	-	354	33	-	-	28	3	-
6	Wholesale	-	135	28	-	-	11	2	-
7	*Of which STS*	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Wholesale (total)	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-
14	**Total exposures as at 06.30.2020**	**-**	**1,633**	**221**	**-**	**-**	**131**	**18**	**-**

Note:
The template above is subject to reconciliation of data across disclosure's templates as represented in the Annex 3.

Securitisation exposures

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

(€ million)

		a	b	c
		EXPOSURES SECURIZED BY THE INSTITUTION - INSTITUTION ACTS AS ORIGINATOR OR AS SPONSOR		
		TOTAL OUTSTANDING NOMINAL AMOUNT		TOTAL AMOUNT OF SPECIFIC CREDIT RISK ADJUSTMENTS MADE DURING THE PERIOD
			OF WHICH EXPOSURES IN DEFAULT	
1	**Total exposures as at 12.31.2020**	**68,305**	**7,363**	**190**
2	Retail (total)	23,445	6,244	133
3	Residential mortgage	7,565	2,817	19
4	Credit card	-	-	-
5	Other retail exposures	15,880	3,426	113
6	Re-securitisation	-	-	-
7	Wholesale (total)	44,860	1,119	57
8	Loans to corporates	17,764	540	57
9	Commercial mortgage	-	-	-
10	Lease and receivables	27,096	579	0
11	Other wholesale	-	-	-
12	Re-securitisation	-	-	-
13	**Total exposures as at 06.30.2020**	**69,442**	**5,354**	**167**

Operational risk

Use of Advanced Measurement Approaches

Description of the risk measurement methodology (AMA)

UniCredit group developed an internal model for measuring the capital requirements. It is based on internal loss data, external loss data (collected from the international consortium ORX - Operational Risk data exchange Association), scenario loss data and risk indicators.

Capital requirement is calculated at Group level, considering the risk classes. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution.

The severity distribution is estimated on internal, external and scenario data, while the frequency distribution is determined using only the internal data. The severity distribution is selected among a portfolio of parametric distribution (truncated lognormal, truncated Weibull, truncated loglogistic, generalized Pareto, shifted lognormal) applying a decision tree on internal data to identify the set of distribution/threshold best describing the tail severity data for each risk class.

Frequency of loss data is modeled by a Poisson distribution. For each risk class, the annual loss distribution is obtained from severity and frequency through Monte Carlo simulation, considering also insurance coverage. An adjustment for key operational risk indicators is applied to the annual loss distribution estimated for each risk class.

Annual loss distributions of risk classes are aggregated considering correlation among event types. Correlation is estimated through a Student-t copula function and the overall annual loss distribution is obtained though Monte Carlo simulation. Group AMA capital requirement is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes and at a confidence level coherent with the Group target rating for economic capital purposes. Expected loss, for each risk class, is calculated as the minimum between median of loss distribution and available specific provisions related to ordinary internal loss data. Deduction for expected loss is calculated summing up the expected losses of the risk classes without exceeding the median of overall distribution.

Through an allocation mechanism, the individual legal entities' capital requirements are identified, reflecting the entities exposure to operational risk. The allocation mechanism is based on two steps:

- the Group capital requirement is allocated to sub consolidating entities (model hubs) proportionally to their relative Standardised Approach (TSA), Operational losses and stand-alone capital at risk figure.
- the Hub capital at risk is then allocated to individual legal entities on the basis of their TSA, historical loss profile and scenarios.

The Advanced Measurement Approach (AMA) approach approved by the Supervisory Authority in 2008 has been upgraded and deeply revised (starting from 30 June 2014 reporting) leading to a second-generation model newly approved by competent authorities in 2014. The findings resolution on second generation model led to the last model version, starting from 31 December 2015 reporting. Key operational risk indicators adjustment has been fine-tuned, from 31 December 2017 reporting, to receipt some observations by ECB in July 2016. A model change has been applied from 31 December 2018 reporting date, in order to improve the accuracy and the risk sensitivity of the Operational Risk capital requirement calculation, including an add-on, while the Supervisory Authority was completing the investigation. This model change has been finalized from the 30 June 2019 reporting, in order to address the Supervisory Authority findings, remove the add-on, and make the model compliant with the EU Regulatory Technical Standards (EU Regulation 2018/959 of 14 March 2018).
The entities not yet authorized to use the advanced methods contribute to the consolidated capital requirement on the basis of the Standardised Approach (TSA) or Basic Indicator Approach (BIA) model.

The weight of the different methods, expressed in terms of contribution to the total relevant indicator of the Group, is as follows: AMA 85.23%, TSA 8.79%, BIA 5.98%.

The AMA perimeter embeds Group main legal entities in Italy, Germany, Austria, as well as UniCredit Services and UC Ireland. AMA is also applied to main legal entities of CEE countries including Slovenia, Czech Republic, Slovakia, Romania, Croatia, Bulgaria and Hungary.
Main TSA and BIA legal entities are AO UniCredit Bank (Russia) and Unicredit Factoring S.p.A.

Operational risk

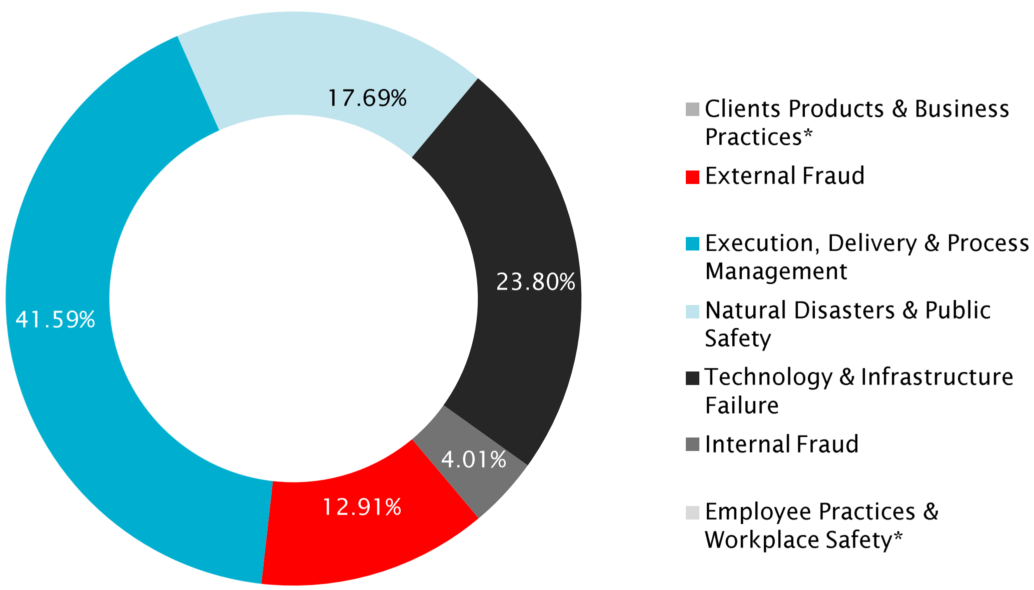
Sources of operational risk

Detailed below is the percentage composition, by type of event, of operational risk sources as defined by the Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by the Bank of Italy in December 2013 (Circular No. 285/2013 and following updates).

The major categories are as follows:

- Internal fraud: losses owing to unauthorized 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;
- Employee practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- Clients, products and business practices: losses arising from non-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- Natural disasters and public safety: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Technology and infrastructure failure: losses owing to business disruption and system failures or interruptions;
- Execution, delivery and process management: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

Operational losses 2020 divided by risk category



Note:
(*) The categories “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.

In 2020, the main source of operational risk refers to “process execution”.
The second largest contribution to losses refers to “Business disruption and technology system failures”, in which costs to restore business after Covid-19 pandemic event, that in the first half of 2020 were included in the category "material damage”, have been reallocated; this reallocation was necessary due to the update that EBA published in December 2020 "EBA Report on the implementation of selected Covid-19 policies". The incidence of Covid-19 costs represents 95% of the amount of losses in the “Business disruption and technology system failures” category.
There were also, in decreasing order, losses stemming from material damages, external fraud, and internal fraud.

Operational risk

Further information on Operational risk are reported in the “Annual Report and Accounts 2020” as at 31 December 2020, Part E, Section 2 “Risks of the prudential consolidated perimeter”, paragraph 2.5 “Operational risks”, Part B “Legal Risks”, Part C “Risks arising from employment law cases” and Part D “Risks arising from tax disputes”.

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 legal entities level to assess the Group and legal entities risk profile and define the most appropriate mitigation actions to reduce the risk.
UniCredit Spa Board of Directors, within its steering powers, approves the operational and reputational risk strategies aiming to identify the priority areas for operational and reputational risk mitigation. Once approved, the Group strategies become effective and shall be sent to Legal Entities to be approved with the local strategies by the local Board of Directors.
The Group has promoted the mitigation of potential losses by identifying several topics aiming at analyzing the issue of operational risk reduction.

The main ones are the following:

Strategies

Within the “Risk Appetite Framework”, UniCredit S.p.A. Board of Directors has approved strategies specific for operational and reputational risks.
The identification of strategies to mitigate the operational and reputational risk of the Group and in the legal entities is carried out through a series of recurring annual activities aimed at assessing the risk profile of the Group and the Companies and at defining the appropriate mitigation actions to reduce the identified risk
The preliminary self- risk assessment, that is the starting point of the process, is a qualitative evaluation on selected forward looking key risk drivers performed yearly by the Legal Entity leveraging on a list of key risk drivers provided by the Parent Company.

In order to select and provide the list of key risk drivers, the following points shall be considered:
- the objectives of the Group multi-year plan;
- the areas of attention and any additional priority from the top management;
- the operational risk losses evolution and the most relevant internal / external events;
- the industry and market trends evolution (including the regulator trends);
- the current ongoing “ORRMS” (Operational & Reputational Risk Mitigation Strategies) and the existing Group Top Operational Risks at the time of the assessment.

The Legal Entities shall assess the relevance of each key risk driver supplied providing a qualitative risk evaluation with rationales and estimations on the related reputational risk.
Furthermore, the Legal Entities shall identify and evaluate additional key risk drivers affecting their own Legal Entity considering the local market, the business activities and the Legal Entity’s specificities (including relevant transformation / innovation in the business model).

The results of the preliminary self-risk assessment are one of the elements considered by the control functions (i.e.: Risk Management, Compliance, Internal Audit) in order to identify the main areas of operational risk to be monitored during the year. These areas constitute the starting point for the definition of the strategies for the mitigation of operational and reputational risks submitted for approval to the UniCredit S.p.A. Board of Directors.

The mitigation actions identification is performed jointly by the Operational Risk functions, the Risk Owners and all the other involved functions. The interaction is based, among other, on the Operational Risk Permanent Workgroup activity in each legal entity about ongoing or planned projects, new processes, new products, product changes, and any other element that can potentially affect the Operational Risk profile of the legal entity. It is also based on the action priorities resulting from risk assessment carried out annually on selected processes.
Whenever necessary the identified mitigation actions are submitted to the competent functions (i.e. risk owner), which manage the related budget for their implementation.

Operational Risk Permanent WorkGroup (PWG)

The “Global Policy Group Operational and Reputational Risk Mitigation Strategies” and the “Global Process Regulation Operational Risk Permanent WorkGroup Operations” govern the PWG, a working group established in most of the Group legal entities. It is composed by the Operational Risk functions and it involves the main Risk Owners (like Compliance, IT, Business, Accounting) with the aim of reducing operational losses by the identification and the implementation of new mitigation actions.
The meetings, called at least quarterly, aim at prioritizing the risks, implementing strategies through the mitigation actions and monitoring their implementation.

Operational risk

Mitigation Action Monitoring

The major mitigation actions planned and/or implemented by the Group Legal Entities, are reported on a regular basis to the parent company UniCredit S.p.A. since 2011, also at the purpose to verify their coherence with the operational risk strategies.
The "Mitigation Actions Outlook" ("MAO") is the tool, within the Group Operational Risk database, defined by the Parent Company and adopted by the Group in order to record and monitor the ongoing Mitigation Actions - both at Parent Company and Legal Entity level.

ELOR (Expected Losses on Revenues) Monitoring

ELOR is a ratio estimated, for the Group and for the main legal entities, with a statistical model, based on the historical losses time series and forward looking factors, as numerator, and the budget revenues, as denominator.
ELOR is monitored on quarterly basis using the actual losses on actual revenues booked in each quarter. The comparison between the thresholds estimated at the beginning of the year and the actual calculated on each quarter allows a close monitoring by the parent company of changes or reactions put in place by the legal entities to reduce and prevent risks. These analyses are also used to evaluate the impact of mitigation actions implemented in the past and as a base for future strategies and mitigation activities, as well as the improvement of existing ones.
A disciplined approach in monitoring expected losses and implementing remedial actions will ensure consistency with best practice standards, increasing accountability and alignment between business and risk control functions.

The use of insurance for risk mitigation

The Operational Risk Management function is involved in the decision process related to insurance coverage with analyses regarding the exposure to operational risks, effectiveness of deductibles and of policy limits. It regularly informs management on insurance related matters connected to operational risks. The role of the Operational Risk Management function in insurance management is defined in a dedicated Group policy, approved by the Group Risk & Internal Control Committee (GR&ICC).

Any change to insurance hedging strategies is jointly proposed by Group Operational and Reputational Risks structure and Group Insurance Management structure to Group Operational & Reputational Risks Committee GORRIC under its advisory function and, in case of its positive opinion, is submitted to GR&ICC for approval.
The operational risks commonly insured in the Group are damages to physical assets, fraud and liability toward third parties.

On the basis of a risk classification, the Group has insurance policies according to the following forms:
- internal fraud: BBB policy, according to Employee Dishonesty insuring clause;
- external fraud: BBB policy, according to the following insuring clauses: On Premises and In Transit (including loss of property resulting directly from theft & robbery), Forgery or Alteration, Computer Manipulation, included the cases of "fraudulent impersonation of counterparty" aimed at the execution of fraudulent transactions (e.g., "CEO frauds");
- ICT and cyber breach: Cyber policy, coverage for liability claims (including legal expenses and customer notification costs), business interruption costs (included also damages to UniCredit group caused by the system failure of the external IT providers) and some commercial initiatives offering a compensation to damaged customers. The coverage is extended also to group multimedia liability (i.e. infringement of the copyright, defamation and general negligence in the course of publication);
- protection for the personal liabilities of the management including legal expenses: Directors and Officers Liability (D&O) policy;
- employer's liability (E.L.): protection for the Bank against claims for damages suffered by employees;
- third Party Liability policy (TPL): protection for the bank against claims for damages suffered by third parties;
- external occurrences: Property ALL RISKS policy as well as EDP ALL RISKS policy are provided in respect of buildings and other assets extended to natural events, catastrophic losses, vandalism and terrorism, Fine Art policy to cover entrusted or owned works of art.

AMA includes the effect of the "Bankers Blanket Bond" coverage on ET1 ("Event Type 1") "Internal Frauds". In particular, its impact is recognized by applying the following haircuts (aimed at considering uncertainty and mismatching elements theoretically linked to an insurance), which are updated on annual basis:
- residual Term of Policy - longer than 1 year aims to keep coverage stability;
- cancellation Terms - longer than 1 year aim to keep coverage stability (as well as for residual terms);
- probability of Insurance Recovery (PoIR) - its calculation addresses uncertainties and responsiveness of insurance policies related to "mismatches in coverage";
- recovery Rate - it considers the split of fines and penalties in internal losses (other deviations from full recovery already included in PoIR);
- probability of Default of Insurers - it contributes to estimate the ability of insurer to pay in a timely manner, considering the potential credit risk associated with the insurance asset and the related time delay;
- discount factor - applied to the recoveries, considers that the final payment is expected with a delay defined by the time delay.

