



# One Bank, One UniCredit.

2018


## Annual Report and Accounts

GENERAL MEETING DRAFT

Banking that matters.



# One Bank, One UniCredit.



Our strategy is clear and long-term. We are transforming the Group to build the bank of tomorrow for our extensive client franchise. Everything we do is designed to make UniCredit a true pan-European winner.

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## Notes

The following conventional symbols have been used in the tables:

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

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

**UniCredit S.p.A.**

A joint stock company

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

Share capital €20,940,398,466.81 fully paid in

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

Cod. ABI 02008.1

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

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

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



# Board of Directors, Board of Statutory Auditors and External Auditors as at 31 December 2018

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

**Note:**

(\*) Prof. Andrea Sironi resigned from his position as Director starting from 6 February 2019 and the same day the Board of Directors coopted Prof.ssa Elena Carletti.

# Chairman's message

“Thanks to the support of both our shareholders and stakeholders, I am confident that UniCredit will meet its goals ensuring sustainable profitability and an ever increasing high level of service.”

**Fabrizio Saccomanni**  
Chairman

## Dear Shareholders,

I have greatly enjoyed my first year as chairman of UniCredit. Over the course of 2018, there have been many opportunities to admire the group's incredible potential, thanks to the unique European positioning and high levels of professional and personal excellence of everyone in the group.

The financial community shares this positive view. The solidity of our governance system, which guarantees the quality and integrity of our decision-making processes, is widely recognised. UniCredit will continue to invest in ensuring transparency and in maintaining an open dialogue with all of our stakeholders.

The past year has also confirmed the increasing challenges that our sector faces. Firstly, a more complex macroeconomic context. Secondly, a continuously evolving regulatory environment. Last, but not least, growing competitive pressures, mainly from digitalisation. These trends are driving transformation in banking business models.

The UniCredit board of directors, who I represent, is very focused on these topics. Renewed in April, they bring diverse professional experiences, including vast economic and financial knowledge at both national and international levels. Their active involvement, through new insights and ideas, allow our excellent management team, expertly led by our CEO, Jean Pierre Mustier, to keep making UniCredit a successful pan-European bank.

Our results demonstrate that we have made the right choices. Where necessary, the group has taken decisive actions, especially related to non-recurring events, without compromising on stability. We are optimistic for the future.

Progress on our strategic plan is ahead of schedule. We are protecting the bank's capital position and have accelerated the de-risking process, which will allow us to complete the rundown of non-performing legacies in three years. We have achieved important results

on efficiency, risk management, process simplification and the digitisation of services we provide to customers – all through significant investments.

To continue our progress in the transformation of the bank, we will leverage on the new transformation & innovation advisory board, which gives us access to thought leaders in technology and innovation. This team will regularly debrief the UniCredit board of directors.

Looking to 2019, we will continue to support the “real economy” in the countries in which we operate. As a simple, successful pan-European commercial bank, UniCredit is dedicated to supporting customers, contributing to Europe's economic and social development. For example, we will remain focused on supporting the growth of SMEs, the backbone of the European economy, and our social banking initiatives.

UniCredit is characterised by solidity, credibility and a clear outlook on our future, distinguishing the group in a challenging competitive landscape. Thanks to the support of both our shareholders and stakeholders, I am confident that UniCredit will meet its goals, ensuring sustainable profitability and an ever increasing high level of service.

Sincerely,

**Fabrizio Saccomanni**  
Chairman  
UniCredit S.p.A.





# Chief Executive Officer's message

“We are focused on sustainable business growth, based on ethics and respect, to ensure UniCredit remains a pan-European winner.”

**Jean Pierre Mustier**

Chief Executive Officer



## Dear Shareholders,

Thank you for your valuable, ongoing support. We have closed a second, successful year of our Transform 2019 strategic plan. UniCredit is a solid bank with strong capital ratios and an unstinting focus on value creation for all of its stakeholders through innovative commercial actions, digital transformation, enhanced risk management, transparent corporate governance and key social impact banking initiatives – based on ethics and respect. For us this means doing the right thing.

As the banking industry continues to evolve, UniCredit will stay focused on "what matters" – the changing needs of our customers – to protect the value of our business and ensure sustainability.

Our strategy is One Bank, One UniCredit: we are and will remain a simple, successful, pan European commercial bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive and growing client franchise.

The combined energy, commitment and hard work of all UniCredit team members is what allows us to deliver tangible results. We confirm our Transform 2019 targets: net profit target of 4.7 billion Euro and a RoTE of above 9 per cent, with our Group Core RoTE above 10 per cent.

We will maintain a **strong capital position** by generating solid profits and ensure we have a comfortable MDA buffer. Our CET1 capital ratio is fully loaded and compliant with all regulatory requirements. The UniCredit Group fared well in the EBA stress test results, with one of the highest CET1 ratios compared to Eurozone peers.

In terms of **asset quality**, we have decisively continued to de-risk our balance sheet, completing the final phase of Project FINO. Our disciplined risk management strategy is ensuring improved asset quality as well as high quality origination across the Group. We are fully on track for the accelerated rundown of our Non Core portfolio, brought forward by four years to 2021.

We are leveraging on digitalisation to **transform our operating model**, with an improved cost reduction. We will continue to enhance the customer experience through simpler processes, ensuring greater efficiency and effectiveness.

We continue to **maximise commercial bank value** thanks to a renewed and dynamic focus on our clients, pursuing a multichannel strategy with best-in-class products and services. Our CIB is fully plugged into the Group's strong commercial banking and focused on supporting the real economy.

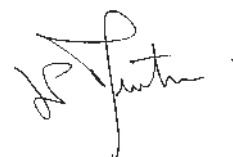
Finally, I extend a warm welcome to Fabrizio Saccomanni, our new Chairman. Fabrizio's significant experience in international monetary and financial cooperation, particularly in terms of supervisory and regulatory knowhow, brings great value to our Group.

Together we have started to actively prepare for the next strategic cycle. We will focus on the development of our business activities and the continued optimisation of our processes, while providing all colleagues with a best in class work environment and experience, to continue to attract the right people. This begins with an even more energised leadership team, and a changed leadership structure, that will bring this new strategy to fruition.

We will keep working hard to ensure that UniCredit remains a true pan-European winner.

Sincerely,

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



# Ethics and respect: Do the right thing!

UniCredit's Board and Senior Management consider that the way in which results are achieved is as important as the actual results. Therefore, the following Group Principles<sup>1</sup> should guide all employees' decisions and behaviors irrespective of seniority, responsibility and geographical area: **"Ethics and respect: Do the right thing!"**

Group Principles are designed to help all UniCredit employees, to guide their decision-making and their behaviours towards all stakeholders in their day to day activities.

In particular, such Principles require:

- compliance with the highest ethics standards - beyond banking regulation and beyond the law - in relationships with clients, colleagues, environment, shareholders and any other *stakeholders*;
- fostering a respectful, harmonious and productive workplace;

to best protect the Bank, its reputation and to be an employer and a counterparty of choice.

Group Principles underpin a set of core guidelines that further clarify expectations about the way to work as **One Team, One UniCredit** and support employees in the fulfillment of UniCredit *Five Fundamentals*. The spirit of each of these principles is extremely important and it will be the subject of more detailed policies that will be developed or updated in the coming months.

## Group principles in day to day activities

- **Ethics as a guiding principle of fairness and respect towards all stakeholders in order to achieve sustainable results.**

UniCredit colleagues, irrespective of seniority, responsibility and geographical area, are expected to do the right thing in their daily activities and to be fair towards all stakeholders to gain and retain their trust.

- **"Ethics and respect" is a guiding principle which applies to all Group policies.**

The "Ethics and respect" principle is based on a long term view of the Group business activities and relationships with stakeholders as well as a comprehensive view of the internal and external working environment. Business policies require care to ensure that responsible sales approach work in harmony with balanced, fair and respectful customer interactions, enabling the achievement of sustainable business success and long-term targets. Targets and other business results are not considered achieved if they are not met in compliance with the Group Principles, related policies and the requirements that flow from them.

- **"Ethics and respect" is a guiding principle for interactions amongst all Group employees.**

UniCredit colleagues are expected to contribute in their daily activities toward creating and maintaining a work environment that is as respectful and harmonious as possible, eliminating intimidating, hostile, degrading, humiliating or offensive behaviors and words. UniCredit must contribute to assuring the respect for the rights, value and dignity of people and the environment. All forms of harassment, bullying and sexual misconduct are unacceptable.

- **“Ethics and respect” is a guiding principle for the promotion of diversity and work life balance which are considered valuable assets.**

UniCredit colleagues are expected to assure a workplace where all kinds of diversity (e.g. age, race, nationality, political opinions, religion, gender, sexual orientation) are not only respected, but also proactively promoted as well as to contribute to an environment in which respect for, and attention to, colleagues’ needs, health, work-life balance and well being are deemed essential to achieving sustainable results.

- **“Ethics and respect” is a guiding principle underpinning the reinforcement of a “Speak-up culture” and anti-retaliation protection.**

UniCredit is firmly committed to promoting an environment in which colleagues and third parties feel comfortable engaging in open and honest communication. UniCredit encourages colleagues and third parties to speak up and raise promptly good-faith concerns without fear of retaliation relating to any situation that may involve unethical or illegal conduct or inappropriate interactions with others.

1. Which substitute the former group values.

# Highlights

UniCredit is a simple successful pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise: 26 million clients.

UniCredit offers both local and international expertise providing its clients with unparalleled access to leading banks in its 14 core markets as well as in other 18 countries worldwide.

UniCredit European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey.