Liquidity risk

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR), introduced by Basel 3 prudential regulation, is a short time indicator which aims to ensure that credit institutions maintain an adequate liquidity buffer to cover the net liquidity outflows under severe conditions of stress over a period of 30 days.

The regulatory framework applied is represented by:

- with reference to the requirements to be met:
  - CRR Article 412 “Liquidity coverage requirement”;
  - Commission Delegated Regulation (EU) 2016/61 of 10 October 2014 that lays down rules that specify in detail the liquidity coverage requirement provided for in CRR Article 412(1). In particular, the requirement that all institutions authorised has to meet is equal to 100%;
  - Commission Implementing Regulation (EU) 2016/322 of 10 February 2016 laying down implementing technical standards with regard to supervisory reporting of institutions of the liquidity coverage requirement;
  - Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018 amending Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions;
  - Commission Implementing Regulation (EU) 2020/429 of 14 February 2020 amending Implementing Regulation (EU) No.680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to CRR Regulation.

- with reference to the disclosure information to be published:
  - CRR Article 435 which defines the disclosure requirements for each separate category of risk, including the key ratios (letter f);
  - EDTF (“Enhancing the risk disclosures of banks”) recommendation No.4 that requires the disclosure of key ratios (included LCR), once the applicable rules are finalised;
  - EBA Guidelines 2017/01, published in March 2017 and applicable from 31 December 2017 relating to the full set of LCR disclosure.

Therefore, disclosure is made according to the EBA guidelines mentioned above.

Liquidity risk

EU LIQ1: LCR disclosure template

(€ million)

SCOPE OF CONSOLIDATION (CONSOLIDATED)		TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
CURRENCY AND UNITS (EURO MILLION)									
QUARTER ENDING ON		03.31.2020	06.30.2020	09.30.2020	12.31.2020	03.31.2020	06.30.2020	09.30.2020	12.31.2020
NUMBER OF DATA POINTS USED IN THE CALCULATION OF AVERAGES		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					141,129	143,737	153,486	167,475
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	239,792	238,716	239,787	242,338	18,848	18,299	17,929	17,667
3	*Stable deposits*	*128,187*	*133,304*	*136,769*	*141,316*	*6,409*	*6,665*	*6,838*	*7,066*
4	*Less stable deposits*	*111,605*	*105,412*	*103,017*	*101,022*	*12,438*	*11,634*	*11,090*	*10,601*
5	Unsecured wholesale funding	177,460	173,826	172,565	174,475	78,936	75,842	73,954	73,557
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*53,890*	*56,163*	*59,041*	*63,148*	*12,588*	*13,121*	*13,818*	*14,816*
7	*Non-operational deposits (all counterparties)*	*119,802*	*114,235*	*110,156*	*107,477*	*62,580*	*59,293*	*56,769*	*54,890*
8	*Unsecured debt*	*3,768*	*3,427*	*3,368*	*3,850*	*3,768*	*3,427*	*3,368*	*3,850*
9	Secured wholesale funding					10,401	9,725	9,266	8,725
10	Additional requirements	133,174	128,735	124,816	122,321	46,748	46,543	45,451	44,065
11	*Outflows related to derivative exposures and other collateral requirements*	*30,488*	*31,123*	*30,679*	*29,833*	*30,300*	*30,962*	*30,463*	*29,558*
12	*Outflows related to loss of funding on debt products*	*1,459*	*1,114*	*952*	*514*	*1,459*	*1,114*	*952*	*514*
13	*Credit and liquidity facilities*	*101,226*	*96,498*	*93,185*	*91,974*	*14,989*	*14,467*	*14,036*	*13,993*
14	Other contractual funding obligations	6,246	6,507	6,641	6,890	6,148	6,386	6,505	6,749
15	Other contingent funding obligations	189,160	215,823	212,009	207,022	6,284	7,298	7,597	7,375
16	**TOTAL CASH OUTFLOWS**					**167,365**	**164,092**	**160,702**	**158,138**
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	60,694	61,467	60,244	57,277	14,761	14,140	13,516	12,968
18	Inflows from fully performing exposures	43,066	41,629	39,336	37,049	30,354	29,454	27,862	26,187
19	Other cash inflows	34,369	34,040	33,318	31,933	23,282	23,059	22,501	21,411
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**138,130**	**137,136**	**132,899**	**126,258**	**68,397**	**66,654**	**63,878**	**60,566**
EU-20a	***Fully exempt inflows***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EU-20b	***Inflows Subject to 90% Cap***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EU-20c	***Inflows Subject to 75% Cap***	**123,196**	**122,803**	**119,201**	**112,912**	**68,397**	**66,654**	**63,878**	**60,566**
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					**141,129**	**143,737**	**153,486**	**167,475**
22	**TOTAL NET CASH OUTFLOWS**					**98,968**	**97,438**	**96,824**	**97,572**
23	**LIQUIDITY COVERAGE RATIO (%)**					**143%**	**148%**	**159%**	**171%**

Liquidity risk

Template on qualitative information which complements the “EU LIQ1 - LCR disclosure template”

Concentration of funding and liquidity sources

Funding Concentration Risk can arise when the bank leverages on a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems.
In the Group the governance and control of funding concentration risk is mainly performed through the setting and monitoring of metrics - managerial and regulatory - aimed at preventing potential vulnerabilities in the bank's ability to meet its liquidity obligations when the funding contracts expire. At this purpose, the metrics in place to steer this risk are the concentration funding by products and counterparties.

Derivative exposures and potential collateral calls

Regarding potential collateral calls, monthly reporting is conducted to measure the impact in terms of additionally required collateral that the bank may be required to provide given a downgrade of its own credit rating or adverse market scenario on derivatives transactions. All relevant rating agencies are considered. The testing is carried out on a legal entity level, but consolidated reporting is available to analyze the impact on group wide basis. Specific attention is dedicated to exposures towards Special Purpose Vehicles.
Quantification of potential liquidity outflows, raised by the necessity of additional guarantees in case of adverse market scenarios, is measured leveraging on the historical analysis of net collateral posted (Historical Look Back Approach).

Currency mismatch in the LCR

As far as the currency mismatch is concerned, a regular monitoring of the relevant currencies (e.g. where liabilities > 5% of total liabilities) and related liquid assets and net cash outflows is performed. So far only EUR and USD resulted to be relevant at Group level. Assessment performed on potential currency mismatches between liquid assets and net outflows shows that the liquidity surplus in EUR is sufficient to cover the gap in USD. A buffer of HQLA (High Quality Liquid Assets) in USD is maintained to face the potential risk related with the conversion of the currency.

Description of the composition of the liquidity buffer and net liquidity outflows

At the end of December 2020, liquidity buffer components mainly consist of withdrawable central bank reserves and governments bonds, representing 90% of the buffer. The other eligible component is mostly made of cash.
The main component of the net liquidity outflows is related with retail and corporate deposits and the potential cash outflows related with the committed credit lines.

Starting from the second quarter of 2019, the “additional outflows for other products and services”, assessed based on the provisions of EU Regulation 2015/61 (Article 23) were revised to reflect the new guidelines sent by the ECB on this point at the end of May 2019.

Reported LCR increase in the fourth quarter 2020 is mainly driven by the actions implemented to reinforce the liquidity position of the Group in the recent crisis, such as deposit attraction and placement of new loans in the ECB collateral pool to back TLTRO (benefiting from ECB temporary easing measures on collateral).

Other items relevant for the liquidity profile

The 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".
The intraday liquidity risk is monitored through the intraday liquidity monitoring tool prescribed by Basel Committee on Banking Supervision (BCBS).
In order to meet the payments falling due in different timing during the business day and avoid possible shortfalls due to missing/delayed inflows, a liquidity buffer is kept on a continuous basis by each LE’s Treasury.

Liquidity risk

Encumbered and unencumbered assets

Encumbered and unencumbered assets

(€ million)

	DESCRIPTION	CARRYING AMOUNT OF ENCUMBERED ASSETS		FAIR VALUE OF ENCUMBERED ASSETS		CARRYING AMOUNT OF UNENCUMBERED ASSETS		FAIR VALUE OF UNENCUMBERED ASSETS	
			OF WHICH NOTIONALLY ELIGIBLE EHQLA AND HQLA		OF WHICH NOTIONALLY ELIGIBLE EHQLA AND HQLA		OF WHICH EHQLA AND HQLA		OF WHICH EHQLA AND HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**251,464**	**-**			**646,916**	**-**		
030	Equity instruments	3,033	-			7,438	-		
040	Debt securities	76,219	71,439	76,757	71,922	82,259	71,054	82,089	71,229
050	*of which:* *- covered bonds*	*4,030*	*3,754*	*4,081*	*3,789*	*1,618*	*1,559*	*1,637*	*1,570*
060	*- asset-backed securities*	*3,370*	*1,384*	*3,348*	*1,384*	*6,536*	*1,957*	*6,417*	*1,877*
070	*- issued by general governments*	*57,126*	*56,755*	*57,600*	*57,229*	*61,405*	*58,902*	*61,616*	*59,118*
080	*- issued by financial corporations*	*16,148*	*13,036*	*16,192*	*13,080*	*18,864*	*10,214*	*18,708*	*10,246*
090	*- issued by non-financial corporations*	*2,169*	*1,953*	*2,225*	*2,002*	*2,527*	*1,474*	*2,529*	*1,485*
120	Other assets	174,292	-			554,970	-		
121	*of which: Loans and advances other than loans on demand*	*164,131*	-			*364,684*	-		

The scope of consolidation between Asset Encumbrance consolidated reporting and liquidity reporting has no longer differences as at 31 December 2020, compared to 31 December 2019, due to the change in the consolidation method of Yapi Ve Kredi Bankasi A.Ş (for further details refer to Scope of application chapter).
The encumbered assets mainly relate to UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria AG.
The main sources of encumbrance are the Repo activity, the Covered Bonds in issue and ECB refinancing (TLTRO), which account for the most of the total amount.
The evolution of the percentage of encumbered assets during the 2020 slightly increase, mostly due to the dynamic of debt securities and term loans.
As far as the "Debt securities" is concerned, EHQLA and HQLA represent the major part, both in term of encumbered and unencumbered assets.
With regards to the unencumbered assets, the main item is referred to the "Other Assets"(equal to 86%). The "Loans and advances other than loans on demand" amounts to 56% of the total carrying value of the unencumbered assets.

Collateral received

(€ million)

	DESCRIPTION	FAIR VALUE OF ENCUMBERED COLLATERAL RECEIVED OR OWN DEBT SECURITIES ISSUED		FAIR VALUE OF UNENCUMBERED COLLATERAL RECEIVED OR OWN DEBT SECURITIES ISSUED AVAILABLE FOR ENCUMBRANCE	
			OF WHICH NOTIONALLY ELIGIBLE EHQLA AND HQLA		OF WHICH EHQLA AND HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	**53,763**	**53,334**	**50,471**	**43,555**
140	Loans on demand	-	-	-	-
150	Equity instruments	486	179	280	28
160	Debt securities	53,277	52,770	49,979	43,297
170	*of which:* *- covered bonds*	*3,158*	*3,048*	*1,425*	*1,408*
180	*- asset-backed securities*	*805*	*-*	*17*	*-*
190	*- issued by general governments*	*45,060*	*35,784*	*41,725*	*27,514*
200	*- issued by financial corporations*	*6,014*	*5,582*	*5,443*	*4,371*
210	*- issued by non-financial corporations*	*374*	*317*	*963*	*795*
220	Loans and advances other than loans on demand	-	-	4	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**1,868**	**-**	**18,538**	**-**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**7,741**	**-**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**304,772**	**-**		

With regards to the collateral received, the median percentage which results encumbered is equal to 52%, mainly relating to debt securities received as collateral in repo and similar operations which were then re-used.

Liquidity risk

Sources of encumbrance

(€ million)

	DESCRIPTION	MATCHING LIABILITIES, CONTINGENT LIABILITIES OR SECURITIES LENT	ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED OTHER THAN COVERED BONDS AND ABSS ENCUMBERED
		010	030
010	**Carrying amount of selected financial liabilities**	**228,005**	**304,772**
040	*of which: Deposits*	*165,635*	*183,767*

The ratio between the “Assets, collateral received and own Debt Securities issued other than Covered Bonds and ABSs encumbered” and the relevant “Matching liabilities, contingent liabilities and securities lent” amounts to 134%, which is mainly related to overcollateralisation agreements on repos and Covered Bonds issued.

Notes to the previous tables:
- In terms of median, the percentage of encumbered assets to the total assets amount is equal to 28%, mainly due to term loans and debt securities (considering also the collateral the percentage moves to 30%).
- Values reported in the tables above relate to the median value calculated on the basis of punctual data for the four reference quarters of 2020. These figures refer to the prudential scope of consolidation.
- The main change compared to the amounts published with reference to 31 December 2019 is related to change in the consolidation method of Yapi Ve Kredi Bankasi A.Ş (for further details refer to Scope of application chapter).
- High Quality Liquid Assets (HQLA) and Extremely High Quality Liquid Asset (EHQLA) are identified according to the provisions reported in the Commission Delegated Regulation (EU) 2016/61 of 10 October 2014 for the purpose of Liquidity Coverage Ratio calculation.

Liquidity risk

Liquidity Buffer and Funding Strategies

Liquidity Buffer

The main tool through which the Group meets its liquidity needs is the Funding Plan, defined for 2020 at Group, Liquidity Reference Bank and relevant legal entity level. The Funding Plan includes the set of medium long term funding instruments to be issued in order to cover the expected funding needs deriving from the evolution of the liquidity uses and sources (including also commercial growth generated by business functions), avoiding pressure on the short term interbank position.

Parent Company Finance function is responsible for the execution of the medium long term Group's funding strategy (including securitization operations), coordinating the access to national and international capital markets for all the Liquidity Reference Banks exploiting local market opportunities in order to reduce the costs of funding and diversify of the financing sources.

Parent Company Treasury function is responsible for the financial stability and liquidity of the Group. Its primary objective is to fulfill ordinary and extraordinary payment obligations on the short-term period, managing the liquidity risk generated by possible unbalances in the Group financial structure, as well as settlement, rate and FX risks. It accesses money markets and coordinates the treasury functions within the Parent company international branches and Liquidity Reference Banks, also for the purpose of making refinancing transactions with the European Central Bank. Moreover, the Parent Company Treasury function acts also as the sole party in the management of the intra-group financial flows linked to net liquidity requirements/surpluses of the banks and companies in the Group.

In order to avoid that short-term liquidity crunch or other unexpected events leading to potentially serious consequences, the Group constantly maintains a liquidity reserve. This is a cushion represented by an appropriate amount of cash, or other highly liquid assets, in relation to the amount of liabilities and expected stress results. According to the updated version of the Group Policy for Contingency Liquidity Management, if necessary to restore the liquidity positions, the Group Treasury in its role of operative liquidity management function is entitled to monetize the securities belonging to the trading and the banking book, prevailing on any existing business or risk management strategies, as per Article 8 (3 (b)) of the Delegated Act of 10 October 2014 for Liquidity Coverage Requirement for Credit Institutions.

By maintaining cash reserves in money market instruments, unexpected demand on cash does not require the immediate sale of other less liquid securities, which in most cases would not be in the business's or individual's best interest. As reported in the table below, UniCredit Group had €222.9 billion of aggregate liquidity resources as of 31 December 2020 that represented around 24% of the total balance sheet.

Among the total liquidity reserves €64.6 billion (29% of the total liquidity resources) were in the form of unencumbered unsecured bonds eligible at Central Bank, of which €61.5 billion is in the form of bonds issued or guaranteed by sovereigns, quasi-sovereigns or multinational institutions. A large portion of the sovereign portfolio consists mainly of bonds issued by the Republic of Italy, the Kingdom of Spain, the Kingdom of Japan and Czech Republic National Bank Bill. These bonds are highly liquid and therefore even in a stressed scenario the Group would be able to rapidly obtain cash either via repurchase agreements or outright sales.

In addition, within this liquidity buffer, the Group holds a portfolio of highly liquid non-sovereign bonds issued by credit worthy financial institutions, both in senior and covered format, as well as by corporates and public sector entities. This category cumulatively represents close to €8.1 billion and is eligible for financing with the European Central Bank.

The final major category in the Group liquidity buffer is represented by the retained covered bonds and asset backed securities issued by the bank. These represent €0.9 billion of liquidity equivalent counterbalancing capacity as they are eligible for the European Central Bank refinancing operations.

Total cash stands at €152.4 billion, part of it equal to €8.3 billion, is restricted to being held at the Central Banks in the form of minimum required reserves (MRR).

The bulk of the liquidity buffer is in Italy (48.3% of the total). The liquidity available at country level may be transferred to other legal entities within the Group perimeter. The intra-group transfer of liquidity is subject to a set of legal, regulatory and political restrictions (for further details, please refer to the Notes to the Consolidated Accounts as at 31 December 2020, Part E "Information on risks and hedging policies", Section 2.4 Liquidity risk). The constraints are minor for downstream loans within the same country; they become more stringent for downstream loans with foreign counterparties; and grow further in intensity for upstream loans with foreign counterparties.

Liquidity risk

Liquidity value (market value and applicable Central Bank haircut)

(€ million)

INSTRUMENT TYPE	UNICREDIT GROUP AMOUNT	UNICREDIT GROUP % ON TOTAL	ITALY AMOUNT	ITALY % ON TOTAL	GERMANY AMOUNT	GERMANY % ON TOTAL	AUSTRIA AMOUNT	AUSTRIA % ON TOTAL	CEE AMOUNT	CEE % ON TOTAL
Cash and Balances with Central Banks	**152,421**	**68.4%**	**73,813**	**68.6%**	**42,291**	**73.8%**	**28,232**	**91.2%**	**8,086**	**29.9%**
of which Compulsory Reserve	*8,297*	*3.7%*	*1,992*	*1.9%*	*1,522*	*2.7%*	*597*	*1.9%*	*4,187*	*15.5%*
Unsecured Bonds eligible at Central Bank	**64,624**	**29.0%**	**31,647**	**29.4%**	**13,212**	**23.1%**	**2,426**	**7.8%**	**17,340**	**64.1%**
of which issued or guaranteed by Sovereign, Central Banks or Multilateral Development Banks	*61,548*	*27.6%*	*30,430*	*28.3%*	*11,860*	*20.7%*	*2,426*	*7.8%*	*16,832*	*62.2%*
of which issued or guaranteed by municipalities or other public sector entities	*39*	*0.0%*	*14*	*0.0%*	*17*	*0.0%*	-	-	*7*	*0.0%*
of which issued by financial institutions	*2,031*	*0.9%*	*921*	*0.9%*	*1,067*	*1.9%*	-	-	*44*	*0.2%*
of which issued by non financial institutions	*1,006*	*0.5%*	*281*	*0.3%*	*267*	*0.5%*	-	-	*457*	*1.7%*
Covered Bonds eligible at Central Bank	**3,120**	**1.4%**	**1,595**	**1.5%**	**1,055**	**1.8%**	**306**	**1.0%**	**165**	**0.6%**
of which issued by other banks or financial institutions	*2,770*	*1.2%*	*1,595*	*1.5%*	*1,041*	*1.8%*	*13*	*0.0%*	*121*	*0.4%*
of which issued by their own bank or related unit (retained Covered Bond)	*350*	*0.2%*	-	-	*14*	*0.0%*	*293*	*0.9%*	*44*	*0.2%*
ABS eligible at Central Bank	**1,324**	**0.6%**	**566**	**0.5%**	**755**	**1.3%**	**2**	**0.0%**	**-**	**-**
of which issued by other banks or financial institutions	*757*	*0.3%*	-	-	*755*	*1.3%*	*2*	*0.0%*	-	-
of which issued by their own bank or related unit (self securitisations)	*566*	*0.3%*	*566*	*0.5%*	-	-	-	-	-	-
Other asset eligible at Central Bank	**1,454**	**0.7%**	**-**	**-**	**-**	**-**	**-**	**-**	**1,454**	**5.4%**
TOTAL	**222,943**		**107,621**		**57,312**		**30,966**		**27,044**	

Liquidity risk

Funding Strategies

Short Term Funding

In the last quarter of 2020, as well as in the previous ones, the unsecured short-term funding activity was characterized by an excess of liquidity which led to significant inflows in the face of an abundant issue of CDs and CPs. Unlike what we have seen in the past, it focused more on short periods (1 and 3 months) probably both for economic reasons, given the very low returns (lower than the ECB Deposit Facility), and for reasons related to credit management on the investors side. Also in this quarter the very accommodative policy of the Central Banks led to a further decline in the yield curves on all main currencies. The Euribor fell by about 5 b.p. on the whole curve and traded below -0.50 up to one-year maturities. Even the funding activity through interbank deposits, albeit more modest in terms of volumes, has seen a moderate increase, concentrated - as usual - on shorter maturities and mostly due to new USD flows.
Abundant liquidity and decreasing money market rates impacted also the repo market. All European repo rates traded below the level of the deposit facility for tenors up to 1y. Main concern involved the year-end with collateral-driven pressures taking place mainly due to regulatory reasons, balance-sheet reduction trends, increasing HQLA appetite. Despite levels dipped over the last day of the year (Germany -2.5%, France -2.2%, Spain -2%, Italy -1.2%), volatility was low signaling that market participants correctly anticipated and managed their exposures.

Medium Long Term Funding

UniCredit funding strategy is aimed at maintaining sustainability and diversification, ensuring an appropriate level of liquidity and allowing the Group to comply with various regulatory requirements.
During 2020 the Group has realized medium/long term funding for an amount of approx. €24.4 billion, a confirmation of the Group consolidated ability to access capital markets in different formats across the capital structure, even in such a complex and volatile year.
The Funding Plan has been executed using a variety of different maturities and structures, in order to reduce concentration risk.

In terms of subordinated debt, UniCredit S.p.A. has issued during the year the following deals:
- on January 2020, UniCredit S.p.A launched a new issuance of Tier 2 notes, denominated in EUR, for a total of €1.25 billion. The notes have a legal maturity of 12 years and pay a fixed rate coupon of 2.731% per annum, paid on an annual basis. The notes have a one-time Issuer's call option exercisable after 7 years subject to regulatory approval; if not called, the coupon will reset at the prevailing 5 years EUR mid-swap rate plus the initial spread. The notes were distributed to different institutional investors' categories, mainly funds (78%) and banks and insurance companies. The demand has mainly come from UK (39%), France (19%) and Italy (10%). The notes are listed on the Luxembourg Stock Exchange;
- on February 2020, UniCredit S.p.A. launched a new issuance of Additional Tier 1 notes (so-called Non-Cumulative Temporary Write-Downs) to institutional investors, with a "perpetual" duration (maturity linked to the corporate duration of UniCredit S.p.A.), denominated in EUR, for a total of €1.25 billion. The notes pay fixed rate coupons for the first 7 years equal to 3.875% per annum, paid on a semi-annual basis. The notes were allocated to institutional investors, based in the main financial European venues (UK, Italy and France, etc.). The coupon payment is fully discretionary. The notes have a 5.125% Common Equity Tier 1 (CET1) trigger, if the Group or Issuer CET1 at any time falls below the trigger level, the instrument will be temporarily written down to cure the breach, together with other instruments with similar write down triggers. The additional Tier 1 instruments contribute to strengthen the Tier 1 Ratio of UniCredit S.p.A. completing the Additional Tier 1 issuance needs for the year 2020
- on June 2020, UniCredit S.p.A launched a new issuance of Tier 2 notes, denominated in USD, for a total of $1.5 billion. The notes have a legal maturity of 15 years and pay a fixed rate coupon of 5.459% per annum, paid on an annual basis. The notes have a one-time Issuer's call option exercisable after 10 years subject to regulatory approval: if not called, the coupon will reset to the aggregate of the 5 year US Treasury rate plus the initial spread. The Notes, issued out of the GMTN Programme, were distributed to different institutional investors' categories such as asset managers (82 per cent), hedge funds (10 per cent), insurance companies/pension funds (4 per cent) and banks/private banks (3 per cent). The demand has mainly come from US/Canada (71%), Europe (26%) and Asia (3%).

In terms of senior funding, UniCredit S.p.A. issued the following deals:
- in January 2020 a Dual Tranche Senior Non-Preferred transaction for a total combined amount of €2 billion (in both 6NC5 and 10Y formats);
- in June 2020 a Senior Preferred benchmark with 6 years maturity and callable after 5 years for an amount equal to €1.25 billion;
- in July 2020 both a Senior Preferred with 7 years maturity and callable after 6 years for an amount equal to €1 billion in private placement format and a Senior Non-Preferred benchmark with 7 years maturity and callable after 6 years for an amount equal to €1.25 billion;
- in September 2020 a USD denominated Senior Non-Preferred benchmark with 6 years maturity and callable after 5 years for an amount of $1 billion.

Liquidity risk

The Group also leveraged on being able to access markets out of a number of different legal entities, enjoying for all of them a large degree of name recognition with institutional investors.
In 2020 the combined amount issued by the subsidiaries has been approx. €11 billion.

The Group is also active in the private placement space (carried out especially by subsidiaries towards domestic investors) and it was able to attract further demand for an amount of approx. €3 billion, contributing to reduce the overall funding cost.

The collateralized funding plays also a very important role in the Group funding mix, being one of the most cost-efficient sources of funds. The Group continued leveraging on the use of available collateral in order to take advantage of the different issuing platforms, being able to generate bilateral funding from Agencies/Supranational Entities in different countries for an amount of approx. €4.7 billion.

On the Covered Bond side, UniCredit Bank AG has issued during 2020 No.3 new institutional market Covered Bonds ("Pfandbrief") transactions with 12, 10 and 8 years maturities, for a combined amount of €3.25 billion.
UniCredit Bank Austria has also executed Covered Bond ("Pfandbrief") transactions on the institutional market with 10 and 15 years maturities during the year, for a total amount of €1 billion.
Furthermore, the issuance activity has been performed by different entities within the Group also in private placement format, thus contributing to reduce the overall funding cost.

Deposits from customers and banks, senior bonds and own funds represent our most stable funding sources, with deposits from customers representing 64% of the liability structure at the end of December 2020.

Liabilities structure breakdown by maturity

(€ million)

INSTRUMENT TYPE	OUTSTANDING	% ON TOTAL	1 MONTH	3 MONTHS	6 MONTHS	9 MONTHS	1 YEAR	2 YEARS	OVER 2 YEARS
Depos from Banks	174,230	22%	40,232	10,160	4,941	1,223	1,334	3,998	112,342
of which Secured	*31,664*	*4%*	*21,449*	*6,377*	*2,310*	*340*	*169*	-	*1,019*
Depos from Customers	504,148	64%	450,177	25,987	7,043	4,284	4,793	4,394	7,470
of which Secured	*38,439*	*5%*	*33,680*	*3,232*	*1,193*	*335*	-	-	-
Subordinated	10,594	1%	-	75	535	-	253	2,359	7,372
of which Retail	*77*	*0%*	-	*17*	-	-	-	*60*	-
Senior Unsecured	49,849	6%	2,422	549	949	955	1,233	9,050	34,693
of which Retail	*6,806*	*1%*	*168*	*322*	*208*	*310*	*218*	*831*	*4,749*
CD/CP	14,738	2%	4,835	2,898	5,550	543	873	38	-
of which Retail	*42*	*0%*	*6*	-	-	-	-	*37*	-
Covered Bonds	35,427	4%	16	1,214	1,014	35	1,293	3,656	28,201
ABS	-	0%	-	-	-	-	-	-	-
Other	-	0%	-	-	-	-	-	-	-
TOTAL	**788,986**		**497,681**	**40,883**	**20,032**	**7,040**	**9,778**	**23,493**	**190,078**

Liabilities structure breakdown by currency

(€ million)

INSTRUMENT TYPE	OUTSTANDING	% ON TOTAL	EUR	USD	GBP	CHF	JPY	OTHER
Deposits from Banks	174,230	22%	160,479	10,077	713	38	44	2,880
of which Secured	*31,664*	*4%*	*29,866*	*1,660*	-	-	-	*138*
Deposits from Customers	504,148	64%	435,302	24,457	1,794	696	84	41,816
of which Secured	*38,439*	*5%*	*38,439*	-	-	-	-	-
Subordinated	10,594	1%	7,412	3,124	-	-	58	-
of which Retail	*77*	*0%*	*77*	-	-	-	-	-
Senior Unsecured	49,849	6%	39,920	8,787	8	153	40	942
of which Retail	*6,806*	*1%*	*6,598*	*127*	-	*0*	-	*81*
CD/CP	14,738	2%	14,365	253	4	-	-	115
of which Retail	*42*	*0%*	*42*	-	-	-	-	-
Covered Bonds	35,427	4%	34,291	407	-	-	-	728
ABS	-	0%	-	-	-	-	-	-
Other	-	0%	-	-	-	-	-	-
TOTAL	**788,986**		**691,769**	**47,106**	**2,519**	**886**	**225**	**46,480**

Leverage

The Basel 3 prudential regulation (BCBS) introduced the requirement of calculation, reporting, and publication of leverage ratio that is an additional regulatory requirement to risk-based indicators.

The main leverage ratio objectives are:
- restricting the build-up of leverage in the banking sector;
- enhancing the capital ratios with a further, simple and not risk based measure.

The ratio is calculated according to the "Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending CRR Regulation with regard to the leverage ratio".

The abovementioned regulation amends CRR article 429, complying with "Basel III leverage ratio framework and disclosure requirement [45]", issued in January 2014.

In the session of 15 April 2019, the European Parliament approved 3% minimum requirement for the leveraging ratio in the first pillar. An additional buffer is provided for the G-SII banks, calculated as 50 % of the G-SII buffer rate in accordance with Article 131 of Directive 2013/36/EU.

The Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2"), amending the CRR Regulation, applies two years after the date of publication in the Official Journal of the European Union (June 2021). According to the Regulation (EU) 2020/873 (CRR "Quick fix") of 26 June 2020, making targeted amendments to the Regulation CRR and to the Regulation CRR2, the new G-SIIs requirement shall apply from 1 January 2023.

The present disclosure is performed with the application of the "Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to CRR Regulation.

Content

CRR Article 429 defined the leverage ratio as the Bank's capital measure divided by the total exposure and it is expressed ad percentage between:
- Tier 1 Capital;
- the total exposure, calculated as sum of all assets and off-balance sheet items not deducted when determining the Tier 1 capital measure.