## Financial Highlights<sup>1</sup>

Operating income  
€ 19,723 m

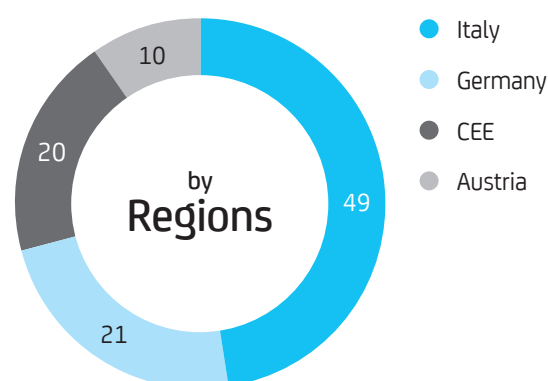
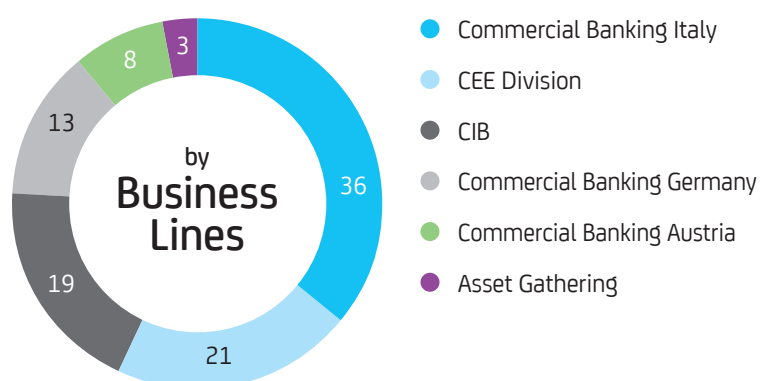
Net profit (loss)  
€ 3,892 m

Shareholders' equity  
€ 55,841 m

Total assets  
€ 831,469 m

Common Equity Tier 1 ratio\*  
12.07%

## Revenues<sup>1</sup> (%)



1. Data as at December 31, 2018.

\* Fully loaded CET1 ratio.



# A pan-European winner

European banks must continue to focus on their clients, supporting European companies aiming for international growth. Achieving both reach and scale is important, to provide customers with efficient products at the best possible price.

UniCredit is a successful pan-European banking group. **We deliver the best products and services to our 26 million clients in 14 core markets, responding to their concrete needs.** Our geographically diversified reach provides all our shareholders, clients and colleagues with greater security. And our **"One Bank, One UniCredit"** strategic approach combines central guidance with local implementation, to keep making our Group a pan-European winner.



## Achievements 2018



### Top Employers Institute: Top employer Europe 2018

Awarded thanks to local certification achieved in Bulgaria, Croatia, Germany, Italy and Russia



- The Banker: Bank of the Year in Italy 2018
- The Banker: Bank of the Year in Bosnia 2018



### Euromoney: Trade Finance Survey 2019

#1 across 28 categories

Global Best Service Provider for: "All Services", "Advisory", "Financing/payments", "Overall Execution" and "Products"



## Digital Partnerships

### Key transaction partnerships

- Apple Pay
- Samsung Pay
- Alipay
- Google Pay

### Digital innovation for customers

- Alexa in Austria, to bank through Amazon's voice assistant
- U-days in Italy, to promote knowledge of digital payments and payment apps:  
**Apple Pay, Samsung Pay, Alipay, Google Pay**

# Business Growth

Our positive overall financial performance proves our good progress in **strengthening the Group through strategic business initiatives and a focus on digitalisation and process simplification, leveraging on best practices across the Group**. This is already driving significant growth. As the banking industry continues to evolve, we will maintain our focus on changing customer needs, ensuring the future sustainability of our business.

## In UniCredit, building the bank of tomorrow means:

- Constant focus on customer satisfaction and consistent service quality
- Continued review of processes to improve the customer experience and optimise cost, with a strong focus on risk management
- Further revenues growth

### Key Performance Indicators

	FY 2017	FY 2018	FY 2019
Cost-Income Ratio	56.9%	54.2%	52-53%
Group Gross NPEs Ratio	10.33%	7.67%	7.5%
Revenues	19.9€bn	19.7€bn	19.8€bn



# Transform 2019 Milestones

Through Transform 2019 – our strategic plan – we are building the bank of tomorrow.

Our strategy is clear and long-term: we are One Bank, One UniCredit – a simple, successful pan-European commercial bank with a fully plugged in CIB delivering a unique Western, Central and Eastern European network to our extensive client franchise. We are and we will remain a pan-European winner.



# Banking that matters.



We are dedicated to creating tangible value for all our clients, employees and stakeholders by providing real solutions to real needs. Everything we do is grounded on ethics and respect.



# Preliminary notes

Starting from 2018, UniCredit prepares a single document called "Annual report and accounts 2018" replacing the two documents relating to the UniCredit group consolidated financial statements and the UniCredit S.p.A. company financial statements.

The integration of the contents of the two previous financial statements into a single document has led to the elimination of duplications of the qualitative information previously presented in both files and, in order to facilitate the reading, the adoption of a system of cross-references between the chapters dedicated to the consolidated financial statements and the company ones, pursuant to which the contents of the single paragraphs referenced are entirely reproduced in the paragraphs containing the reference.

## General aspects

The UniCredit group's Consolidated Financial Statements and UniCredit S.p.A. Financial Statements as at 31 December 2018 were drafted in accordance with the IAS/IFRS international accounting standards, in compliance with the instructions of Banca d'Italia in circular 262 of 22 December 2005 (and subsequent amendments). These instructions are binding for the Accounts tables and the methods of completion, as well as for the minimal content of the notes to the Accounts.

The Consolidated Financial Statements comprise the Balance Sheet, the Income Statement, the Statement of Other Comprehensive Income, the Statement of changes in Shareholders' Equity, the Cash Flow Statement, the Notes to the Accounts, as well as a Report on Operations, the economic results achieved, the Group's financial situation and Annexes.

The Consolidated Financial Statements include:

- a section on Corporate Governance;
- the Consolidated Financial Statements Certification pursuant to Art.81-ter of Consob Regulation No.11971/99 as amended;
- the Independent Auditor's Report pursuant to Art.14 of Legislative Decree No.39 of 27 January 2010 and Art.10 of the EU Regulation No.537/2014.

UniCredit S.p.A. Financial Statements comprise the Balance Sheet, the Income Statement, the Statement of Other Comprehensive Income, the Statement of changes in Shareholder's Equity, the Cash Flow Statement, the Notes to the Accounts as well as a Report on operation, the economic results achieved, the Bank's financial situation and Annexes.

UniCredit S.p.A. Financial Statements includes:

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

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

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

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

**The following is the list of the incorporations of qualitative information by reference made by the Consolidated financial statements to the Company financial statements:**

<b>PART OF THE CONSOLIDATED FINANCIAL STATEMENTS WHERE A REFERENCE IS PRESENT</b>	<b>DESCRIPTION OF THE PART OF THE COMPANY FINANCIAL STATEMENTS WHERE IS DETECTABLE THE QUALITATIVE INFORMATION INCORPORATED BY REFERENCE</b>
Part B - Information on Consolidated balance sheet - Assets - Section 2 Financial assets at fair value through profit or loss - Item 20	The paragraph "Information about the units of Atlante Fund and Italian Recovery Fund" is incorporated by reference to Part B - Balance sheet - Assets - Section 2 - Financial assets at fair value through profit or loss - Item 20 of the Notes to the accounts
Part B - Information on Consolidated balance sheet - Assets - Section 3 - Financial assets at fair value through other comprehensive income - Item 30	The paragraph "Information about the shareholding in Banca d'Italia" is incorporated by reference to Part B - Balance sheet - Assets - Section 3 - Financial assets at fair value through other comprehensive income - Item 30 of the Notes to the accounts

# Preliminary notes

Part B - Information on Consolidated balance sheet - Assets - Section 11 - Tax assets and tax liabilities - Item 110 (Assets) and Item 60 (Liabilities)	The qualitative disclosure of deferred tax assets and liabilities of the Parent company is incorporated by reference to Part B - Information on Balance sheet - Assets - Section 10 - Tax assets and tax liabilities - Item 100 (Assets) and Item 60 (Liabilities) of the Notes to the accounts
Part B - Information on Consolidated balance sheet - Liabilities - Section 13 - Group shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180	The paragraphs "12.1 Share capital and treasury shares", "12.2 Share capital - Number of shares", "12.3 Capital: other information" and "12.5 Equity instruments: breakdown and annual changes" are incorporated by reference to Part B - Information on Balance sheet - Liabilities - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 of the Notes to the accounts
Part C - Information on Consolidated income statement - Section 21 - Tax expenses (income) for the period from continuing operations - Items 300	The qualitative disclosure of tax expenses (income) for the period of the Parent company is incorporated by reference to Part C - Income statement - Section 19 - Tax expenses (income) for the period from continuing operations - Item 270 of the Notes to the accounts
Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk - Qualitative information	<p>The qualitative disclosure with reference to governance issues, commercial policies and credit strategies relating to the UniCredit S.p.A. perimeter, is incorporated by reference to paragraph of Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Qualitative information - 1. General Aspects of the Notes to the accounts</p> <p>The qualitative disclosure with reference to the Italian perimeter of UniCredit S.p.A., reporting to the "Group Lending Office", is incorporated by reference to Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Qualitative information - 2. Credit risk management policies - 2.1 Organizational aspects of the Notes to the accounts</p>
Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk - Quantitative information - E. Prudential perimeter - Credit risk measurement model	The quantitative information of UniCredit S.p.A. on Credit risk measurement model is incorporated by reference to the paragraph in Part E - Information on risks and hedging policies - Section 1 - Credit Risk - Quantitative information - F. Credit risk measurement models of the Notes to the accounts
Part E - Information on risks and hedging policies - Section 2.5 - Operational risks	The paragraph "E. Other claims by customers" and the sub-paragraph "Diamond offer" are incorporated by reference to the similar paragraphs of Part E - Information on risks and hedging policies - Section 5 - Operational risks of the Notes to the accounts.