The total exposure includes (the below mentioned Articles refer to CRR):
- Derivatives – calculated according to the Current Exposure Method as per Article 274, or, as an alternative, the Original Exposure Method as per Article 295; if specific conditions set by the Delegated act are met, received cash variation margins can be excluded from the exposure. Written Credit Derivatives are calculated by including the Fully Effective Notional amount, reduced by the fair value changes that have been incorporated in Tier 1 Capital. If specific conditions are met the resulting exposure value may be further reduced by the effective notional amount of purchased credit derivatives.
- Security Financing Transactions (SFT[46]) – calculated as sum of two components: the counterparty credit risk exposure, i.e. the exposure net of collateral (and not including the haircut), and the accounting value of the SFT asset; if specific conditions are met, it is possible to determine the exposure value of cash receivable and cash payables on a net basis.
- Off-balance Sheet Exposure – calculated, according to Article 111 as nominal amount not reduced by specific credit risk adjustments and by applying the Standardised Approach for RWA calculation credit conversion factors.
- Other Asset – calculated, according to Article 111, as accounting value reduced by specific credit risk adjustments, additional value adjustments and other own funds reductions related to the asset item; if specific conditions set by the Delegated act are met, cash variation margins provided for derivatives transactions can be excluded from the exposure.

The following figures refer to the Leverage Ratio calculated by applying the transitional rules applied to Tier 1 Capital.
The Tier 1 Capital including the positive IFRS 9 transitional adjustment applied to CET1 as per Article 473a(7a) of the amended CRR2 has been considered for the calculation of transitional Leverage Ratio.
Consistently, the Leverage Ratio exposure has been increased by the amount of the abovementioned transitional adjustment applied to CET1 (net of tax effects) calculated both on STD and IRB exposures.
The effect on the Leverage Ratio of the IFRS9 transitional adjustment is equal to +0.26% (rounded) as shown in "Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS9 or analogous ECLs" reported in the Own Fund chapter.

45 See "Basel III leverage ratio framework and disclosure requirements" http://www.bis.org/publ/bcbs270.htm.
46 Security Financing Transactions are repurchase transactions, securities or commodities lending or borrowing transactions and margin lending transactions.

Leverage

Quantitative Information

The following table shows the Leverage Ratio as at 31 December 2020 and the breakdown of the exposure by main categories, according to CRR Articles 451(1)(a), 451(1)(b) and 451(1)(c).

LRCom: Leverage ratio common disclosure

(€ million)

DESCRIPTION		12.31.2020	12.31.2019
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	828,282	753,406
2	(Asset amounts deducted in determining Tier 1 capital)	1,004	(3,114)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**829,286**	**750,292**
	Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16,700	15,535
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	22,319	20,458
EU - 5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(13,138)	(11,100)
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	3,662	5,547
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(2,530)	(3,531)
11	**Total derivative exposures (sum of lines 4 to 10)**	**27,012**	**26,909**
	SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	65,620	94,803
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,050)	(3,875)
14	Counterparty credit risk exposure for SFT assets	4,419	11,997
EU - 14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU - 15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**67,989**	**102,925**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	368,467	362,517
18	(Adjustments for conversion to credit equivalent amounts)	(216,121)	(219,324)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**152,347**	**143,193**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU - 19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU - 19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	(121,877)	-
	Capital and total exposures		
20	**Tier 1 capital**	**59,321**	**56,414**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**954,756**	**1,023,319**
	Leverage Ratio		
22	**Leverage Ratio**	**6.21%**	**5.51%**
EU-22a	**Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)**	**5.51%**	**5.51%**
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU - 23	Choice on transitional arrangements for the definition of the capital measure	**Transitional**	**Transitional**
EU - 24	Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	-	-

Note:
The item EU-19b as of December 2020 includes the amount of central bank exposures excluded from the total leverage exposure measure according to Article 500b of CRR Regulation as amended by Regulation (EU) 2019/876 and Regulation (EU) 2020/873, in line with EBA "Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic".

Leverage

The following table shows, for exposures other than derivatives and SFTs, the breakdown by exposure class, according to CRR Article 451(1)(b).

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

(€ million)

DESCRIPTION		12.31.2020	12.31.2019
EU - 1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**828,282**	**753,406**
EU - 2	Trading book exposures	25,657	27,406
EU - 3	Banking book exposures, of which:	802,625	726,000
EU - 4	Covered bonds	3,546	3,913
EU - 5	Exposures treated as sovereigns	303,450	196,356
EU - 6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	4,627	4,982
EU - 7	Institutions	31,346	35,040
EU - 8	Secured by mortgages of immovable properties	120,791	122,878
EU - 9	Retail exposures	52,049	58,112
EU - 10	Corporate	207,081	221,399
EU - 11	Exposures in default	8,346	9,321
EU - 12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	71,388	73,999

The following table shows the reconciliation between the total Leverage Ratio Exposure (denominator) and the Accounting balance sheet values, according to the CRR Article 451(1)(b).

LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio exposures

(€ million)

DESCRIPTION		12.31.2020	12.31.2019
1	Total assets as per published financial statements	931,456	855,647
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	754	23,737
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance to Article 429(13) of Regulation (EU) No. 575/2013	-	-
4	Adjustments for derivative financial instruments	(21,120)	(13,345)
5	Adjustments for securities financing transactions (SFTs)	4,419	11,997
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	152,347	143,193
EU - 6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
EU - 6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	(121,877)	-
7	Other adjustments	8,777	2,090
8	**Leverage ratio total exposure measure**	**954,756**	**1,023,319**

Notes:
- The item 2 includes also the adjustment for entities which are consolidated for regulatory purposes but are outside the scope of accounting consolidation.
- The item EU-6b as of December 2020 includes the amount of central bank exposures excluded from the total leverage exposure measure according to Article 500b of CRR Regulation as amended by Regulation (EU) 2019/876 and Regulation (EU) 2020/873, in line with EBA “Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic”.
- The item 7 “Other Adjustments” includes:
  - Regulatory Adjustments related to Tier 1 Capital regarding Balance Sheet Assets (transitional definition);
  - Accounting and fiscal Off-setting on Other Asset.

Qualitative information

Description of the factors that had an impact on the leverage ratio during the period

The leverage ratio, calculated on a Transitional base applied to Tier 1 Capital, stands at 6.21% as of 31 December 2020, increasing by 0.70% from 5.51% as of 31 December 2019. In particular the increase is due to:
- Tier 1 Capital increase of €2.9 billion, with a positive impact on ratio of 0.28%;
- Total Exposure decrease of €68.6 billion, with a positive impact on ratio of +0.40%.

With regard to the evolution of the ratio:
- for Tier 1 Capital dynamics refer to the “Own Funds” chapter;
- for Total Exposure changes the main drivers are:
  - increase of Off-balance sheet items for €9.2 billion (-0.05%);
  - decrease of SFT for €34.9 billion (+0.19%);
  - exemption of Central Bank Exposure of UniCredit SpA, UniCredit Bank AG, UniCredit Bank Austria and UniCredit Ireland for €121.9 billion (+0,75%), according to art. 500b of Regulation EU 2020/873 applied since fourth quarter 2020;
  - increase of other on-balance sheet items (excluding derivatives and SFT) for €79 billion (-0.40%).

Leverage

Processes used to manage the risk of excessive leverage

Group Risk Appetite Framework represents the foundation for risk management within UniCredit group. This framework envisages comprehensive governance, processes, tools, and procedures for the widespread management of risks. The Leverage risk is included in the Group Risk Appetite framework therefore the relevant procedures and resources are applied to this kind of risk.

The quantitative tools to assess the Leverage risk are coming from Group Risk Appetite KPIs that include also the Leverage Ratio metric. This KPI has its own Target, Trigger and a Limit defined consistently with Group business strategies and considering regulatory requirements, peers comparison and stress test results. These KPIs are periodically monitored within the regular reporting activity. On a quarterly basis they are submitted to the Group Risk & Internal Control Committee and to the Board of Directors.

The Group Risk Appetite process identifies the governance mechanism, managerial involvement and escalation process under normal and stressed operating conditions. The defined escalation process is activated at relevant organizational levels in order to ensure an adequate reaction when triggers or limits are breached. Moreover for the capital metrics, including the Leverage Ratio, the Group has defined a specific internal policy (Capital Contingency Policy) that set the processes for reacting to contingency situation which require a timely reaction in term of increase of capital or reduction of exposures.

To ensure a timely identification of potential drivers of the risk of excessive leverage, maturity mismatches and asset encumbrance are closely monitored.

The risk generated by the maturity mismatch is monitored using the Net Stable Funding Ratio, calculated on a monthly basis. This is the ratio between the “available amount of stable funding” and the “required amount of stable funding” that are calculated applying defined weighting factors to on and off-balance sheet items. The relevant instructions for its calculation are included in the documents “Basel III: the net stable funding ratio” and “Instructions for Basel III monitoring”. The metric is inserted in the Risk Appetite Framework and in the set of granular liquidity limits and, as such, subject to a specific escalation process.

Asset encumbrance is monitored, through the counterbalancing capacity. The sum between the counterbalancing capacity and the cumulative sum of the cash inflows and outflows maturing between the overnight and one year (primary gap) represents the operative maturity ladder: it indicates, for each time bucket, the excess of the unencumbered assets over the cumulated liquidity needs of the bank.

This metric is included in the set of granular liquidity limits and, as such, it is subject to a specific escalation process.

Starting from 2020, additional metrics to specifically monitor the level of asset encumbrance have been introduced in the liquidity risk management framework. Among them, the Structural Encumbrance ratio, in particular, has been included in 2020 risk appetite framework of the Group and the major banks. The Structural Encumbrance Ratio indicates the portion of assets that is encumbered in funding schemes that have an original maturity of more than 1 year.

Glossary

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.

ALCO - Asset Liability Committee
Is the Group function in charge with the monitoring and strategy about the interest rate risk of the Banking Book.

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 Capital.

ALM - Asset & Liability Management
Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimize the risk/return ratio.

ALT-A (residential mortgages)
Mortgages whose borrowers, while not subject to the significant repayment problems of those described as Subprime (q.v.), have a risk profile with high loan-to-value and installment-to-income ratios or incomplete documentation of the debtor's income.

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 standardized and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.

Appropriateness of disclosures
When assessing the appropriateness of their disclosures in the application of Article 431(3) in 29.the CRR, Institutions should ensure that their disclosures respect the principles of Clarity, Meaningfulness, Consistency over time and Comparability across institutions.

AVA (Additional value adjustments)
Deduction from Common Equity Tier 1 capital, in accordance to Article 34 of the Regulation 575/2013 (CRR) setting that “Institutions shall apply the requirements of Article 105 to all their assets measured at fair value when calculating the amount of their own funds and shall deduct from Common Equity Tier 1 capital the amount of any additional value adjustments necessary”.

Glossary

Backstop prudential provisioning (i.e. Calendar provisioning)
Quantitative guidelines defining coverage practices of Non Performing exposures (ie. Past Due, Unlikely to Pay, Bad loans), which require a full coverage of a Non Performing exposure starting from the second year up to the ninth year since the date of the counterparty's classification to default depending on whether the exposure is unsecured or secured respectively.

Back-testing
Is a 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 recognized 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.

Basel 2
New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.
Such prudential regulation, which came into force in Italy in 2008, is based on three pillars.
Pillar 1
While the objective of a level of capitalization 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 characterized by different levels of complexity, with the ability to use internally developed models subject to prior authorization 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
It refers to the 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 CRD IV "Package".

BCBS 239 (Basel Committee on Banking Supervision 239)
Principles for effective risk data aggregation and risk reporting.

Best practice
Behavior commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

BoE (Bank of England)
Central Bank of the United Kingdom of Great Britain and Northern Ireland

Glossary

CDO Collateralized Debt Obligations
Bonds issued by a vehicle with loans, bonds, ABS - Asset Backed Securities (q.v.) or other CDOs as underlyings. CDOs make it possible to derecognize assets in the bank's balance sheet and also to arbitrage the differences in yield between the securitized 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 (q.v.) 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 (q.v.), usually a bank, to transfer its credit risk to outside investors, and, where possible under local law and supervisory regulations, to derecognize 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 issued by financial institutions
- Synthetic Arbitrage CDOs which arbitrage the differences in yield between the securitized 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.

CIU
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.

COO
Chief Operating Officer.

Collateral held
Impact of collateral on the netted current exposure of derivatives and SFTs transactions, including the volatility adjustments as defined in the application of Part Two, Title III, Chapter 4 and Chapter 6 of the CRR. This include the impact of any collateral that would be eligible for CRM or that would have an impact on the netted current credit exposure.

Commodity risk
The risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

COREP - Common Reporting
Is the prudential report introduced by the EEA and the EBA with the “Capital Requirements Directive IV” (CRD IV), containing data about credit risk, market risk, operational risk, own funds and capital adequacy indexes, structured in a standard template.

Corporate
Customer segment consisting of medium to large businesses.

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.

Glossary

Counterparty Credit Risk
Is 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.

CRD (Capital Requirement Directive)
EU directives No. 2006/48 and 2006/49, incorporated into the Bank of Italy circular 263/2006 of 27 December 2006 as amended.
The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into the Bank of Italy circular 285 of 17 December 2013 as amended.

CRD V
Amendment to the CRD IV "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 Quality Step
Step, based on external ratings, which is used to assign risk weights under credit risk Standardized Approach.

Credit Valuation Adjustment
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.

CRR2
Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2") amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (see also "CRR" definition).

Cross-product netting
Refers to exposures, including both derivatives and SFTs netted at counterparty level.

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
Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the IRB - Internal Rating Based (see item) advanced approach are allowed to estimate EAD (see item). Other banks are required to refer to regulatory estimations.

Earnings at Risk perspective
The focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related 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.

ECA
Export Credit Agency.

ECAI
External credit assessment institution.

ECB - European Central Bank
The ECB is the central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the euro area.

Economic capital
Capital level that is required to cover the bank's losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on both the risks to which the bank is exposed and 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)
Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).

Equity risk
The risk that the value of the instrument decreases due to stock or index prices changes.

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.

Expected Shortfall
Risk measure representing the expected loss of a portfolio or a counterparty calculated in the scenarios of loss exceeding the VaR.

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.

Glossary

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").

Foreign exchange movements
Changes arising from foreign currency exchange rate volatility.

Forwards
Forward contracts on interest rates, exchange rates or share indices, generally traded on "OTC - Over-the-Counter" 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.

Full Revaluation Approach
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
Standardized contracts whereby the parties undertake to exchange money, transferable securities or goods at a present price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

FVOCI
Financial asset at Fair Value through Other Comprehensive Income.

FVtPL
Financial Assets at Fair Value through Profit and Loss

GDP (Gross Domestic Product)
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.

GPF
IRB calculation model - Global Project Finance.

Gross positive fair value
Regardless of the accounting requirements regarding the booking of derivatives and SFTs on-balance-sheet or off-balance-sheet, the gross fair value or net carrying amount (as applicable) should be the exposure value before CRM (credit risk mitigation).

G-SIIs Institutions
Institutions classified as "Global Systemically Important Institutions", in accordance with the Article 131 of Directive 2013/36/EU. These institutions represent a higher risk for the financial system and their failure may have potential impact on the taxpayers.

GW BANKS
IRB calculation model - Group Wide model Financial Institution & Banks.

GW MNC
IRB calculation model - Group Wide Multinational Corporate.

Glossary

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.

Hypothetical gain/loss
This is based on hypothetical changes in portfolio values that would occur if end-of-day positions remain unchanged.

IAA
IRB calculation model - Internal Assessment Approach.

IAS/IFRS
International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organisation of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP - United States Generally Accepted Accounting Principles (see item).