The following is the list of the incorporations of qualitative information by reference made by the Company financial statements to the Consolidated financial statements:

PART OF THE COMPANY FINANCIAL STATEMENTS WHERE A REFERENCE IS PRESENT	DESCRIPTION OF THE PART OF THE CONSOLIDATED FINANCIAL STATEMENTS WHERE IS DETECTABLE THE QUALITATIVE INFORMATION INCORPORATED BY REFERENCE
Report on operations - Introduction and highlights	<p>The paragraph "Share information" is presented by reference to the paragraph "Share information" - Group and UniCredit share historical data series of the Consolidated report on operations</p> <p>The paragraph "Macroeconomic situation, banking and financial markets" is presented by reference to the paragraph "Macroeconomic situation, banking and financial markets" - Group results of the Consolidated report on operations</p> <p>References of UniCredit official website where can be found Report on corporate governance and ownership structure, Report on remuneration and Non-financial information are reported in Other information of the Consolidated report on operations</p> <p>The paragraph "Research and development projects" is presented by reference to the paragraph "Research and development projects" - Other information of the Consolidated report on operations</p> <p>The paragraph "Organizational model" is presented by reference to the paragraph "Organizational model" - Other information of the Consolidated report on operations</p>

# Preliminary notes

Report on operations - Results of the year - Capital and value management	The qualitative disclosure of “Principles of value creation and disciplined capital allocation”, “Capital ratios” for information relating to transitional capital requirements and buffers for UniCredit group and “Capital strengthening” are incorporated by reference to the same paragraphs in “Capital and value management” - Group results of the Consolidated report on operations
Report on operations - Other information	The paragraph “Group activities development operations and other corporate transactions”, with specific reference to events relating to the parent company UniCredit S.p.A., is incorporated by reference to the same paragraph “Group activities development operations and other corporate transaction” - Other information of the Consolidated report on operations  The paragraph “Certifications and other communications” is incorporated by reference to the same paragraph “Certifications and other communications” - Other information of the Consolidated report on operations
Report on operations - Subsequent events and Outlook	The paragraph “Subsequent events”, with specific reference to events relating to the parent company UniCredit S.p.A., is incorporated by reference to the paragraph “Subsequent events” - Other information of the Consolidated report on operations  The paragraph “Outlook” is incorporated by reference to the paragraph “Outlook” of the Consolidated report on operations
Part B - Balance sheet - Assets - Section 2 - Financial assets at fair value through profit or loss - Item 20	The paragraph “Information about the investments in the “Schema Volontario (Voluntary Scheme)” is incorporated by reference to Part B - Information on Consolidated balance sheet - Assets - Section 2 Financial assets at fair value through profit or loss - Item 20 of the Notes to consolidated accounts
Part B - Balance sheet - Assets - Section 7 - Equity investments - Item 7	Information relating to value in use determination, is incorporated by reference to the paragraph of Part B - Information on Consolidated balance sheet - Assets - Section 10 - Intangible assets - 10.3 Intangible assets: other information – paragraph “Estimating cash flows to determine the value in use of the CGUs” of the Notes to consolidated accounts
Part C - Income statement Section 10 - Other administrative expenses - Item 160	The paragraph “Contributions to Resolution and Guarantee Funds” is incorporated by reference to the paragraph “Contributions to Resolution and Guarantee Funds Part C - Consolidated income statement - Section 12 Administrative expenses - Item 190 of the Notes to consolidated accounts  The paragraph “DTA guarantee fees”, with specific reference to the parent company UniCredit S.p.A., is incorporated by reference to the paragraph “DTA guarantee fees” Part C - Consolidated income statement - Section 12 Administrative expenses - Item 190 of the Notes to consolidated accounts
Part E - Information on risks and hedging policies - Introduction	The paragraph “Introduction” is incorporated by reference to the paragraph “Introduction” of Part E - Information on risks and hedging policies of the Notes to consolidated accounts
Part E - Information on risks and hedging policies - Section 1 - Credit risk - Qualitative information	Qualitative information relating to “1. General aspects”, “2. Credit risk management policies”, “3. Non-performing credit exposure”, “4. Commercial renegotiation of financial assets and forbome exposures” is partially incorporated by reference to the same paragraph of Part E - Information on risks and hedging policies Section 2 - Risks of prudential perimeter - 2.1 Credit risk - Qualitative information of the Notes to consolidated accounts  The paragraph “E.4 Covered bond transaction” is incorporated by reference to the paragraph “E.4 Covered bond transaction” Section 2 - Risks of prudential perimeter - 2.1 Credit risk - Qualitative information Part E - Information on risks and hedging policies of the Notes to consolidated accounts

# Preliminary notes

<p>Part E - Information on risks and hedging policies - Section 2 - Market risk</p>	<p>Qualitative information as introduction (“Risk management strategies and processes”, “Structure and organisation”, “Risk measurement and reporting systems”, “Hedging policies and risk mitigation”, “Internal model for price, interest rate and exchange rate risk of the regulatory trading book”) is incorporated by reference to qualitative information of paragraph of Part E Information on risks and hedging policies Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk of the Notes to consolidated accounts</p> <p>Qualitative information of “2.1 Interest rate risk and price risk - Regulatory trading book”, “2.2 Interest rate and price risk - Banking book” and “2.3 Exchange rate risk” is incorporated by reference to qualitative information of paragraph of Part E Information on risks and hedging policies Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk of the Notes to consolidated accounts</p> <p>Quantitative information of paragraph “3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis” of Interest rate risk and price risk - Regulatory trading book and of “2. Internal models and other methodologies for sensitivity analysis” of Exchange rate risk is incorporated by reference to qualitative information of paragraph of Part E Information on risks and hedging policies Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk of the Notes to consolidated accounts</p>
<p>Part E - Information on risks and hedging policies - Section 4 - Liquidity risks</p>	<p>Qualitative information is incorporated by reference to qualitative information of paragraph of Part E Information on risks and hedging policies Section 2 - Risk of the prudential consolidated perimeter - 2.4 Liquidity Risk of the Notes to consolidated accounts</p>
<p>Part E - Information on risks and hedging policies - Section 5 - Operational risk - Qualitative information</p>	<p>The paragraph “A. General aspects, operational processes and methods for measuring operational risk” is incorporated by reference paragraph “A. General aspects, operational processes and methods for measuring operational risk” of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts</p> <p>The paragraph “B. Risks arising from legal disputes” is incorporated by reference to paragraph “B. Risks arising from legal disputes” of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts</p> <p>The paragraph “C. Risks arising from employment law cases” is incorporated by reference to paragraph “Risks arising from employment law cases” of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts</p> <p>The paragraph “D. Risks arising from tax disputes is incorporated by reference to paragraph “D. Risks arising from tax disputes” Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks of the Notes to consolidated accounts</p>
<p>Part E - Information on risks and hedging policies - Section 6 - Other risk</p>	<p>Qualitative information of paragraphs “Other risks included in Economic Capital”, “Reputational risk” and “Top and emerging risk” is incorporated by reference to qualitative information in different paragraph of Part E - Information on risks and hedging policies - Section 2 - Risk of the prudential consolidated perimeter - 2.6 Other risks of the Notes to consolidated accounts</p>
<p>Part F - Shareholders' Equity</p>	<p>The paragraph “A. Qualitative information” is incorporated by reference to paragraph “A. Qualitative information” of Part F - Consolidated Shareholders' Equity of the Notes to consolidated accounts</p>
<p>Part H - Related-party transactions</p>	<p>The paragraph “Introduction” and the qualitative information of paragraph “2. Related-party transactions” are incorporated by reference paragraphs “Introduction” and “2. Related-party transactions” of Part H - Related-party transactions of the Notes to consolidated accounts</p>
<p>Part I - Share based payments</p>	<p>The paragraph “A. Qualitative information” and paragraph “B. Quantitative information -1. Annual changes” are incorporated by reference to paragraphs “A. Qualitative information” and “1 B. Quantitative information -1. Annual changes” of Part I - Shared base payments of the Notes to consolidated accounts</p>
<p>Annex 4 - Securitizations - qualitative tables</p>	<p>Information is incorporated by reference to information in Annex 3 - Securitizations - qualitative tables of the consolidated financial statement</p>

# One Bank, One UniCredit.

2018

Consolidated Report and Accounts  
of UniCredit Group





# Consolidated report and accounts 2018 of UniCredit Group

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# Strengthen and optimise capital.



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



# Introduction and Group highlights

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

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

The information in this report is supported, in order to provide further information about the performance achieved by the Group, by some alternative performance indicators ("API") such as: Cost/Income ratio, EVA, ROTE, Net bad loans to customers/Loans to customers, Net non-performing loans to customers/Loans to customers, Absorbed capital, ROAC, Cost of risk).

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

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

For information relating to related-party relations and transactions refer to the Notes to the consolidated accounts - Part H of Consolidated financial statements of UniCredit group.

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

## Group highlights, alternative performance indicators and other measures

### Income statement

(€ million)

	YEAR		% CHANGE
	2018	2017	
Operating income	19,723	19,941	- 1.1%
<i>of which:</i>			
- net interest	10,856	10,633	+ 2.1%
- dividends and other income from equity investments	738	638	+ 15.6%
- net fees and commissions	6,756	6,695	+ 0.9%
Operating costs	(10,698)	(11,338)	- 5.6%
Operating profit (loss)	9,025	8,603	+ 4.9%
Net write-downs on loans and provisions for guarantees and commitments	(2,619)	(2,939)	- 10.9%
Net operating profit (loss)	6,406	5,664	+ 13.1%
Profit (Loss) before tax	3,619	4,148	- 12.7%
Group net profit (loss)	3,892	5,473	- 28.9%

The figures in this table refer to the reclassified income statement. The amounts related to year 2017 differ from the ones published at that time.