IBNR
Incurred But Not Reported (losses).

ICAAP Internal Capital Adequacy Assessment process
The discipline of the so called “Pillar 2” requires banks to implement processes and systems to determine the level of internal capital adequate to face any type of risk, also different from those provided by the capital requirements (Pillar 1) rules; in the scope of an assessment of the exposure, actual and future, that has to consider also the strategies and the evolution of the reference environment.

ILC
IRB calculation model - Italian Large Corporate.

IMA
Internal Models Approach is an approach to calculate market risk capital requirement using internal models.

Impairment
Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the balance sheet value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Initial margin
Margin posted to the CCP to cover risk arising from potential future exposure stemming from trading activity with clearing members and, where relevant, interoperable CCPs in the interval between the last margin collection and the liquidation of positions following a default of a clearing member or of an interoperable CCP default. Initial Margin can also be exchanged between third parties in case both of them are subject to EU 2251/2016 Regulation (New Margin Requirements).

Interest rate risk
The risk that the value of the instrument decreases due to interest rates changes.

Investment banking
Banking segment devoted to the subscription and placement of newly issued securities, as well as the trading of financial instruments.

IPRE
IRB calculation model - Income Producing Real Estate.

Glossary

IRB (Internal Ratings-Based)
Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (see item). The rules are applied to the exposures of the banking portfolio. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD - Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for " PD - Probability of Default ", "LGD - Loss Given Default", "CCF - Credit Conversion Factors" and, where provided for, "M - Maturity" (see item). The use of IRB methods for the calculation of capital requirements is subject to authorisation from Banca d'Italia.

IRC
Incremental Risk Charge is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.

Junior, Mezzanine and Senior exposures
In a securitization 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 securitization transaction;
- mezzanine exposures are those with medium repayment priority, between senior and junior;

senior exposures are the first to be repaid.

KPI - "Key Performance - Indicators"
A set of indicators used to evaluate the success of a particular activity or process.

LCP
Loss Confirmation Period.

LCR (Liquidity Coverage Ratio)
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.

LGD
Loss Given Default is the expected value of loss due to default; it is usually reported as percentage of EAD.

Liquidity risk
The risk of the company being unable to meet its payment commitments due to the inability to mobilize 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 unfavorably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

LWL - Loss Warning Level
Warning level of the 60 days Economic PL.

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.

MBS (Mortgage Backed Securities)
Debt instruments from the securitization of mortgage loans.

Glossary

Medium Term Note
Bond with a maturity of between 5 and 10 years.

MNC
IRB calculation model - Multinational Corporate.

Netting benefits
Reduction in the gross positive fair value or net carrying amount due to the use of legally enforceable netting agreements in the application of Part Two, Title III, Chapter 4 and Chapter 6 of the CRR.

Net credit exposure
Net credit exposure is the credit exposure on derivatives and SFTs transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements. This exposure value may differ from the EAD, due to the other parameters for the calculation of the regulatory exposure values.

Non performing exposures (NPE)
According to EBA Implementing Technical Standards, non performing exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

NOPAT - Net Operating Profit After Tax
Net Operating Profit after tax and minority interests, adjusted by elements that would not allow to assess the capability to create value through ordinary operations, such as extraordinary expenses and earnings.
It represents the share of Group Net Profit produced by typical business activities, gross of the costs of capital.

Notch
Level, referred to a scale.

Operational risk
The risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel or systems, or by external events. This definition includes legal and compliance risk but excludes strategic and reputational risk. For example, operational risks include losses deriving from internal or external fraud, employment contracts and employment protection regulations, customer claims, distribution of products, fines and other sanctions arising from breaches of regulations, damages to the company's assets, interruption of operations, malfunction of systems and the management of processes.

Originator
The entity that originated the assets to be securitized 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.

Overcollateralization
The value of the assets underlying the bonds issued is higher than the amount of the bonds.

Payout ratio
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 market risk and the volatility of the share price. The cost of capital is based on medium/long term averages of market parameters.

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.

PD
Probability of Default is the probability that a counterparty will default within a time horizon of one year.

Glossary

PEPP (Pandemic Emergency Purchase Programme)
Massive new stimulus package from the ECB to support the eurozone economy as a response to the COVID-19 (coronavirus) crisis.
Prefunded default fund contributions
Pre-funded contribution to the default fund of a CCP means a contribution to the default fund of a CCP that is paid in by an institutions.
Default Fund means a fund established by a CCP in accordance with Article 42 of Regulation (EU) No.648/2012 and used in accordance with Article 45 of that Regulation.

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” to purchase the assets to be securitized and subsequently financed by the Conduit vehicle by means of commercial paper.

PVA (Prudent Valuation)
Standards for valuation of the all trading book positions and non-trading book positions measured at fair value, specified in the Article 105 of the Regulation 575/2013 (CRR) as amended by Regulation 2019/876 (“CRR2”).

QE (Quantitative Easing)
Is the set of unconventional expansive monetary policies used by the ECB to rise liquidity in financial markets, by buying financial instruments with new printed money.

RACE
Indicator of Risk Adjusted Credit Efficiency.

Rating
Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

RBA
Ratings-Based Approach.

Replacement cost
The replacement cost under the mark-to-market method is the current exposure value, meaning the larger of zero and the market value of a transaction or portfolio of transactions within a netting set with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in insolvency or liquidation.

Retail
Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

RIC
IRB calculation model Integrated Corporate Rating.

RIP
IRB calculation model Integrated Private Rating.

RISB
IRB calculation model Rating Integrated Small Business (Small Business Integrate Rating).

RNIME (Risk Not in the Model Engines)
Framework that provides an estimate on the completeness of the risk factors included in VaR, SVaR and IRC.

RTS
Regulatory Technical Standards supplementing Regulation (EU) 575/2013 (CRR) and Directive 2013/36/EU (CRD).

RUF
Revolving Underwriting Facility.

Glossary

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.

Securitization
Transfer of a portfolio of assets to an "SPV - Special Purpose Vehicle" and the issue of securities with various levels of seniority to meet any default by the underlying assets.
Securitizations can be:
- traditional: method of securitization whereby transfer of the assets is by means of sale of the portfolio to the "SPV - Special Purpose Vehicle".
- synthetic: method of securitization whereby the transfer of assets is by means of credit derivatives or similar security enabling the risk of the portfolio to be transferred.

Segregated Collateral
Refers to collateral that is held in a bankruptcy-remote manner in the meaning of Article 300 in the CRR.

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.

SFTs
Any repurchase transactions, securities or commodities lending or borrowing transactions in accordance with the applicable accounting framework that has its exposure value calculated in accordance with Part Three, Title II, Chapter 6 of the CRR.

SL
Specialized Lending.

SME
Small and Medium Enterprise.

Sponsor
An entity other than the Originator (q.v.) which sets up and manages an ABCP conduit or other securitization scheme where assets are acquired from a third entity for securitization.

SPV - Special purpose vehicle
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.

STWL (Stress Test Warning Level)
Warning level in case of extremely adverse 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 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.

Glossary

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.

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.

TLTRO (Target Long Term Refinancing operations)
Open market operations conducted by the ECB for the management of interest rates and liquidity in the Eurozone.

TTC
Thought the Cycle.

UCITS - Undertakings for Collective Investments in Transferable Securities
This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

UGRM
The pool of software applications, IT structure and database used by The Group for the financial risk analysis.

UL
Unexpected Losses are the losses exceeding the expected losses.

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 P&L, 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.

Unfunded default fund contributions
Contributions that an institution acting as a clearing member has contractually committed to provide to a CCP after the CCP has depleted its default fund to cover the losses it incurred following the default of one or more of its clearing members.

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 realizing collaterals, that the obligor will pay in full (principal and / or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.

Glossary

Unrated Exposure
Exposures for which a credit assessment by a nominated ECAI is not available.

Unsegregated Collateral
Refers to collateral that is not held in a bankruptcy-remote manner.

VaR
Value at Risk is a measure of the risk of potential loss, under a given level of confidence and time horizon, which could occur on a position or a portfolio.

Annex 1 – Capital instruments and TLAC eligible instruments main features template

The Annex 1 is published in the editable format (excel) on the UniCredit website to the link https://www.unicreditgroup.eu/it/investors/third-pillar-basel-two-and-three.html.

Annex 2 – Scope of application

Basis of consolidation for accounting and prudential purposes
Consolidated entities as at 31 December 2020

		METHOD OF REGULATORY CONSOLIDATION				
NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
UNICREDIT SPA	Full consolidation	X				BANKS
UNICREDIT BULBANK AD	Full consolidation	X				BANKS
UNICREDIT BANK IRELAND PLC	Full consolidation	X				BANKS
ZAGREBACKA BANKA D.D.	Full consolidation	X				BANKS
UNICREDIT BANK D.D.	Full consolidation	X				BANKS
UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	Full consolidation	X				BANKS
UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	Full consolidation	X				BANKS
UNICREDIT BANK HUNGARY ZRT.	Full consolidation	X				BANKS
UNICREDIT BANK SERBIA JSC	Full consolidation	X				BANKS
UNICREDIT JELZALOGBANK ZRT.	Full consolidation	X				BANKS
UNICREDIT BANK AUSTRIA AG	Full consolidation	X				BANKS
LEASFINANZ BANK GMBH	Full consolidation	X				BANKS
UNICREDIT BANK A.D. BANJA LUKA	Full consolidation	X				BANKS
SCHOELLERBANK AKTIENGESELLSCHAFT	Full consolidation	X				BANKS
UNICREDIT BANKA SLOVENIJA D.D.	Full consolidation	X				BANKS
UNICREDIT BANK AG	Full consolidation	X				BANKS
UNICREDIT BANK S.A.	Full consolidation	X				BANKS
BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH	Full consolidation	X				BANKS
AO UNICREDIT BANK	Full consolidation	X				BANKS
CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING SPA	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT FACTORING SPA	Full consolidation	X				FINANCIAL COMPANIES
PAI MANAGEMENT LTD	Full consolidation	X				FINANCIAL COMPANIES
PAI (BERMUDA) LIMITED	Full consolidation	X				FINANCIAL COMPANIES
ZB INVEST D.O.O. ZA UPRAVLJANJE INVESTICIJSKIM FONDOVIMA	Full consolidation	X				FINANCIAL COMPANIES
OOO UNICREDIT GARANT	Full consolidation	X				FINANCIAL COMPANIES
HVB CAPITAL LLC	Full consolidation	X				FINANCIAL COMPANIES
HVB CAPITAL LLC II	Full consolidation	X				FINANCIAL COMPANIES
HVB CAPITAL LLC III	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT CAPITAL MARKETS LLC	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP PEIA MANAGEMENT GMBH*	Full consolidation	X				FINANCIAL COMPANIES
HVB FUNDING TRUST II	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING EAD	Full consolidation	X				FINANCIAL COMPANIES
HVB HONG KONG LIMITED	Full consolidation	X				FINANCIAL COMPANIES
HVB IMMOBILIEN AG	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING FINANCE GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	Full consolidation	X				FINANCIAL COMPANIES
HVB LEASING CZECH REPUBLIC S.R.O.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAH-KAPPA KFT. V.A.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING HUNGARY ZRT	Full consolidation	X				FINANCIAL COMPANIES
HVB PROJEKT GMBH	Full consolidation	X				FINANCIAL COMPANIES
STRUCTURED INVEST SOCIETE ANONYME	Full consolidation	X				FINANCIAL COMPANIES
HVB TECTA GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT U.S. FINANCE LLC	Full consolidation	X				FINANCIAL COMPANIES
HVB VERWA 4 GMBH	Full consolidation	X				FINANCIAL COMPANIES
HVB VERWA 4.4 GMBH	Full consolidation	X				FINANCIAL COMPANIES
WEALTH MANAGEMENT CAPITAL HOLDING GMBH*	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING CORPORATION IFN S.A.	Full consolidation	X				FINANCIAL COMPANIES
IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
INTRO LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
JAUSERN-LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT CONSUMER FINANCING EAD	Full consolidation	X				FINANCIAL COMPANIES
KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
LAGERMAX LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
LARGO LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
LEASFINANZ GMBH	Full consolidation	X				FINANCIAL COMPANIES
LEGATO LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING AVIATION GMBH	Full consolidation	X				FINANCIAL COMPANIES
LINO HOTEL-LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
LIPARK LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO.OG.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT FACTORING EAD	Full consolidation	X				FINANCIAL COMPANIES

Annex 2 – Scope of application

NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	METHOD OF REGULATORY CONSOLIDATION: FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
MM OMEGA PROJEKTENTWICKLUNGS GMBH	Full consolidation	X				FINANCIAL COMPANIES
MOEGRA LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	Full consolidation	X				FINANCIAL COMPANIES
OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
OOO UNICREDIT LEASING	Full consolidation	X				FINANCIAL COMPANIES
ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	Full consolidation	X				FINANCIAL COMPANIES
FINN ARSENAL LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	Full consolidation	X				FINANCIAL COMPANIES
PELOPS LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
PIANA LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP MANAGEMENT SERVICES GMBH*	Full consolidation	X				FINANCIAL COMPANIES
POSATO LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH	Full consolidation	X				FINANCIAL COMPANIES
REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
REAL-RENT LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
SCHOELLERBANK INVEST AG	Full consolidation	X				FINANCIAL COMPANIES
SECA-LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT MOBILIEN UND KFZ LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
SIA UNICREDIT LEASING*	Full consolidation	X				FINANCIAL COMPANIES
SIGMA LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
SONATA LEASING-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
ALLEGRO LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT AURORA LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
ALLIB LEASING S.R.O.	Full consolidation	X				FINANCIAL COMPANIES
UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
ALMS LEASING GMBH.	Full consolidation	X				FINANCIAL COMPANIES
CARD COMPLETE SERVICE BANK AG	Full consolidation	X				FINANCIAL COMPANIES
ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
BACA HYDRA LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES

Annex 2 – Scope of application

NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	METHOD OF REGULATORY CONSOLIDATION: FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAH-OMEGA ZRT.	Full consolidation	X				FINANCIAL COMPANIES
ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
AUSTRIA LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP INVESTORENBETREUUNG GMBH*	Full consolidation	X				FINANCIAL COMPANIES
BA CA SECUND LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
BA ALPINE HOLDINGS, INC.	Full consolidation	X				FINANCIAL COMPANIES
BA-CA ANDANTE LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT BPC MORTGAGE S.R.L.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT CONSUMER FINANCING IFN S.A.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT GLOBAL LEASING EXPORT GMBH	Full consolidation	X				FINANCIAL COMPANIES
BA-CA FINANCE (CAYMAN) II LIMITED	Full consolidation	X				FINANCIAL COMPANIES
BA-CA FINANCE (CAYMAN) LIMITED	Full consolidation	X				FINANCIAL COMPANIES
BA-CA LEASING DREI GARAGEN GMBH	Full consolidation	X				FINANCIAL COMPANIES
BA-CA LEASING MAR IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT TECHRENT LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LUNA LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT POLARIS LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BA-CA PRESTO LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING TECHNIKUM GMBH	Full consolidation	X				FINANCIAL COMPANIES
BA/CA-LEASING BETEILIGUNGEN GMBH	Full consolidation	X				FINANCIAL COMPANIES
CORDUSIO SIM SPA	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT OBG S.R.L.	Full consolidation	X				FINANCIAL COMPANIES
BACA CENA IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
PIRTA VERWALTUNGS GMBH	Full consolidation	X				FINANCIAL COMPANIES
BACA KOMMUNALLEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BACA LEASING ALFA S.R.O.	Full consolidation	X				FINANCIAL COMPANIES
BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT PEGASUS LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH*	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S.	Full consolidation	X				FINANCIAL COMPANIES
BAL CARINA IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAL HESTIA IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	Full consolidation	X				FINANCIAL COMPANIES
BAL HORUS IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAL HYPNOS IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAL LETO IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
CASTELLANI LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAL SOBEK IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
ALPINE CAYMAN ISLANDS LTD.	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA FINANZSERVICE GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT HAMRED LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT KFZ LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT GUSTRA LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING (AUSTRIA) GMBH	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING, LEASING, D.O.O.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT STERNECK LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT OK1 LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA WOHNBAUBANK AG	Full consolidation	X				FINANCIAL COMPANIES
BAHBETA INGATLANHASZNOSITO KFT.	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG	Full consolidation	X				FINANCIAL COMPANIES
BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
BIL LEASING-FONDS GMBH & CO VELUM KG	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP LEASING GMBH*	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP EQUITY GMBH*	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP FONDS GMBH*	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP INITIATOREN GMBH*	Full consolidation	X				FINANCIAL COMPANIES