For further details refer to "Reconciliation principles followed for the reclassified income statement". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

## Introduction and Group highlights

## Balance sheet

(€ million)

	AMOUNTS AS AT		% CHANGE
	12.31.2018	12.31.2017	
Total assets	831,469	836,790	- 0.6%
Financial assets held for trading	65,231	74,686	- 12.7%
Loans and receivables with customers	471,839	438,895	+ 7.5%
of which: non-performing loans	14,903	21,112	- 29.4%
Financial liabilities held for trading	43,111	55,784	- 22.7%
Deposits from customers and debt securities issue	560,141	561,498	- 0.2%
of which:			
- deposits from customers	478,988	462,895	+ 3.5%
- debt securities issue	81,153	98,603	- 17.7%
Group shareholders' equity	55,841	59,331	- 5.9%

Figures in this table refer to the reclassified balance sheet. The amounts related to year 2017 differ from the ones published at that time.

For further details refer to "Reconciliation principles followed for the reclassified balance sheet". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

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

## Profitability ratios

	YEAR		CHANGE
	2018	2017	
EPS <sup>(1)</sup> (€)	1.712	2.794	-1.082
Cost/Income ratio <sup>(2)</sup>	54.2%	56.9%	- 2.6%
EVA <sup>(3)</sup> (€ million)	(850)	(757)	- 93
ROTE <sup>(4)</sup>	8.1%	11.8%	- 3.7%
ROA <sup>(5)</sup>	0.49%	0.69%	- 0.2%

## Notes:

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

(2) Ratio between operating expenses and operating income.

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

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

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

The amounts relating to 2017 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified income statement".

## Risk ratios

	AS AT			% CHANGE ON 12.31.2018/01.01.2018	% CHANGE ON 01.01.2018/12.31.2017
	12.31.2018	01.01.2018	12.31.2017		
Net bad loans to customers/Loans to customers	1.2%	1.6%	2.2%	- 0.4%	- 0.5%
Net non-performing loans to customers/Loans to customers	3.2%	4.3%	4.8%	- 1.1%	- 0.5%

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

# Introduction and Group highlights

## Staff and branches

	AS AT		CHANGE
	12.31.2018	12.31.2017	
Employees <sup>(1)</sup>	86,786	91,952	-5,166
Branches <sup>(2)</sup>	3,815	4,030	-215
of which:			
- Italy	2,466	2,663	-197
- Other countries	1,349	1,367	-18

**Note:**

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

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

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

## Transitional capital ratios

	AS AT		CHANGE
	12.31.2018 <sup>(*)</sup>	12.31.2017 <sup>(*)</sup>	
Total own funds (€ million)	58,476	64,454	- 5,979
Total risk-weighted assets (€ million)	370,180	356,100	+ 14,080
<b>Common Equity Tier 1 Capital Ratio</b>	<b>12.13%</b>	<b>13.73%</b>	<b>- 1.6%</b>
<b>Total Capital Ratio</b>	<b>15.80%</b>	<b>18.10%</b>	<b>- 2.3%</b>

**Note:**

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

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

For more details see paragraph "Capital and value management - Capital ratios" of this Consolidated report on operations.

## Ratings

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

Ratings updated as at 31 January 2019

# Reclassified consolidated accounts

## Changes occurred scope of consolidation

During 2018, with reference to the consolidation perimeter, the following overall changes have been recorded:

- the number of fully consolidated companies, including those ones classified as non-current assets and asset disposal groups based on accounting principle IFRS5, present a decrease of 85 (4 incoming and 89 exited) changing from 590 at the end of 2017 to 505 at December 2018;
- the number of companies consolidated using the equity method, including those ones classified as non-current assets and asset disposal groups, present a decrease of 12 (12 exited) changing from 66 at the end of 2017 to 54 at December 2018.

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

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

In the Balance Sheet at 31 December 2018, the main reclassified assets, based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:

- regarding the individual asset and liabilities held for sale:
  - the subsidiary General Logistic Solutions LLC, the companies of the Card Complete Service Bank AG group and the associated companies Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H. and Swancap Partners GmbH;
  - the non-performing loans related to sale initiatives of portfolios;
  - the real estate properties held by certain companies in the Group, mainly in Germany;
- regarding the data relating to groups of assets held for sale and associated liabilities, the companies of the Immobilien Holding group (Austria).

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

## Reconciliation principles followed for the reclassified balance sheet

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

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

The format of this Reclassified Balance Sheet is different from the one used in the financial year 2017 following the reclassification/aggregation of item "Provisions for risks and charges" from a separate item to "Other liabilities" and of item "Revaluation Reserves" from a separate item to item "Capital and Reserves". The item "Financial investments" has also been renamed in "Other financial assets". The comparative periods were restated accordingly. 2017 figures were also restated following the reclassification of the component relating to debt securities from "Loans to customers" to item "Other financial assets".



## Reclassified consolidated accounts

## Reclassified consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Cash and cash balances	30,991	64,493	- 33,502	- 51.9%
Financial assets held for trading	65,231	74,686	- 9,454	- 12.7%
Loans to banks	69,850	70,983	- 1,133	- 1.6%
Loans to customers	471,839	438,895	+ 32,945	+ 7.5%
Other financial assets	152,310	147,496	+ 4,814	+ 3.3%
Hedging instruments	7,120	5,676	+ 1,444	+ 25.4%
Property, plant and equipment	8,408	8,449	- 41	- 0.5%
Goodwill	1,484	1,484	-	-
Other intangible assets	2,024	1,902	+ 122	+ 6.4%
Tax assets	13,078	12,658	+ 419	+ 3.3%
Non-current assets and disposal groups classified as held for sale	1,800	1,111	+ 689	+ 62.0%
Other assets	7,334	8,958	- 1,624	- 18.1%
<b>Total assets</b>	<b>831,469</b>	<b>836,790</b>	<b>- 5,321</b>	<b>- 0.6%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Deposits from banks	125,895	123,244	+ 2,651	+ 2.2%
Deposits from customers	478,988	462,895	+ 16,092	+ 3.5%
Debt securities issued	81,153	98,603	- 17,449	- 17.7%
Financial liabilities held for trading	43,111	55,784	- 12,672	- 22.7%
Financial liabilities designated at fair value	9,318	3,011	+ 6,307	n.m.
Hedging instruments	9,262	6,610	+ 2,652	+ 40.1%
Tax liabilities	825	1,093	- 268	- 24.5%
Liabilities included in disposal groups classified as held for sale	540	185	+ 355	n.m.
Other liabilities	25,609	25,141	+ 468	+ 1.9%
Minorities	927	894	+ 33	+ 3.7%
Group Shareholders' Equity	55,841	59,331	- 3,490	- 5.9%
<i>of which:</i>				
- capital and reserves	51,948	53,858	- 1,909	- 3.6%
- net profit (loss)	3,892	5,473	- 1,581	- 28.9%
<b>Total liabilities and shareholders' equity</b>	<b>831,469</b>	<b>836,790</b>	<b>- 5,321</b>	<b>- 0.6%</b>

## Reclassified consolidated accounts

## Reclassified consolidated balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2018	09.30.2018	06.30.2018	03.31.2018	12.31.2017	09.30.2017	06.30.2017	03.31.2017
Cash and cash balances	30,991	26,356	21,238	49,944	64,493	48,982	48,428	32,261
Financial assets held for trading	65,231	81,258	83,262	80,324	74,686	81,493	79,529	86,191
Loans to banks	69,850	76,289	73,004	70,324	70,983	67,888	65,225	77,968
Loans to customers	471,839	462,235	458,787	441,783	438,895	441,351	440,821	443,002
Other financial assets	152,310	150,232	148,841	142,917	147,496	145,775	147,686	151,886
Hedging instruments	7,120	5,225	5,700	5,688	5,676	5,665	5,975	6,231
Property, plant and equipment	8,408	9,106	9,077	9,115	8,449	8,812	8,947	9,054
Goodwill	1,484	1,484	1,484	1,484	1,484	1,484	1,484	1,484
Other intangible assets	2,024	1,873	1,864	1,872	1,902	1,790	1,763	1,687
Tax assets	13,078	12,257	11,998	12,110	12,658	13,347	14,252	15,293
Non-current assets and disposal groups classified as held for sale	1,800	491	915	955	1,111	1,671	4,052	46,603
Other assets	7,334	7,253	7,740	7,461	8,958	8,841	8,966	9,424
<b>Total assets</b>	<b>831,469</b>	<b>834,057</b>	<b>823,908</b>	<b>823,978</b>	<b>836,790</b>	<b>827,099</b>	<b>827,128</b>	<b>881,085</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2018	09.30.2018	06.30.2018	03.31.2018	12.31.2017	09.30.2017	06.30.2017	03.31.2017
Deposits from banks	125,895	136,664	129,747	125,177	123,244	128,110	129,844	138,581
Deposits from customers	478,988	469,044	456,094	456,959	462,895	438,334	433,017	437,996
Debt securities issued	81,153	79,493	87,567	93,369	98,603	106,383	110,664	109,103
Financial liabilities held for trading	43,111	51,920	52,454	48,685	55,784	58,806	55,505	60,631
Financial liabilities designated at fair value	9,318	8,736	8,524	8,575	3,011	2,960	3,045	3,027
Hedging instruments	9,262	5,508	6,254	5,881	6,610	6,859	7,245	8,202
Tax liabilities	825	1,039	1,066	1,140	1,093	1,190	1,188	1,443
Liabilities included in disposal groups classified as held for sale	540	49	79	196	185	161	618	36,031
Other liabilities	25,609	26,426	25,825	26,104	25,141	25,720	30,019	29,035
Minorities	927	869	837	941	894	872	822	4,312
Group shareholders' equity	55,841	54,309	55,462	56,950	59,331	57,705	55,161	52,723
of which:								
- capital and reserves	51,948	52,144	53,325	55,838	53,858	53,033	53,308	51,816
- net profit (loss)	3,892	2,165	2,136	1,112	5,473	4,672	1,853	907
<b>Total liabilities and shareholders' equity</b>	<b>831,469</b>	<b>834,057</b>	<b>823,908</b>	<b>823,978</b>	<b>836,790</b>	<b>827,099</b>	<b>827,128</b>	<b>881,085</b>