Annex 2 – Scope of application

NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
		METHOD OF REGULATORY CONSOLIDATION				
WEALTHCAP INVESTMENTS INC.*	Full consolidation	X				FINANCIAL COMPANIES
BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
CA-LEASING OVUS S.R.O.	Full consolidation	X				FINANCIAL COMPANIES
CA-LEASING SENIOREN PARK GMBH	Full consolidation	X				FINANCIAL COMPANIES
CABET-HOLDING GMBH	Full consolidation	X				FINANCIAL COMPANIES
CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING SLOVAKIA A.S.	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT LEASING CZ, A.S.	Full consolidation	X				FINANCIAL COMPANIES
CALG 307 MOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG 443 GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG 445 GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG 451 GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG ANLAGEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG	Full consolidation	X				FINANCIAL COMPANIES
CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG IMMOBILIEN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
CALG MINAL GRUNDSTUECKVERWALTUNG GMBH	Full consolidation	X				FINANCIAL COMPANIES
CHARADE LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
CHEFREN LEASING GMBH	Full consolidation	X				FINANCIAL COMPANIES
CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
CONTRA LEASING-GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
DEBO LEASING SRL	Full consolidation	X				FINANCIAL COMPANIES
DC BANK AG*	Full consolidation	X				FINANCIAL COMPANIES
DINERS CLUB POLSKA SP.Z.O.O.*	Full consolidation	X				FINANCIAL COMPANIES
DINERS CLUB CS, S.R.O.*	Full consolidation	X				FINANCIAL COMPANIES
DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	Full consolidation	X				FINANCIAL COMPANIES
EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
FACTORBANK AKTIENGESELLSCHAFT	Full consolidation	X				FINANCIAL COMPANIES
FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG	Full consolidation	X				FINANCIAL COMPANIES
FMZ SIGMA PROJEKTENTWICKLUNGS GMBH	Full consolidation	X				FINANCIAL COMPANIES
FOLIA LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
FUGATO LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP REAL ESTATE MANAGEMENT GMBH*	Full consolidation	X				FINANCIAL COMPANIES
GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG	Full consolidation	X				FINANCIAL COMPANIES
GRUNDSTUECKSVERWALTUNG LINZ-MITTE GMBH	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP INVESTMENT SERVICES GMBH*	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	Full consolidation	X				FINANCIAL COMPANIES
HERKU LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
HONEU LEASING GESELLSCHAFT M.B.H.	Full consolidation	X				FINANCIAL COMPANIES
GELDILUX-TS-2015 S.A.	Full consolidation	X				FINANCIAL COMPANIES
SUCCESS 2015 B.V.	Full consolidation	X				FINANCIAL COMPANIES
CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE)	Full consolidation	X				FINANCIAL COMPANIES
LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	Full consolidation	X				FINANCIAL COMPANIES
MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	Full consolidation	X				FINANCIAL COMPANIES
ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	Full consolidation	X				FINANCIAL COMPANIES
MOMENTUM LONG TERM VALUE FUND	Full consolidation	X				FINANCIAL COMPANIES
IMPRESA TWO SRL (CARTOLARIZZAZIONE IMPRESA TWO)	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP SPEZIAL- AIF-SV BUERO 8 *	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 8 KG I.L.*	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 9 KG I.L.*	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 10 KG I.L.*	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 11 KG I.L.*	Full consolidation	X				FINANCIAL COMPANIES
H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 12 KG *	Full consolidation	X				FINANCIAL COMPANIES
HVB FUNDING TRUST	Full consolidation	X				FINANCIAL COMPANIES

Annex 2 – Scope of application

NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	METHOD OF REGULATORY CONSOLIDATION: FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
HVB FUNDING TRUST III	Full consolidation	X				FINANCIAL COMPANIES
EUROPEAN-OFFICE-FONDS	Full consolidation	X				FINANCIAL COMPANIES
ALTUS ALPHA PLC	Full consolidation	X				FINANCIAL COMPANIES
EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	Full consolidation	X				FINANCIAL COMPANIES
REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT BPC MORTAGE SRL (COVERED BONDS)	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT OBG SRL (COVERED BONDS)	Full consolidation	X				FINANCIAL COMPANIES
CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: BIPCA CORDUSIO RMBS)	Full consolidation	X				FINANCIAL COMPANIES
CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: CAPITAL MORTGAGE 2007 - 1)	Full consolidation	X				FINANCIAL COMPANIES
F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	Full consolidation	X				FINANCIAL COMPANIES
F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	Full consolidation	X				FINANCIAL COMPANIES
HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	Full consolidation	X				FINANCIAL COMPANIES
CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	Full consolidation	X				FINANCIAL COMPANIES
CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	Full consolidation	X				FINANCIAL COMPANIES
LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	Full consolidation	X				FINANCIAL COMPANIES
ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	Full consolidation	X				FINANCIAL COMPANIES
UNICREDIT SERVICES S.C.P.A.	Full consolidation	X				INSTRUMENTAL COMPANIES
POMINVEST DD	Full consolidation	X				INSTRUMENTAL COMPANIES
ZANE BH DOO	Full consolidation	X				INSTRUMENTAL COMPANIES
ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	Full consolidation	X				INSTRUMENTAL COMPANIES
UNICREDIT DIRECT SERVICES GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	Full consolidation	X				INSTRUMENTAL COMPANIES
HVB SECUR GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
HVZ GMBH & CO. OBJEKT KG	Full consolidation	X				INSTRUMENTAL COMPANIES
HYPO-BANK VERWALTUNGSZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE	Full consolidation	X				INSTRUMENTAL COMPANIES
TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG	Full consolidation	X				INSTRUMENTAL COMPANIES
TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1	Full consolidation	X				INSTRUMENTAL COMPANIES
UNICREDIT FLEET MANAGEMENT EOOD	Full consolidation	X				INSTRUMENTAL COMPANIES
IMMOBILIEN RATING GMBH IN LIQU.	Full consolidation	X				INSTRUMENTAL COMPANIES
UNICREDIT SERVICES GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	Full consolidation	X				INSTRUMENTAL COMPANIES
HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG	Full consolidation	X				INSTRUMENTAL COMPANIES
PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG	Full consolidation	X				INSTRUMENTAL COMPANIES
ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG	Full consolidation	X				INSTRUMENTAL COMPANIES
PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	Full consolidation	X				INSTRUMENTAL COMPANIES
SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	Full consolidation	X				INSTRUMENTAL COMPANIES
SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND	Full consolidation	X				INSTRUMENTAL COMPANIES
TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	Full consolidation	X				INSTRUMENTAL COMPANIES
VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH	Full consolidation	X				INSTRUMENTAL COMPANIES
POLLUX IMMOBILIEN GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE)	Full consolidation	X				INSTRUMENTAL COMPANIES
BA BETRIEBSOBJEKTE GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
CRIVELLI SRL	Full consolidation	X				INSTRUMENTAL COMPANIES
BA GEBAEUDEVERMIETUNGSGMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
BA GVG-HOLDING GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
UNICREDIT LEASED ASSET MANAGEMENT SPA	Full consolidation	X				INSTRUMENTAL COMPANIES
BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	Full consolidation	X				INSTRUMENTAL COMPANIES
OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG	Full consolidation	X				INSTRUMENTAL COMPANIES
FOOD & MORE GMBH	Full consolidation	X				INSTRUMENTAL COMPANIES
GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAF	Full consolidation	X				INSTRUMENTAL COMPANIES
HAWA GRUNDSTUCKS GMBH & CO OHG IMMOBILIENVERWALTUNG	Full consolidation	X				INSTRUMENTAL COMPANIES
MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	Full consolidation	X				OTHER COMPANIES
ROLIN GRUNDSTUCKSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH*	Full consolidation	X				OTHER COMPANIES
UNIVERSALE INTERNATIONAL REALITAETEN GMBH	Full consolidation	X				OTHER COMPANIES
UCTAM BALTICS SIA	Full consolidation	X				OTHER COMPANIES
UCTAM UPRAVLJANJE D.O.O.	Full consolidation	X				OTHER COMPANIES
UCTAM RU LIMITED LIABILITY COMPANY	Full consolidation	X				OTHER COMPANIES
UCTAM RO S.R.L.	Full consolidation	X				OTHER COMPANIES
UCTAM D.O.O. BEOGRAD	Full consolidation	X				OTHER COMPANIES
UCTAM BULGARIA EOOD	Full consolidation	X				OTHER COMPANIES
UCTAM CZECH REPUBLIC SRO	Full consolidation	X				OTHER COMPANIES
UCTAM HUNGARY KFT	Full consolidation	X				OTHER COMPANIES
WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG*	Full consolidation	X				OTHER COMPANIES
WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG*	Full consolidation	X				OTHER COMPANIES
UCTAM SVK S.R.O.	Full consolidation	X				OTHER COMPANIES

Annex 2 – Scope of application

NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	METHOD OF REGULATORY CONSOLIDATION: FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
UCTAM RETAIL HUNGARY KFT.	Full consolidation	X				OTHER COMPANIES
UCTAM BH D.O.O.	Full consolidation	X				OTHER COMPANIES
WEALTHCAP OBJEKT DRESDEN GMBH & CO. KG*	Full consolidation	X				OTHER COMPANIES
WEALTHCAP OBJEKT-VORRAT 25 GMBH & CO. KG*	Full consolidation	X				OTHER COMPANIES
WEALTHCAP OBJEKT STUTTGART III GMBH & CO. KG*	Full consolidation			X		OTHER COMPANIES
WEALTHCAP OBJEKT ESSEN II GMBH & CO. KG*	Full consolidation	X				OTHER COMPANIES
WEALTHCAP OBJEKT MAINZ GMBH & CO. KG*	Full consolidation	X				OTHER COMPANIES
WEALTHCAP IMMOBILIEN 43 KOMPLEMENTAER GMBH*	Full consolidation			X		OTHER COMPANIES
UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	Full consolidation	X				OTHER COMPANIES
WEALTHCAP VORRATS-2 GMBH*	Full consolidation	X				OTHER COMPANIES
OBERBANK AG	Equity method				X	BANKS
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	Equity method				X	BANKS
YAPI VE KREDI BANKASI AS	Equity method				X	BANKS
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	Equity method				X	BANKS
BKS BANK AG	Equity method				X	BANKS
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM I DOBROVOLJNIM MIROVINSKIM FONDOVIMA	Equity method				X	FINANCIAL COMPANIES
UNICREDIT BIZTOSITASKOEZVETITO KFT	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT LEASING FLEET MANAGEMENT S.R.L.	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT INSURANCE BROKER EOOD	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT INSURANCE BROKER SRL	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT PARTNER D.O.O. BEOGRAD	Full consolidation			X		FINANCIAL COMPANIES
HETA BA LEASING SUED GMBH	Equity method				X	FINANCIAL COMPANIES
WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG	Equity method				X	FINANCIAL COMPANIES
UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG	Full consolidation			X		FINANCIAL COMPANIES
NOTARTREUHANDBANK AG	Equity method				X	FINANCIAL COMPANIES
OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH	Equity method				X	FINANCIAL COMPANIES
PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H.	Equity method				X	FINANCIAL COMPANIES
RCI FINANCIAL SERVICES S.R.O.	Equity method				X	FINANCIAL COMPANIES
ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	Full consolidation			X		FINANCIAL COMPANIES
TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	Full consolidation			X		FINANCIAL COMPANIES
UNI GEBAEUDEMANAGEMENT GMBH	Equity method			X		FINANCIAL COMPANIES
SOCIETA' DI GESTIONI ESATTORIALI IN SICILIA SO.G.E.SI. S.P.A. IN LIQ.	Full consolidation				X	FINANCIAL COMPANIES
SIA UNICREDIT INSURANCE BROKER*	Full consolidation				X	FINANCIAL COMPANIES
MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE	Equity method			X		FINANCIAL COMPANIES
PSA PAYMENT SERVICES AUSTRIA GMBH	Equity method				X	FINANCIAL COMPANIES
BARN BV	Equity method				X	FINANCIAL COMPANIES
ASSET BANCARI II	Equity method				X	FINANCIAL COMPANIES
ZABA PARTNER D.O.O. ZA BROKERSKE POSLOVE U OSIGURANJU I REOSIGURANJU	Full consolidation				X	FINANCIAL COMPANIES
BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT LEASING INSURANCE SERVICES S.R.O.	Full consolidation				X	FINANCIAL COMPANIES
UNICREDIT INSURANCE MANAGEMENT CEE GMBH	Full consolidation				X	FINANCIAL COMPANIES
ANTHEMIS EVO LLP	Full consolidation			X		FINANCIAL COMPANIES
CAPITAL DEV SPA*	Equity method			X		FINANCIAL COMPANIES
LEASFINANZ ALPHA ASSETVERMIETUNG GMBH	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT CENTER AM KAISERWASSER GMBH	Full consolidation			X		FINANCIAL COMPANIES
BIL LEASING-FONDS VERWALTUNGS-GMBH*	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT FLEET MANAGEMENT S.R.O.	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT FLEET MANAGEMENT S.R.O.	Full consolidation			X		FINANCIAL COMPANIES
UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O.	Full consolidation				X	FINANCIAL COMPANIES
UNICREDIT BROKER S.R.O.	Full consolidation				X	FINANCIAL COMPANIES
CBD INTERNATIONAL SP.ZO.O.	Equity method			X		FINANCIAL COMPANIES
FIDES LEASING GMBH	Equity method				X	FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 37 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 38 DAC	Full consolidation	X				FINANCIAL COMPANIES
ROSENKAVALIER 2015 UG	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 41 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 43 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 46 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 39 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 718 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 55 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 54 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 57 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 44 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 56 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 64 DAC	Full consolidation	X				FINANCIAL COMPANIES
ICE CREEK POOL NO.1 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 71 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 69 DAC	Full consolidation	X				FINANCIAL COMPANIES

Annex 2 – Scope of application

		METHOD OF REGULATORY CONSOLIDATION				
NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
ICE CREEK POOL NO.2 DAC	Full consolidation	X				FINANCIAL COMPANIES
ROSENKAVALIER 2020 UG	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 74 DAC	Full consolidation	X				FINANCIAL COMPANIES
ARABELLA FINANCE DAC	Full consolidation	X				FINANCIAL COMPANIES
ROSENKAVALIER 2008 GMBH	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 28 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 911 LTD	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 31 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 32 S.A.	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 36 DAC	Full consolidation	X				FINANCIAL COMPANIES
ELEKTRA PURCHASE NO. 33 DAC	Full consolidation	X				FINANCIAL COMPANIES
AVIVA SPA	Equity method				X	INSURANCE COMPANIES
CREDITRAS ASSICURAZIONI SPA	Equity method				X	INSURANCE COMPANIES
CREDITRAS VITA SPA	Equity method				X	INSURANCE COMPANIES
INCONTRA ASSICURAZIONI S.P.A.	Equity method				X	INSURANCE COMPANIES
CNP UNICREDIT VITA S.P.A.	Equity method				X	INSURANCE COMPANIES
LOCAT CROATIA DOO	Full consolidation			X		OTHER COMPANIES
UNICREDIT RENT D.O.O. BEOGRAD	Full consolidation			X		OTHER COMPANIES
UNICREDIT BETEILIGUNGS GMBH	Full consolidation			X		OTHER COMPANIES
WEALTHCAP PEIA KOMPLEMENTAR GMBH*	Full consolidation			X		OTHER COMPANIES
INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	Full consolidation			X		OTHER COMPANIES
ISB UNIVERSALE BAU GMBH	Full consolidation			X		OTHER COMPANIES
A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	Full consolidation			X		OTHER COMPANIES
OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG	Full consolidation			X		OTHER COMPANIES
ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG	Full consolidation			X		OTHER COMPANIES
OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG	Full consolidation			X		OTHER COMPANIES
OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG	Full consolidation			X		OTHER COMPANIES
ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG	Full consolidation			X		OTHER COMPANIES
RANA-LIEGENSCHAFTSVERWERTUNG GMBH	Full consolidation			X		OTHER COMPANIES
REAL INVEST IMMOBILIEN GMBH	Full consolidation			X		OTHER COMPANIES
SELFOSS BETEILIGUNGSGESELLSCHAFT MBH	Full consolidation			X		OTHER COMPANIES
SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L.	Full consolidation			X		OTHER COMPANIES
SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	Full consolidation			X		OTHER COMPANIES
SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	Full consolidation			X		OTHER COMPANIES
SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH	Full consolidation			X		OTHER COMPANIES
T & P FRANKFURT DEVELOPMENT B.V.	Full consolidation			X		OTHER COMPANIES
T & P VASTGOED STUTTGART B.V.	Full consolidation			X		OTHER COMPANIES
TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	Full consolidation			X		OTHER COMPANIES
V.M.G. VERMIETUNGSGESELLSCHAFT MBH*	Full consolidation			X		OTHER COMPANIES
ZAPADNI TRGOVACKI CENTAR D.O.O.	Full consolidation			X		OTHER COMPANIES
ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	Full consolidation			X		OTHER COMPANIES
CAMFIN S.P.A.	Equity method			X		OTHER COMPANIES
NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	Full consolidation			X		OTHER COMPANIES
ATLANTERRA IMMOBILIENVERWALTUNGS GMBH	Full consolidation			X		OTHER COMPANIES
SANITA' - S.R.L. IN LIQUIDAZIONE	Full consolidation			X		OTHER COMPANIES
CASH SERVICE COMPANY AD	Equity method			X		OTHER COMPANIES
DA VINCI S.R.L.	Equity method			X		OTHER COMPANIES
COMTRADE GROUP B.V.	Equity method			X		OTHER COMPANIES
IMMOBILIEN HOLDING GMBH*	Full consolidation			X		OTHER COMPANIES
RISANAMENTO SPA*	Equity method			X		OTHER COMPANIES
BA-CA WIEN MITTE HOLDING GMBH	Full consolidation			X		OTHER COMPANIES
NF OBJEKTE BERLIN GMBH	Full consolidation			X		OTHER COMPANIES
NF OBJEKT FFM GMBH	Full consolidation			X		OTHER COMPANIES
BORGO DI PEROLLA SRL	Full consolidation			X		OTHER COMPANIES
FONDIARIA LASA SPA	Full consolidation			X		OTHER COMPANIES
COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONSABILITA' LIMITATA	Full consolidation			X		OTHER COMPANIES
KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG	Full consolidation			X		OTHER COMPANIES
WEALTHCAP ENTITY SERVICE GMBH*	Full consolidation			X		OTHER COMPANIES
VISCONTI SRL	Full consolidation			X		OTHER COMPANIES
WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH*	Full consolidation			X		OTHER COMPANIES
VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG	Full consolidation			X		OTHER COMPANIES
AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD	Full consolidation			X		OTHER COMPANIES
BF NINE HOLDING GMBH	Full consolidation			X		OTHER COMPANIES
COMPAGNIA AEREA ITALIANA S.P.A.	Equity method			X		OTHER COMPANIES
UNICREDIT SUBITO CASA SPA	Full consolidation			X		OTHER COMPANIES
PRO WOHNBAU GMBH*	Full consolidation			X		OTHER COMPANIES
UNICREDIT OPERATIV LIZING KFT	Full consolidation			X		OTHER COMPANIES
WEICKER S. A R.L.	Full consolidation			X		OTHER COMPANIES
WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH*	Full consolidation			X		OTHER COMPANIES

Annex 2 – Scope of application

		METHOD OF REGULATORY CONSOLIDATION				
NAME OF THE ENTITY	METHOD OF ACCOUNTING CONSOLIDATION	FULL CONSOLIDATION	PROPORTIONAL CONSOLIDATION	NEITHER CONSOLIDATED NOR DEDUCTED	DEDUCTED (**)	ENTITY CATEGORY
WEALTHCAP EQUITY MANAGEMENT GMBH*	Full consolidation			X		OTHER COMPANIES
CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY	Full consolidation			X		OTHER COMPANIES
DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH	Full consolidation			X		OTHER COMPANIES
DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG	Full consolidation			X		OTHER COMPANIES
DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG	Full consolidation			X		OTHER COMPANIES
DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H.	Full consolidation			X		OTHER COMPANIES
GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	Full consolidation			X		OTHER COMPANIES
H.F.S. IMMOBILIENFONDS GMBH*	Full consolidation			X		OTHER COMPANIES
H.F.S. LEASINGFONDS GMBH*	Full consolidation	X				FINANCIAL COMPANIES
WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH*	Full consolidation			X		OTHER COMPANIES
HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG	Full consolidation			X		OTHER COMPANIES
PENSIONSKASSE DER HYPO VEREINSBANK VVAG	Full consolidation	X				OTHER COMPANIES
BARD HOLDING GMBH	Full consolidation			X		OTHER COMPANIES
BARD ENGINEERING GMBH	Full consolidation			X		OTHER COMPANIES
BUITENGAATS HOLDING B.V.	Full consolidation			X		OTHER COMPANIES

Notes:
(*) Company classified in the Financial Statements as "non-current assets and disposal groups classified as held for sale" according to IFRS 5 and therefore valued at minor between fair value net of cost to sell and booking value. The latter is determined by interrupting the valuation at Equity starting from the date of IFRS 5 classification.
(**) With reference to 31 December 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 €104 million (of which the deduction on significant investments in financial sector entities is €61 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.

Annex 2 – Scope of application

Names of all subsidiaries not included in the basis of consolidation and aggregate amount of their capital deficiencies with respect to any mandatory capital requirements.

Here follows a list of the banking, financial and instrumental companies directly or indirectly controlled by UniCredit S.p.A. registered in the Banking Group that are held at cost due to immateriality.
As at 31 December 2020, for these companies no capital deficiencies with respect to the any mandatory capital requirements were disclosed.

		HEADQUARTER	
COMPANY NAME	TYPE	TOWN	COUNTRY
B.I. INTERNATIONAL LIMITED	FINANCIAL COMPANIES(*)	GEORGE TOWN	CAYMAN ISLANDS
HVB EXPORT LEASING GMBH	FINANCIAL COMPANIES(*)	MUNICH	GERMANY
HVBFF INTERNATIONAL GREECE GMBH	FINANCIAL COMPANIES(*)	MUNICH	GERMANY
HVBFF INTERNATIONALE LEASING GMBH	FINANCIAL COMPANIES(*)	MUNICH	GERMANY
HVBFF OBJEKT BETEILIGUNGS GMBH	FINANCIAL COMPANIES(*)	MUNICH	GERMANY
HYPO-BANK VERWALTUNGSZENTRUM GMBH	OTHER COMPANIES/ INSTRUMENTAL COMPANIES(*)	MUNICH	GERMANY
PAI (NEW YORK) LIMITED	FINANCIAL COMPANIES(*)	DOVER	U.S.A.
PALAIS ROTHSCHILD VERMIETUNGS GMBH	FINANCIAL COMPANIES(*)	VIENNA	AUSTRIA
REAL(E) VALUE IMMOBILIEN BEWERTUNGSGMBH	OTHER COMPANIES/ INSTRUMENTAL COMPANIES(*)	VIENNA	AUSTRIA
REDSTONE MORTGAGES LIMITED	FINANCIAL COMPANIES(*)	LONDON	UNITED KINGDOM
UNICREDIT MYAGENTS SRL	FINANCIAL COMPANIES(*)	BOLOGNA	ITALY
WEALTHCAP STIFTUNGSTREUHAND GMBH	OTHER COMPANIES/ INSTRUMENTAL COMPANIES(*)	MUNICH	GERMANY
AI BETEILIGUNGS GMBH	FINANCIAL COMPANIES(*)	VIENNA	AUSTRIA
BA CA LEASING (DEUTSCHLAND) GMBH	FINANCIAL COMPANIES(*)	HAMBURG	GERMANY
HVB LONDON INVESTMENTS (AVON) LIMITED	FINANCIAL COMPANIES(*)	LONDON	UNITED KINGDOM

Note:
(*) Company belonging to the Banking Group consolidated at cost due to immateriality.

Annex 3 – Reconciliation of quantitative data across disclosure templates

The present Annex shows the reconciliation of quantitative information across the templates of the present disclosure, as reported below:
- Table 1: Reconciliation of Own Funds figures and ratios;
- Table 2: Reconciliation of the Risk Weighted Assets (RWAs) figures;
- Table 3: Reconciliation of additional quantitative information consistent across templates (including breakdowns of RWAs and exposure values);
- Table 4: Reconciliation of quantitative information related to the non-performing and performing exposures.

Table 1 - Reconciliation of Own Funds figures and ratios

OWN FUNDS FIGURES AND RATIOS	TEMPLATE	ROW
Common Equity Tier 1 capital (CET1)	Own Funds disclosure template	Row 29 - Common Equity Tier 1 (CET1) capital
	Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Row 1 - Common Equity Tier 1 (CET1) capital
	Flow Statement for Own Funds	Common Equity Tier 1 Capital - row Closing amount
	Accounting and regulatory balance sheet reconciliation and cross-reference to Own funds items	Row Total transitional own funds, column Common Equity Tier 1 Capital (CET 1)
	EU TLAC1: TLAC composition (at resolution group level)	Row 1 - Common Equity Tier 1 capital (CET1)
Additional Tier 1 capital (AT1)	Own Funds disclosure template	Row 44 - Additional Tier 1 (AT1) capital
	Accounting and regulatory balance sheet reconciliation and cross-reference to Own funds items	Row Total transitional own funds, column Additional Tier 1 capital (AT1)
	EU TLAC1: TLAC composition (at resolution group level)	Row 2 - Additional Tier 1 capital (AT1)
	Flow Statement for Own Funds	Additional Tier 1 Capital - row Closing amount
Tier 1 capital (T1)	Own Funds disclosure template	Row 45 - Tier 1 capital (T1= CET1+AT1)
	Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Row 3 - Tier 1 capital
	Flow Statement for Own Funds	Row Tier 1 capital
Tier 2 capital (T2)	Own Funds disclosure template	Row 58 - Tier 2 (T2) capital
	Accounting and regulatory balance sheet reconciliation and cross-reference to Own funds items	Row Total transitional own funds, column Tier 2 (T2)
	EU TLAC1: TLAC composition (at resolution group level)	Row 6 - Tier 2 capital (T2)
	Flow Statement for Own Funds	Tier 2 capital - row Closing amount
Total capital	Own Funds disclosure template	Row 59 - Total capital (TC=T1+T2)
	Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Row 5 - Total capital
	EU TLAC1: TLAC composition (at resolution group level)	Row 11 - Own Funds for the purpose of Articles 92a CRR and 45 BRRD arising from regulatory capital instruments
	Flow Statement for Own Funds	Row Total Own Funds at the end of the period
	Accounting and regulatory balance sheet reconciliation and cross-reference to Own funds items	Row Total transitional own funds, sum of columns Common Equity Tier 1 Capital (CET 1), Additional Tier 1 capital (AT1), Tier 2 (T2)

Annex 3 – Reconciliation of quantitative data across disclosure templates

continued: Table 1 - Reconciliation of Own Funds figures and ratios

OWN FUNDS FIGURES AND RATIOS	TEMPLATE	ROW
CET1 Capital ratio	Own Funds disclosure template	Row 61 - Common Equity Tier 1 (as a percentage of risk exposure amount)
	Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Row 9 - Common Equity Tier 1 (as a percentage of risk exposure amount)
	Capital Adequacy	Row C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)
Tier 1 Capital ratio	Own Funds disclosure template	Row 62 - Tier 1 (as a percentage of risk exposure amount)
	Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Row 11 - Tier 1 (as a percentage of risk exposure amount)
	Capital Adequacy	Row C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)
Total capital ratio	Own Funds disclosure template	Row 63 - Total capital (as a percentage of risk exposure amount)
	Template IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Row 13 - Total capital (as a percentage of risk exposure amount)
	Capital Adequacy	Row C.4 Total Own Funds/Risk weighted assets (Total capital ratio)

Annex 3 – Reconciliation of quantitative data across disclosure templates

Table 2 - Reconciliation of the Risk Weighted Assets (RWAs) figures

<table>
<tr><th>RISK WEIGHTED ASSETS (RWAs) FIGURES</th><th>TEMPLATE</th><th>ROW</th></tr>
<tr><td rowspan="9">Total of Risk Weighted Assets (RWAs)</td><td>Own Funds disclosure template</td><td>Row 60 - Total risk weighted assets</td></tr>
<tr><td>Template IFRS9-FL: Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs</td><td>Row 7 - Total risk-weighted assets</td></tr>
<tr><td>EU KM2 - Key metrics</td><td>Row 2 - Total risk exposure amount of the resolution group (TREA)</td></tr>
<tr><td>EU TLAC1: TLAC composition (at resolution group level)</td><td>Row 23 - Total risk exposure amount of the resolution group (TREA)</td></tr>
<tr><td>Capital Adequacy</td><td>Row C.1 - Risk Weighted Assets</td></tr>
<tr><td>EU OV1 - Overview of RWAs</td><td>Row 34 - Total</td></tr>
<tr><td>Amount of institution-specific countercyclical capital buffer</td><td>Row 010 - Total risk exposure amount</td></tr>
<tr><td>Risk Weighted Assets segmentation</td><td>Row Total Risk Weighted Assets</td></tr>
<tr><td>Ytd changes in Risk Weighted Assets - business segment</td><td>Row Total RWA, closing balances (column Group)</td></tr>
<tr><td rowspan="5">Total RWA Credit and counterparty risk (including securitisations)</td><td>Credit and counterparty risk</td><td>Sum of the rows (column weighted amounts):
A.1 Standardised Approach
A.2 IRB Approach - Risk Assets
A.3 IRB Approach - Equity Exposures
A.4 Exposures with or central counterparties as pre-funded contributions to the default fund
A.5 Securitisation positions</td></tr>
<tr><td>Capital Adequacy</td><td>Sum of the rows (item "A.1 Credit and counterparty risk"):
1. Standardised approach
2. IRB approaches
3. Securitisations</td></tr>
<tr><td>Credit and counterparty risk - breakdown RWA and Capital requirements</td><td>Sum of the rows (column RWA Credit risk and RWA Counterparty risk):
Standard method
IRB (Foundation+Advanced+Other IRB exposures)
Securitisation positions
Exposures with or central counterparties as pre-funded contributions to the default fund</td></tr>
<tr><td>EU OV1 - Overview of RWAs</td><td>Sum of the rows:
Row 1 - Credit risk (excluding CCR)
Row 6 - CCR (except to row 15 "of which CVA")
Row 31 - Amounts below the thresholds for deduction (subject to 250% risk weight)
Row 17 - Securitisation exposures in banking book (after the cap)</td></tr>
<tr><td>Risk Weighted Assets segmentation</td><td>Row A. Credit and Counterparty Risk (that includes risk weighted assets equivalent relating to temporary measures on internal credit risk models shown in, regarding "Capital Adequacy” template, item B.6 "Other calculation elements" and regarding EU OV1 template, item 33 "Other calculation elements")</td></tr>
</table>