# Reclassified consolidated accounts

## Reconciliation principles followed for the reclassified income statement

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

- the inclusion in “Dividends and other income from equity investments” of “Profit (Loss) of equity investments valued at equity” and the exclusion of “Dividends from held for trading equity instruments” which are included in “Net trading income”;
- the inclusion among “Net trading income” of net gains (losses) on trading, on hedge accounting, of net gains/losses on the financial assets/liabilities at fair value through profit or loss and of gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income;
- the inclusion in the “Net other operating expenses/income”, excluding “Recovery of expenses” which is classified under its own item, the exclusion of the costs for “Write-downs on leasehold improvements” classified among “Other administrative expenses” and inclusion of result of industrial companies;
- presentation of “Payroll costs”, “Other administrative expenses”, “Amortisation, depreciation and impairment losses on tangible and intangible assets” and “Other charges and Provisions” net of any “Integration costs” relating to the reorganisation operations, classified as a separate item;
- the exclusion from the “Other administrative expenses” of the Contributions to the Resolution Funds (SRF), the Deposit Guarantee Schemes (DGS), the Bank Levies and the Guarantee fees for DTA reclassified in item “Other charges and provision”;
- the exclusion from “Amortisation, depreciation and impairment losses on intangible and tangible assets” of property owned for investment and those related to operating lease assets, which are reclassified respectively among “Net income from investments” and “Net other expenses/income”;
- the inclusion in “Net income from investments” of write-downs and write-backs on financial assets at amortised cost and at fair value through other comprehensive income - debt securities, gains (losses) on disposal of investments, gains (losses) on tangible and intangible assets measured at fair value as well as gains (losses) on equity investments and on disposal of investments;
- in “Net write-downs on loans and provisions for guarantees and commitments”, the inclusion of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income net of debt securities and the inclusion of commitments and financial guarantees given on “Net provisions for risks and charge”.

2017 figures were restated:

- starting from March 2018 following the reclassification of interests from item “Net write-downs on loans and provisions for guarantees and commitments” to item “Net interest” considering:
  - the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
  - the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.
- starting from September 2018 following the reclassifications:
  - of some expenses that, as a result of change in contracts, were addressed from item “Other administrative expenses” to item “Net fees and commissions”;
  - of irrevocable payment commitments versus Resolutions and Guarantee funds in item “Other charges and provisions - of which: systemic charges”.

## Reclassified consolidated accounts

## Reclassified consolidated income statement

(€ million)

	YEAR		CHANGE		
	2018	2017	P&L	%	% AT CONSTANT FX <sup>(*)</sup> RATES
Net interest	10,856	10,633	+ 223	+ 2.1%	+ 2.6%
Dividends and other income from equity investments	738	638	+ 100	+ 15.6%	+ 32.5%
Net fees and commissions	6,756	6,695	+ 60	+ 0.9%	+ 1.1%
Net trading income	1,245	1,818	- 573	- 31.5%	- 31.7%
Net other expenses/income	130	156	- 26	- 16.9%	- 17.6%
<b>OPERATING INCOME</b>	<b>19,723</b>	<b>19,941</b>	<b>- 217</b>	<b>- 1.1%</b>	<b>- 0.2%</b>
Payroll costs	(6,423)	(6,905)	+ 482	- 7.0%	- 6.8%
Other administrative expenses	(4,157)	(4,385)	+ 228	- 5.2%	- 5.0%
Recovery of expenses	685	760	- 75	- 9.9%	- 9.9%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(804)	(807)	+ 4	- 0.5%	- 0.0%
<b>Operating costs</b>	<b>(10,698)</b>	<b>(11,338)</b>	<b>+ 639</b>	<b>- 5.6%</b>	<b>- 5.4%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>9,025</b>	<b>8,603</b>	<b>+ 422</b>	<b>+ 4.9%</b>	<b>+ 6.7%</b>
Net write-downs on loans and provisions for guarantees and commitments	(2,619)	(2,939)	+ 320	- 10.9%	- 10.3%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>6,406</b>	<b>5,664</b>	<b>+ 742</b>	<b>+ 13.1%</b>	<b>+ 15.5%</b>
Other charges and provisions	(2,293)	(1,064)	- 1,229	n.m.	n.m.
<i>of which: systemic charges</i>	<i>(846)</i>	<i>(610)</i>	- 236	+ 38.8%	+ 39.2%
Integration costs	(9)	(147)	+ 137	- 93.7%	- 93.6%
Net income from investments	(485)	(305)	- 179	+ 58.8%	+ 59.5%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,619</b>	<b>4,148</b>	<b>- 529</b>	<b>- 12.7%</b>	<b>- 9.4%</b>
Income tax for the period	479	(609)	+ 1,088	n.m.	n.m.
<b>NET PROFIT (LOSS)</b>	<b>4,098</b>	<b>3,539</b>	<b>+ 559</b>	<b>+ 15.8%</b>	<b>+ 19.4%</b>
Profit (Loss) from non-current assets held for sale after tax	14	2,251	- 2,237	- 99.4%	- 99.4%
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,112</b>	<b>5,790</b>	<b>- 1,678</b>	<b>- 29.0%</b>	<b>- 26.4%</b>
Minorities	(216)	(313)	+ 96	- 30.8%	- 30.0%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>3,896</b>	<b>5,477</b>	<b>- 1,581</b>	<b>- 28.9%</b>	<b>- 26.2%</b>
Purchase Price Allocation effect	(3)	(4)	+ 1	- 19.2%	- 19.2%
Goodwill impairment	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>3,892</b>	<b>5,473</b>	<b>- 1,581</b>	<b>- 28.9%</b>	<b>- 26.2%</b>

Note:

(\*) Foreign Exchange.

## Reclassified consolidated accounts

## Reclassified consolidated income statement - Quarterly figures

(€ million)

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,776	2,765	2,678	2,636	2,646	2,579	2,748	2,660
Dividends and other income from equity investments	219	149	180	189	120	165	183	170
Net fees and commissions	1,659	1,628	1,722	1,746	1,682	1,588	1,726	1,699
Net trading income	159	277	331	478	384	381	462	590
Net other expenses/income	42	(5)	33	60	73	7	49	28
<b>OPERATING INCOME</b>	<b>4,856</b>	<b>4,814</b>	<b>4,944</b>	<b>5,110</b>	<b>4,905</b>	<b>4,721</b>	<b>5,168</b>	<b>5,147</b>
Payroll costs	(1,601)	(1,575)	(1,612)	(1,634)	(1,701)	(1,704)	(1,744)	(1,755)
Other administrative expenses	(1,078)	(985)	(1,029)	(1,065)	(1,123)	(1,074)	(1,078)	(1,110)
Recovery of expenses	165	173	185	163	246	171	167	176
Amortisation, depreciation and impairment losses on intangible and tangible assets	(203)	(204)	(199)	(197)	(214)	(201)	(199)	(193)
<b>Operating costs</b>	<b>(2,718)</b>	<b>(2,592)</b>	<b>(2,655)</b>	<b>(2,734)</b>	<b>(2,793)</b>	<b>(2,809)</b>	<b>(2,854)</b>	<b>(2,882)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,138</b>	<b>2,222</b>	<b>2,289</b>	<b>2,376</b>	<b>2,112</b>	<b>1,912</b>	<b>2,315</b>	<b>2,264</b>
Net write-downs on loans and provisions for guarantees and commitments	(923)	(696)	(504)	(496)	(835)	(677)	(661)	(766)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>1,215</b>	<b>1,526</b>	<b>1,785</b>	<b>1,880</b>	<b>1,277</b>	<b>1,235</b>	<b>1,654</b>	<b>1,498</b>
Other charges and provisions	(371)	(741)	(662)	(519)	(193)	(273)	(135)	(463)
<i>of which: systemic charges</i>	<i>(60)</i>	<i>(148)</i>	<i>(173)</i>	<i>(465)</i>	<i>14</i>	<i>(157)</i>	<i>(33)</i>	<i>(434)</i>
Integration costs	(15)	(3)	(2)	11	(103)	(31)	(8)	(5)
Net income from investments	(52)	(655)	205	17	(151)	(5)	(173)	24
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>778</b>	<b>127</b>	<b>1,325</b>	<b>1,389</b>	<b>830</b>	<b>926</b>	<b>1,338</b>	<b>1,054</b>
Income tax for the period	998	(40)	(258)	(221)	(66)	(181)	(143)	(219)
<b>NET PROFIT (LOSS)</b>	<b>1,776</b>	<b>87</b>	<b>1,067</b>	<b>1,169</b>	<b>764</b>	<b>745</b>	<b>1,195</b>	<b>835</b>
Profit (Loss) from non-current assets held for sale after tax	1	(1)	15	(1)	96	2,126	(133)	162
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1,777</b>	<b>86</b>	<b>1,082</b>	<b>1,168</b>	<b>860</b>	<b>2,871</b>	<b>1,062</b>	<b>997</b>
Minorities	(49)	(56)	(56)	(55)	(58)	(50)	(116)	(89)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>1,728</b>	<b>30</b>	<b>1,025</b>	<b>1,113</b>	<b>802</b>	<b>2,821</b>	<b>946</b>	<b>909</b>
Purchase Price Allocation effect	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Goodwill impairment	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>1,727</b>	<b>29</b>	<b>1,024</b>	<b>1,112</b>	<b>801</b>	<b>2,820</b>	<b>945</b>	<b>907</b>



## Reclassified consolidated accounts

## Reclassified consolidated income statement - Comparison of Q4 2018/Q4 2017

(€ million)