Annex 3 – Reconciliation of quantitative data across disclosure templates

continued: Table 2 - Reconciliation of the Risk Weighted Assets (RWAs) figures

RISK WEIGHTED ASSETS (RWAs) FIGURES	TEMPLATE	ROW
RWA Credit risk - standard method	Credit and counterparty risk - breakdown RWA and Capital requirements	Row Standard method (column Credit risk - RWA)
	EU CR4 - Standardised approach - Credit risk exposure and CRM effects	Row 17 - Total (column RWAs)
	EU OV1 - Overview of RWAs	Sum of the rows: *Row 2 - of which standardised approach* *Row 31 - Amounts below the thresholds for deduction (subject to 250% risk weight)*
RWA Credit risk - IRB method	Credit and counterparty risk - breakdown RWA and Capital requirements	Row IRB (Foundation+Advanced+Other IRB exposures)
	EU CR8 - RWA flow statement of credit risk exposures under IRB	Row 9 - RWAs and Capital requirements end of period
	EU OV1 - Overview of RWAs	Sum of the rows: *Row 3 - of which the foundation IRB (FIRB) approach* *Row 4 - of which the advanced IRB (AIRB) approach* *Row 5 - of which Equity IRB under the Simple risk-weight or the IMA*
	EU CR7 - IRB approach - Effect on the RWAs of credit derivatives used as CRM techniques	Row 20 - Total (column "Actual RWAs")
	Templates: EU CR6: IRB - Credit risk exposures by exposure class and PD range - AIRB EU CR6: IRB - Credit risk exposures by exposure class and PD range - FIRB EU CR6: IRB – Credit risk exposures by exposure class and PD range - Equity exposures	Sum of the rows: *Total AIRB (All portfolios)* *Total FIRB (All portfolios)* *Total Equity exposure*
	IRB Approach - risk assets	Sum of the rows (columns Weighted amount Foundation IRB Approach and Advanced IRB approach): *Total on-balance-sheet risk assets* *Total guarantees given and committed lines*
RWA Counterparty risk (standard+IRB)	Credit and counterparty risk - breakdown RWA and Capital requirements	Sum of the rows: *Standard method (column Counterparty risk RWA)* *IRB (column Counterparty risk RWA)*
	EU CCR8 – Exposures to CCPs	Sum of the rows: *Row 1 - Exposures to QCCPs of the EU CCR8 template (column RWAs) except to the row 9 "Prefunded default fund contributions"* *Row 11 - Exposures to non QCCPs of the EU CCR8 template (column RWAs) except to the row 19 "Prefunded default fund contributions"*
	EU CCR1 - Analysis of CCR exposure by approach	*Row 11 - Total of the EU CCR1 template (column RWAs)*
	Counterparty risk	Sum of the rows (column Weighted amount): *Standardised approach* *IRB Approach*
	EU OV1 - Overview of RWAs	Row 6 - CCR except to the row 14 "of which risk exposure amount for contributions to the default fund of a CCP" and row 15 "of which CVA"

Annex 3 – Reconciliation of quantitative data across disclosure templates

continued: Table 2 - Reconciliation of the Risk Weighted Assets (RWAs) figures

RISK WEIGHTED ASSETS (RWAs) FIGURES	TEMPLATE	ROW
RWA Counterparty risk (IRB)	IRB Approach - risk assets	Sum of the rows (columns Weighted amount Foundation IRB Approach and Advanced IRB approach): *Total derivatives contracts and long settlement transactions* *Total SFT transactions*
	Templates: EU CCR4: IRB – CCR exposures by portfolio and PD scale - AIRB EU CCR4: IRB – CCR exposures by portfolio and PD scale - FIRB	Sum of the rows: *Total AIRB (All portfolios)* *Total FIRB (All portfolios)*
RWA Counterparty risk - IMM method	EU CCR7 - RWA Flow statements of CCR exposures under the Internal Model Method (IMM)	Row 9 - RWAs and Capital requirements end of period
	EU OV1 - Overview of RWAs	Row 10 - of which internal model method (IMM)
Securitisations	Capital Adequacy	Row A.1.3 Credit and counterparty risk - Securitisations (column weighted assets)
	EU OV1 - Overview of RWAs	Row 17 - Securitisation exposures in banking book (after the cap)
	EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Sum of the row 1 Total exposures with reference to following columns of the templates EU-SEC3 and EU-SEC4: - column j "SEC-IRBA", RWEA (by regulatory approach) - column k "SEC-ERBA" (including IAA), RWEA (by regulatory approach) - column l "SEC-SA", RWEA (by regulatory approach)
RWA Market risk - of which standard method	EU OV1 - Overview of RWAs	Row 24 - of which standardised approach
	EU MR1 - Market risk under standardised approach	Row 9 - Total
	Capital Adequacy	Row B.4.1 Market risk - Standard approach (requirement)
RWA Market risk - of which IMA	EU MR2-A - Market risk under the IMA	Row Total - column RWA
	EU MR2-B - RWA flow statements of market risk exposures under the IMA	Row 8 - RWAs and capital requirements - column Total RWAs
	EU OV1 - Overview of RWAs	Row 25 - Market risk - of which IMA
	Capital Adequacy	Row B.4.2 Market risk - Internal models (requirement)
CVA (Credit Value Adjusted)	EU OV1 - Overview of RWAs	Row 15 - of which CVA (RWA and capital requirement)
	Capital Adequacy	Row B.2 Credit valuation adjustment risk (requirement)
	EU CCR2 - CVA capital charge	Row 5 - Total subject to the CVA capital charge (RWAs)
	Market Risk capital requirement	Row CVA (Credit Value Adjustment) risk (requirement)

Annex 3 – Reconciliation of quantitative data across disclosure templates

Table 3 - Reconciliation of additional quantitative information consistent across templates (including breakdowns of RWAs and exposure values)

FIGURES REFERENCE	TEMPLATE	ROW/COLUMN
RWA segmentation: Market risk	Risk Weighted Assets segmentation	Row B. Market Risk
	Capital Adequacy	Sum of the rows (risk weighted assets equivalent): *B.2 Credit valuation adjustment risk* *B.3 Settlement risk* *B.4 Market risk* *B.6 Other calculation elements (part related to market risk)*
	EU OV1 - Overview of RWAs	Sum of the rows: *Row 15 - of which CVA* *Row 16 - Settlement Risk* *Row 23 - Market risk* *Row 33 - Other calculation elements (part related to market risk)*
RWA segmentation: Operational risk	Risk Weighted Assets segmentation	Row C. Operational risk
	Capital Adequacy	Row B.5 Operational risk (risk weighted assets equivalent)
	EU OV1 - Overview of RWAs	Row 27 - Operational risk
RWA Credit and counterparty risk - standard method	Capital Adequacy	Row A.1.1 - Credit and counterparty risk - Standardised approach
	Credit and counterparty risk	Sum of the rows: *A.1 Standardised Approach* *A.4 Exposures with or central counterparties as pre-funded contributions to the default fund*
	Credit and counterparty risk - breakdown RWA and Capital requirements	Sum of the rows (columns RWA Credit risk and RWA Counterparty risk): *Standard method* *Exposures with or central counterparties as pre-funded contributions to the default fund*
RWA Credit and counterparty risk - internal rating-based methodology	Capital Adequacy	Row A.1.2 Credit and counterparty risk - IRB approaches
	Credit and counterparty risk	Sum of the rows: *A.2 IRB Approach - Risk Assets* *A.3 IRB Approach - Equity Exposures*
	Credit and counterparty risk - breakdown RWA and Capital requirements	Sum of the rows (columns RWA Credit risk and RWA Counterparty risk): *IRB (Foundation+Advanced+Other IRB exposures)*
	IRB Approach - risk assets	Row Total, sum of the columns related to the Exposure amount and Weighted amount: *Foundation IRB Approach* *Advanced IRB Approach*
Settlement risk - requirement	Capital Adequacy	Row B.3 Settlement risk (requirement)
	Market Risk capital requirement	Row Settlement risk for DVP transactions
	EU OV1 - Overview of RWAs	Row 16 - Settlement Risk
Market risk - requirement	Capital Adequacy	Row B.4 Market risk
	Market Risk capital requirement	Sum of the rows: *Position risk (Assets included in regulatory trading portfolio)* *Commodities risk position* *Exchange rate risk*
	EU OV1 - Overview of RWAs	Row 23 - Market risk
Equities - Simple risk-weighted approach (RWAs)	EU CR10: IRB (specialised lending - Slotting criteria and equities)	Section Equities under the simple risk-weighted approach (Row Total - RWAs column)
	Credit and counterparty risk - breakdown RWA and Capital requirements	Row Simple risk weight approach: risk assets (Other IRB Exposures Section)
	Credit and counterparty risk	Row Simple risk weight approach: risk assets (Section A.3 IRB Approach - Equity Exposures)

Annex 3 – Reconciliation of quantitative data across disclosure templates

continued: Table 3 - Reconciliation of additional quantitative information consistent across templates (including breakdowns of RWAs and exposure values)

FIGURES REFERENCE	TEMPLATE	ROW/COLUMN
Credit risk exposures (post CCF and CRM) - standard method	EU CR4 - Standardised approach - Credit risk exposure and CRM effects	Row 17 - Total (sum of columns c+d "Exposure post CCF and CRM")
	EU CR5 – Standardised approach – Credit Risk	Row 17 - Total (column Total)
Credit risk exposures (pre CCF and CRM) - standard method	EU CR4 - Standardised approach - Credit risk exposure and CRM effects	Row 17 - Total (column a "On-balance sheet amount")
	EU CRB-E - Maturity of exposures	Row 23 - Total standardised approach (column f "Total")
Net amount of exposures	EU CR1-A - Credit quality of exposures by exposure class and instrument	Row 36 - Total (column g)
	EU CRB-B - Total and average net amount of exposures	Row 36 - Total (column a)
	EU CRB-D - Concentration of exposures by industry or counterparty types	Row 24 - Total (column n)
	EU CRB-C - Geographical breakdown of exposures	Row 24 - Total (column u)
Credit and counterparty risk - non weighted amounts	Credit and counterparty risk	Row A.1 Standardised Approach
	Capital Adequacy	Row A.1.1 Credit and counterparty risk -Standardised approach (column unweighted assets)
	EU CR5 – Standardised approach – Credit Risk	Sum of rows: *Row 17 - Total (column Total) of the template EU CR5* *Row 11 - Total (column Total) of the template EU CCR3*
	EU CCR3 Standardised approach - CCR exposures by regulatory portfolio and risk weights	
Exposures standardised method (including risk mitigation)	Distribution of exposures: standardised method	Rows of Exposure class (column Exposures with credit risk mitigation)
	Standardised approach - risk assets (Exposure including risk mitigation)	Rows of Exposure class (column Total)
Exposures standardised method (not including risk mitigation)	Distribution of exposures: standardised method	Rows of Exposure class (column Exposures without credit risk mitigation)
	Standardised approach - risk assets (Exposure not including risk mitigation)	Rows of Exposure class (column Total)
Securitisations	Capital Adequacy	Row A.1.3. Credit and counterparty risk - Securitisations (column unweighted assets)
	EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Sum of row 1 Total exposures with reference to following columns of the templates EU-SEC3 and EU-SEC4: - column f "SEC-IRBA", Exposure values (by regulatory approach) - column g "SEC-ERBA" (including IAA), Exposure values (by regulatory approach) - column h "SEC-SA", Exposure values (by regulatory approach)
	EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	

Annex 3 – Reconciliation of quantitative data across disclosure templates

Table 4 - Reconciliation of quantitative information related to the non-performing and performing exposures

FIGURES REFERENCE	TEMPLATE	ROW/COLUMN
Non-performing exposures (gross carrying amount)	Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days	Row 22 - Total (Non-performing exposures column)
	Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions	Row 22 - Total (Non-performing exposures column)
	Template 5 (EBA/GL/2018/10): Quality of non-performing exposures by geography	Row 15 - Total (Of which non-performing column)
Performing exposures (gross carrying amount)	Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days	Row 22 - Total (Performing exposures column)
	Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions	Row 22 - Total (Performing exposures column)
Loans and advances (performing)	Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days	Row 1 - Loans and advances (column a-Performing exposures)
	Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions	Row 1 - Loans and advances (column a-Performing exposures)
	Template 7 (EBA/GL/2018/10): Collateral valuation - loans and advances	Row 1 - Gross carrying amount (column b-Performing)
Loans and advances (of which non-performing)	Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days	Row 1 - Loans and advances (column d-Non-performing exposures)
	Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions	Row 1 - Loans and advances (column d-Non-performing exposures)
	Template 7 (EBA/GL/2018/10): Collateral valuation - loans and advances	Row 1 - Gross carrying amount (column d-Non-performing)
	Template 8 (EBA/GL/2018/10): Changes in the stock of non-performing loans and advances	Row 13 - Final stock of non-performing loans and advances
Loans and advances by industry (non-financial corporations)	Template 6 (EBA/GL/2018/10): Credit quality of loans and advances by industry	Row 20 - Total (column a-Gross carrying amount)
	Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days	Row 6 - Non-financial corporations (sum of column a-Performing exposures and column d-Non-performing exposures)
	Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions	Row 6 - Non-financial corporations (sum of column a-Performing exposures and column d-Non-performing exposures)

Declaration by the Manager charged with preparing the financial reports

The undersigned Stefano Porro, in his capacity as the Manager charged with preparing the financial reports of UniCredit S.p.A.

DECLARES

that, pursuant to Article 154-bis, paragraph 2, of the "Consolidated Law on Finance", the information disclosed in this document corresponds to the document results, books and accounts records.

Milan, 5 March 2021

Stefano Porro

Declaration pursuant to the EBA Guidelines 2016/11 on disclosure requirements under Part Eight of Regulation (EU) No.575/2013 and subsequent amendments

The undersigned Ranieri de Marchis, as General Manager ad interim, and Stefano Porro as Manager charged with preparing the financial reports of UniCredit S.p.A.

CERTIFY

that, pursuant to the EBA Guidelines 2016/11 on disclosure requirements under Part Eight of Regulation (EU) No.575/2013 (and subsequent amendments) 4.2 paragraph section C, disclosures provided according to the aforementioned Part Eight have been prepared in accordance with the internal control processes agreed upon at the management body level.

Milan, 5 March 2021

Stefano Porro

Ranieri de Marchis