	Q4		CHANGE		
	2018	2017	P&L	%	% AT CONSTANT FX <sup>(*)</sup> RATES
Net interest	2,776	2,646	+ 130	+ 4.9%	+ 5.5%
Dividends and other income from equity investments	219	120	+ 99	+ 83.0%	n.m.
Net fees and commissions	1,659	1,682	- 23	- 1.4%	- 1.1%
Net trading income	159	384	- 225	- 58.6%	- 59.0%
Net other expenses/income	42	73	- 31	- 42.8%	- 43.4%
<b>OPERATING INCOME</b>	<b>4,856</b>	<b>4,905</b>	<b>- 49</b>	<b>- 1.0%</b>	<b>+ 0.2%</b>
Payroll costs	(1,601)	(1,701)	+ 100	- 5.9%	- 5.7%
Other administrative expenses	(1,078)	(1,123)	+ 45	- 4.0%	- 3.8%
Recovery of expenses	165	246	- 81	- 33.0%	- 33.0%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(203)	(214)	+ 11	- 5.1%	- 4.7%
<b>Operating costs</b>	<b>(2,718)</b>	<b>(2,793)</b>	<b>+ 75</b>	<b>- 2.7%</b>	<b>- 2.4%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,138</b>	<b>2,112</b>	<b>+ 26</b>	<b>+ 1.2%</b>	<b>+ 3.8%</b>
Net write-downs on loans and provisions for guarantees and commitments	(923)	(835)	- 87	+ 10.5%	+ 10.6%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>1,215</b>	<b>1,277</b>	<b>- 62</b>	<b>- 4.8%</b>	<b>- 0.7%</b>
Other charges and provisions	(371)	(193)	- 178	+ 92.1%	+ 92.5%
<i>of which: systemic charges</i>	(60)	14	- 74	n.m.	n.m.
Integration costs	(15)	(103)	+ 88	- 85.8%	- 85.6%
Net income from investments	(52)	(151)	+ 99	- 65.4%	- 64.9%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>778</b>	<b>830</b>	<b>- 52</b>	<b>- 6.3%</b>	<b>- 0.1%</b>
Income tax for the period	998	(66)	+ 1,064	n.m.	n.m.
<b>NET PROFIT (LOSS)</b>	<b>1,776</b>	<b>764</b>	<b>+ 1,012</b>	<b>n.m.</b>	<b>n.m.</b>
Profit (Loss) from non-current assets held for sale after tax	1	96	- 95	- 99.3%	- 99.3%
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1,777</b>	<b>860</b>	<b>+ 917</b>	<b>n.m.</b>	<b>n.m.</b>
Minorities	(49)	(58)	+ 9	- 15.7%	- 15.4%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>1,728</b>	<b>802</b>	<b>+ 926</b>	<b>n.m.</b>	<b>n.m.</b>
Purchase Price Allocation effect	(0)	(1)	+ 0	- 58.8%	- 58.8%
Goodwill impairment	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>1,727</b>	<b>801</b>	<b>+ 927</b>	<b>n.m.</b>	<b>n.m.</b>

Note:

(\*) Foreign Exchange.

# Summary results by business segments

## Key figures by business segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CEE DIVISION	CIB	FINECO	GROUP CORPORATE CENTRE <sup>(1)</sup>	NON CORE	CONSOLIDATED GROUP TOTAL
<b>Income statement</b>									
<b>OPERATING INCOME</b>									
2018	7,257	2,470	1,563	4,262	3,813	624	(205)	(60)	19,723
2017	7,442	2,694	1,583	4,186	4,113	586	(732)	68	19,941
<b>OPERATING COSTS</b>									
2018	(4,125)	(1,704)	(1,022)	(1,566)	(1,563)	(246)	(364)	(109)	(10,698)
2017	(4,438)	(1,810)	(1,085)	(1,543)	(1,626)	(233)	(482)	(120)	(11,338)
<b>OPERATING PROFIT</b>									
2018	3,131	766	542	2,697	2,249	378	(569)	(168)	9,025
2017	3,004	883	498	2,643	2,487	353	(1,213)	(51)	8,603
<b>PROFIT BEFORE TAX</b>									
2018	1,882	369	448	2,034	1,370	353	(1,638)	(1,199)	3,619
2017	1,775	631	445	1,855	2,003	315	(1,743)	(1,133)	4,148
<b>Balance sheet</b>									
<b>CUSTOMERS LOANS<sup>(2)</sup></b>									
as at 31 December, 2018	145,645	84,463	44,971	65,344	80,448	2,805	3,271	6,629	433,576
as at 31 December, 2017	137,437	80,749	44,336	59,966	71,647	1,927	2,729	14,223	413,014
<b>CUSTOMERS DEPOSITS<sup>(2)</sup></b>									
as at 31 December, 2018	146,260	91,694	47,375	65,744	45,281	22,157	2,985	528	422,024
as at 31 December, 2017	140,935	91,582	46,487	62,406	47,775	20,059	3,634	914	413,791
<b>TOTAL RISK WEIGHTED ASSETS<sup>(2)</sup></b>									
as at 31 December, 2018	94,914	36,062	23,314	86,277	81,040	2,372	34,073	12,129	370,180
as at 31 December, 2017	85,592	33,999	20,963	85,996	75,639	2,332	29,985	21,595	356,100
<b>EVA</b>									
2018	9	(44)	173	493	(21)	66	(506)	(1,022)	(850)
2017	90	153	293	332	497	65	(1,103)	(1,084)	(757)
<b>Cost/income ratio</b>									
2018	56.9%	69.0%	65.3%	36.7%	41.0%	39.4%	n.m.	n.m.	54.2%
2017	59.6%	67.2%	68.5%	36.9%	39.5%	39.8%	n.m.	n.m.	56.9%
<b>Employees</b>									
as at 31 December, 2018	29,669	9,208	4,873	24,218	3,289	1,125	14,059	345	86,786
as at 31 December, 2017	32,334	10,105	5,092	24,089	3,298	1,082	15,488	464	91,952

**Note:**

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

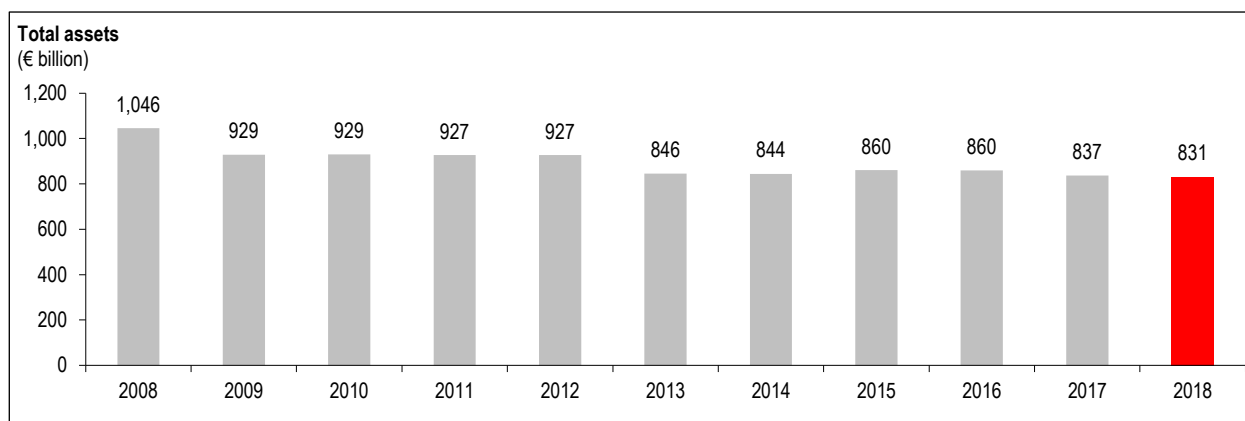
Figures were recasted, where necessary, on a like-to-like basis to consider changes in scope of business segment and methodological rules.

## Group and UniCredit share historical data series

Group figures 2008 – 2018<sup>(\*)</sup>

	IAS/IFRS										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Income Statement (€ million)</b>											
Operating income	19,723	19,619	18,801	22,405	22,513	23,973	25,049	25,200	26,347	27,572	26,866
Operating costs	(10,698)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)	(15,483)	(15,324)	(16,692)
Operating profit (loss)	9,025	8,268	6,348	8,787	8,675	9,172	10,070	9,740	10,864	12,248	10,174
Profit (loss) before income tax	3,619	4,148	(10,978)	2,671	4,091	(4,888)	317	2,060	2,517	3,300	5,458
Net profit (loss) for the period	4,112	5,790	(11,061)	2,239	2,669	(3,920)	1,687	644	1,876	2,291	4,831
Net profit (loss) attributable to the Group	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702	4,012
<b>Balance Sheet (€ million)</b>											
Total assets	831,469	836,790	859,533	860,433	844,217	845,838	926,827	926,769	929,488	928,760	1,045,612
Loans and receivables with customers	471,839	447,727	444,607	473,999	470,569	503,142	547,144	559,553	555,653	564,986	612,480
of which: non-performing loans	5,787	9,499	10,945	19,924	19,701	18,058	19,360	18,118	16,344	12,692	10,464
Deposits from customers and debt securities in issue	560,141	561,498	567,855	584,268	560,688	571,024	579,965	561,370	583,239	596,396	591,290
Shareholders' equity	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689	54,999
<b>Profitability ratios (%)</b>											
Operating profit (loss)/Total assets	1.09	0.99	0.74	1.02	1.03	1.08	1.09	1.05	1.17	1.32	0.97
Cost/income ratio	54.2	57.9	66.2	60.8	61.5	61.7	59.8	61.4	58.8	55.6	62.1

(\*) The figures shown refer to what was published in the reference year.



## Group and UniCredit share historical data series

## Share information

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Share price (€)<sup>(1)</sup></b>											
- maximum	18.212	18.350	25.733	32.824	34.427	28.213	22.440	65.912	76.243	87.212	151.942
- minimum	9.596	12.160	8.785	24.605	25.583	16.227	11.456	21.157	49.212	19.283	40.138
- average	14.635	15.801	13.820	29.509	30.015	22.067	16.520	42.923	63.702	59.078	99.949
- end of period	9.894	15.580	13.701	25.733	26.735	26.961	18.572	21.190	51.093	73.819	46.507
<b>Number of outstanding shares (million)</b>											
- at period end <sup>(1)</sup>	2.230	2.226	618	5.970	5.866	5.792	5.789	1.930	19.297.6	16.779.3	13.368.1
- shares cum dividend	2.220	2.216	608	5.873	5.769	5.695	5.693	1.833	18.330.5	18.329.5	13.372.7
<i>of which: savings shares</i>	-	0.25	0.25	2.48	2.45	2.42	2.42	2.42	24.2	24.2	21.7
- average <sup>(1)</sup>	2.229	1.957	611	5.927	5.837	5.791	5.473	1.930	19,101.8	16,637.8	13,204.6
<b>Dividend</b>											
- total dividends (€ million)	-	726	-	706	697	570	512	(***)	550	550	(**)
- dividend per ordinary share	-	0.320	-	0.120	0.120	0.100	0.090	(***)	0.030	0.030	(**)
- dividend per savings share	-	-	-	0.120	1.065	0.100	0.090	(***)	0.045	0.045	(**)

## Notes:

(1) The number of shares is net of Treasury shares and includes 9.676 million of shares held under a usufruct contract signed with Mediobanca S.p.A.

(\*) Following extraordinary corporate operations, which involve the detachment of rights, stock splitting or grouping, demerger operations and distribution of extraordinary dividends, the price of the shares can fluctuate so much that they are no longer comparable. Thus, the time series hereby published are adjusted accordingly to restore the continuity of historical price series.

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

(\*\*\*) As per Banca d'Italia's paper dated 2 March 2012, in keeping with the decision of UniCredit S.p.A.'s Board of Directors and in line with the intention announced to the Shareholders' Meeting in 2012, UniCredit S.p.A. did not pay any dividends with respect to its 2011 financial results.

In 2011 the following operations were carried out:

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

In the first quarter of 2012 the capital increase of €7.5 billion equal to a number of shares issued of 3,859.602.938 was fully subscribed for.

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

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

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

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

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

In 2017 the following operations were carried out:

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

# Group and UniCredit share historical data series

Shareholders' Meeting held on 4 December 2017 resolved mandatory conversion of the existing No.252,489 savings shares into ordinary shares with a conversion ratio of 3.82 ordinary shares each 1 savings share subject to the conversion, assigning newly issued shares and/or treasury shares and in any case without variation of the share capital value. The conversion became effective at the end of the period for exercising the withdrawal rights on 12 March 2018.

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

## Earnings ratios

	IAS/IFRS										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Shareholders' equity (€ million)	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689	54,999
Group portion of net profit (loss) (€ million)	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702	4,012
Shareholders' equity per share (€)	25.04	26.65	6.36	8.39	8.42	8.09	10.85	26.67	3.33	3.56	4.11
Price/Book value	0.40	0.58	4.30	0.61	0.63	0.67	0.34	0.16	3.06	4.14	2.37
Earnings per share <sup>(1)</sup> (€)	1.712	2.794	(1.982)	0.27	0.34	(2.47)	0.15	(5.12)	0.06	0.10	0.30
Payout ratio (%)	-	13.3	-	41.7	34.7	-4.1	59.2	-	41.6	32.3	(*)
Dividend yield on average price per ordinary share (%)	-	2.03	-	2.04	2.00	2.27	2.73	-	1.55	1.58	(*)

### Note:

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

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

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

The 2008 Earnings per share (EPS) figure published in the consolidated report as at 31 December 2008 was €0.30 and has been amended to €0.26 due to the increase in the number of shares following the capital increase (IAS33 paragraph 28). From 2009 net profit for the period used to calculate EPS has been reduced for the following amounts related to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes": €131 million for 2009, €156 million for 2010, €172 million for 2011, €46 million for 2012, €105 million for 2013, €35 million for 2014, €100 million for 2015, €128 million for 2016, €32 million for 2017 and €93 million for 2018.





# Group results

## Macroeconomic situation, banking and financial markets

### International situation

In the second half of 2018, the global recovery lost further momentum, but world output kept expanding at a pace of about 3.5%. The main source of uncertainty was represented by a deceleration in global trade amid rising trade tensions between the United States (US) and China and expectations of tighter monetary policies, particularly in the US. Political uncertainty remained a key concern for investors, with the populist tide blowing across the world. The US economy kept expanding at a fast pace, driven particularly by investment. In Japan, instead, the economy struggled to show signs of a rebound and forced the Bank of Japan to maintain a highly accommodative policy stance, whereas growth in the United Kingdom remained unscathed by the increasing Brexit uncertainty. In China, economic activity remained robust despite rising protectionist threats from the US and a less interventionist government.

2018 has been a strong year for the US economy. With real GDP growth on track to match the 2.9% seen in 2015, the US has easily outpaced most other advanced economies this year. Private consumption remained a key support for economic growth. In particular, household disposable income continued to be lifted by the combination of a strong labor market and the boost from massive fiscal stimulus, while positive wealth effects continued to push the savings rate lower. Capex spending was another bright spot in 2018, with business investment which rose by 6.4% between 3Q17 and 3Q18. Given the buoyant macroeconomic performance, the Fed has raised its policy rates four times in 2018, with fed fund rates closing the year at 2.50%.

In the euro area, economic growth moderated in the second half of 2018, on the back of a deceleration in global trade, sharper-than-expected slowdown in Germany, social unrest in France and the tough negotiations over the budget in Italy. The latest economic indicators point to a mild growth expansion, with annualized real Gross Domestic Product (GDP) growth standing at 0.8%, on average, in second half 2018, as opposed to 1.6% in the first half of the year. This means that GDP reached 1.8% annual growth in 2018 from 2.5% in 2017. The ongoing underperformance of indicators of foreign trade suggests that external factors have been the main source of weakness. In contrast, domestic demand (notably private consumption and fixed investment spending) continued to expand at a decent pace.

Eurozone headline inflation peaked at 2.2% yoy in October 2018 and it seems on track to progressively ease from this level (the exact intensity and timing of this will mainly depend on swings in oil prices). In December, the European Central Bank (ECB)'s Governing Council confirmed the end of net asset purchases under the Asset Purchase Programme (APP), as it had first announced in June, and it also indicated that it intends to continue reinvesting, in full, the principal payments from maturing assets purchased under the programme "for an extended period of time past the date when we start raising the key ECB interest rates"; it suggests that full reinvestments might continue until at least the end of 2020.

### Banking and financial markets

The credit recovery in the euro area consolidated over the course of 2018. The rate of growth in loans to the private sector accelerated throughout the year, in line with easing credit supply conditions and good demand for loans. At the end of the year, the annual growth rate of loans to the private sector stood at 3.4%, compared to just below 3.0% at the end of 2017. This was mainly supported by a visible recovery of loans to non-financial corporations, which had accelerated to 4% on yearly basis by the end of 2018. The ongoing improvement in credit aggregates was particularly strong in Germany and Austria, both with respect to loans to non-financial corporations and to households. The growth of the credit aggregates in these two countries continued to reflect the recovery in private consumption and fixed investment. In Italy, on the other hand, corporate loans showed some signs of weakness in the last quarter of 2018. This weakness was probably a reflection of lower demand for loans from companies. This lower demand was due to the context of moderating investment growth and increasing domestic uncertainty, amid tensions in the financial markets due to the government decision concerning the budget in September. Annual growth in loans to households stabilized at around 3%, in line with the eurozone average.

As for bank funding at a system level, over the course of 2018, bank deposits maintained a sustained growth trend in all the three reference countries, both in terms of household deposits and deposits of non-financial corporations. The persistently low interest rates continued to support the increase in sight deposits, to the detriment of medium and long-term funding. Further, this trend of low interest rates still does not seem to be reversing. This is consistent with the decision of the European Central Bank (ECB) to conclude its financial assets purchasing program in December 2018 without introducing changes to its forward-looking guidance for interest rates.

# Group results

As a consequence, bank interest rates broadly stabilized in all the three reference countries for the Group (Italy, Germany and Austria) by the end of 2018, and interest rates on sight deposits in particular remained at levels close to zero. The bank interest rate spread (i.e. the difference between the average interest rate on loans and the average interest rate on deposits) stabilized or gradually declined throughout the entire year.

In 2018, financial markets in the euro area saw a return to rising volatility on the back of greater uncertainty regarding growth prospects in the area and the budget discussion in Italy. This uncertainty fueled an ongoing deterioration in the performance of the equity market, which became particularly significant for Italy starting in May 2018 as domestic political uncertainty increased. In particular, the Italian stock exchange, after having grown by roughly 10% between the beginning of the year and mid-May, ended the full year down by 16% compared to December 2017. The performance of both the German stock exchange and the Austrian stock market was not entirely dissimilar, with declines of around 18% and 20%, respectively, compared to December 2017.

## CEE countries

Economic growth remained solid in most CEE countries in 2018 and is expected to have hit its cyclical peak. This year growth is likely to slow due to weakening global trade growth, a cyclical slowdown in the eurozone, capital outflows from emerging markets and weaker fiscal and credit impulses in most countries. However, domestic demand will remain robust and ensure that growth stays above potential in all countries but Turkey.

In 2018, growth remained well above potential in EU-CEE<sup>1</sup>, driven by consumption and investment. The former benefited from fast income growth amid tightening labor market conditions and from loose monetary conditions underpinning strong credit growth. Labor shortages reached the highest levels on record, especially in the Czech Republic, where vacancies exceeded unemployment, and in Hungary. These shortages are unlikely to be solved if countries do not foster economic immigration in a similar fashion to Poland, which expanded the scope and the duration of work contracts for non-EU citizens from the former Soviet Union and South-East Asia. As a result of tighter labor market conditions, wage growth continues to outpace productivity in most EU-CEE countries. In addition, governments increased wages in the public sector before several rounds of elections, especially in Romania and Hungary.

Investment rebounded as well, with EU fund inflows picking up, especially in Hungary and Poland. As the end of the current budget approaches, absorption is likely to pick up in other countries as well. In 2018, private investment was dominated by real estate projects, with demand moving from home buyers to investors, especially in capital cities and other economic centers. Productive investment recovered in most countries, with large foreign investment projects announced in Slovenia and underway in car-producing countries like Hungary and Slovakia. At the same time, some companies postponed a stronger capex expansion due to labor shortages and external risks. In Romania, tighter monetary conditions and an uncertain tax outlook may have affected corporate borrowing.

Last year, economic growth reached 1.7% in Russia. Russia's economic performance in 2018 was characterized by close to potential growth and more volatility in sentiment, financial and monetary indicators. Higher oil prices for most of the year increased the C/A surplus despite larger imports. However, real export growth was outpaced by import growth, mitigating the positive impact on growth. In 2H18, growth fell closer to potential (which we estimate at around 1.0%) and the soft patch may continue in 1H19 amid higher inflation and tighter financial conditions leading to temporarily weaker consumption and investment. Economic policies are calibrated to ensure macroeconomic and financial stability, rather than to boost potential growth. This means that potential growth is unlikely to rise from very low levels in the 2018-24 presidential mandate.

In Turkey, the economy started to contract in the third quarter of 2018, due to an overdue debt adjustment triggered by US sanctions imposed in August. While political diplomatic tensions have eased, and financial markets stabilized in the last months of 2018, the downturn likely intensified in the final quarter of 2018 as the private sector continued to delever at a rapid pace. As part of the adjustment, the currency depreciated, asset prices fell and inflation accelerated above 25% in October, although it decelerated to 20% at the end of 2018 on the back of tax cuts, lower energy prices and partial recovery of the currency. The government has been pushing for measures to boost lending and shore up economic activity in the run-up to local elections expected at the end of 1Q19. Such steps would likely have limited impact on economic growth, but could weaken investor trust

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

## Group results

again, leading to renewed capital outflows. Growth will likely remain in the negative territory for most of 2019 and a rebound would be supported by a financial backstop from international financial institutions.

The Central Bank of the Republic of Turkey (CBRT) hiked the average cost of funding by more than 11pp in 2018. The bulk of this hike came in September 2018, following the plunge of the currency in August. As inflation will likely resume the upward trend in the coming months, the CBRT is expected to remain on hold for most of first half 2019. With disinflation expected to resume in mid-2019, rate cuts could follow amid large base effects from 2018's currency depreciation and weak pressure on prices from domestic demand.

Other central banks tightened monetary policy in 2018. The Central Bank of Russia (CBR) reversed 1Q18 cuts in September and December 2018, reacting to the potential flare-up in inflation expectations from several supply shocks (RUB depreciation, higher food and fuel prices and a 2pp VAT hike on 1 January 2019). The Czech National Bank (CNB) increased the benchmark repo rate from 0.50% to 1.75% as the CZK failed to appreciate significantly against the EUR. The National Bank of Romania (NBR) hiked as well, from 1.75% to 2.50% and tightened liquidity through FX interventions, pushing ROBOR rates above 3%, the highest levels in more than four years. The National Banks of Hungary (NBH) and Poland (NBP) remained on hold at the expense of weaker currencies. The National Bank of Serbia (NBS) cut twice to 3%, bringing its policy rate to the level of the inflation target.

# Group results

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

### Introduction

In 2018 the Group initiatives have continued to be oriented to the accomplishment of the plan's founding goals of the strategic plan 2016-2019 "Transform 2019", achieving the following tangible results:

- **Strengthen and optimise capital**

After having successfully completed the Capital increase, the sale of subsidiaries (Pekao and Pioneer) and considering the net profit and balance sheets dynamics of the year, the Group shows a strong capital position with the CET1<sup>3</sup> ratio (fully loaded) at 12.07% at 31 December 2018.

- **Improve the asset quality**

During the year the proactive risk reduction measures have continued, leading the Non-Performing Exposure (NPE) ratio to 7.67% at the end of December, in comparison to the 9.80% of 1 January 2018 (following the new IFRS9 principle adoption), with a coverage ratio increased to 60.98%, compared to 59.25% of the beginning of 2018.

- **Transform the operating model**

Also in 2018 the strict cost control carried out by the Group produced results well in advance compared to the plan's timing.

The commercial network rationalization has continued, with the branch closures that have reached 881 units (of which 62 in the last quarter of 2018) starting from 2015, corresponding to 93% of the 944 closures forecasted by 2019 in the strategic plan.

In the year the staff has been reduced by 5,166 FTEs, bringing the overall reduction to about 14,000 FTEs starting from the end of 2015 thus achieving a year in advance the exits expected by 2019.

- **Maximise commercial bank value**

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

- strengthening of the offer of mobile payments through the new partnership with Google Pay activated in the last quarter of the year in Italy and Germany. The new app Google Pay has been added to Samsung Pay, Apple Pay and Alipay already previously activated;
- the distribution of the new product "My Care Family" started in November;
- UniCredit was one of the founding partners of we.trade consortium, the first blockchain trade platform able to offer cross-border instant payments;
- strengthening of the Group digital offer through the new partnership with Meniga, firstly implemented in Italy and Serbia;
- extension of the end-to-end processes optimisation in Italy, that after the redesign of 11 products (among which current accounts, mortgages, receivable financing, credit and debit card, asset under management) have been enlarged to two additional products (checks and asset under custody);
- starting of the end-to-end products redesign program also in Germany, with a new in-branch account opening process for private banking customers already activated and the redesign of residential mortgages process under development;
- release in Italy of the new product "Easy Export", supporting the Italian companies internationalisation, leveraging on the new partnership with Alibaba;
- increase of the remote sales (ATM, on line, mobile, call centre), that in Italy reached 28.8% of total sales of the bank's products that have a direct selling process;
- increase of the mobile user penetration in the CEE division, that reached 40.5% of the total clients.

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

Referring to the Group Corporate Centre rationalisation, in 2018 its weight on total costs was equal to the 3.4%, decreasing by 85 basis points in comparison to the previous year. The target set for the 2019 is 3.8% (recasted as of September 2018, previously 3.6%).

Also thanks to these initiatives, the Group in 2018 reached a net profit of €3,892 million, in comparison to a rectified net result of 2017 for €3,578 million.

It is worth reminding that the net profit of 2017 (equal to €5,473 million) has benefitted from the capital gains related to the sale of Pioneer for about €2.1 billion and the Polish subsidiaries for €102 million, partially balanced by the reclassification through profit and loss of Bank Pekao negative exchange effects as a result of dismissal occurred in the first half 2017 for -€310 million, by a non-recurring cost related to the FINO transaction for -€80 million and by transfer price adjustments of Pioneer and Pekao for -€9 million. Furthermore has to be considered that the 2017 Group net result was also including 130 million related to the economic results of Pioneer and Pekao achieved during the year, before the companies dismissal. Net of these elements the Group net profit would have been €3,578 million.

<sup>2</sup> The amounts related to 2017 differ from the ones published at that time. For further details refer to the paragraphs "Reconciliation principles followed for the reclassified accounts".  
<sup>3</sup> Common Equity Tier 1 Capital (CET1), calculated without taking into account the transitional adjustments applicable according to the regulation in force as of 31 December 2018.

# Group results

The 2018 Group net profit (€3,892 million) was instead affected in the third quarter of the year by the Koc Finansal Hizmetler Istanbul share impairment for -€846 million (-€851 million as at 31 December 2018) and by the extraordinary positive impact accounted in the fourth quarter of the year for a total amount of €887 million related to:

- the recognition through P&L of the temporary differences tax effect (€871 million) deriving from the change, due to new Italian Budgetary Law, of the fiscal treatment related to the IFRS9 First Time Adoption on Loan Loss Provisions;
- the effect on IRAP current tax (€16 million) following the adoption of the abovementioned approach.

Excluding these extraordinary elements, during 2018 a net profit of €3,852 million would have been recorded, increasing by 7.7% in comparison to the 2017 rectified net result (€3,578 million).

In case the positive tax effects related to IFRS9 First Time Adoption would have been recognised through equity, the 2018 Group net profit (€3,892 million) would have been equal to €3,006 million; 20% of this last amount is subject to proposal of dividend distribution to UniCredit Shareholders' Meeting.

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

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

## Operating income

In 2018 Group's revenues were €19,723 million, decreasing by 1.1% compared to 2017 (down by 0.2% at constant exchange rates).

The decrease was mainly due to the lower net trading income that more than balanced the improvements recorded by the net interest and fees.

In particular, net interest was equal to €10,856 million, increasing by 2.1% compared to 2017 (up by 2.6% at constant exchange rates).

It is worth remembering that the 2017 benefitted from a release of interests on fiscal related accruals in Germany with regards to the years 2005-2008, that proved to be in excess, for an amount of €90 million, while in 2018 an extraordinary amount of €20 million for fiscal accruals release has been recorded. Net of this extraordinary components net interest would have registered an yearly growth of 2.8%.

During the 2018 net interest was characterised by the reduction of interests income on lending to customers, as well as by the time value component decline and by the increase of the passive interests on deposits following the collection's volumes growth. These effects have been mainly balanced by the decrease of the average cost of the bonds issues, as well as by the good result of treasury and investment & trading activities.

Credit spreads have continued to shrink also in 2018, notwithstanding the stabilisation of the market rates, remained anyway in a negative territory (average 3 months Euribor in 2018 was equal to -0.32% increasing only by 1 basis point in comparison to 2017).

Net interests improvement has been generated by an upturning loans volumes' dynamic (€471.8 billion as at 31 December 2018, up by €32.9 billion or up by 7.5% over the last year), that more than offset the €7.6 billion reduction of the Non Core component, subject of the initiatives aimed to reduce the Non-Performing Exposure (NPE).

The customer loans highlighted a positive trend also excluding the repos component, recording a 5.0% growth compared to the last year, or up by 7.1% net of the Non Core component.

All the different geographic areas in which the Group is operating have extensively contributed to the customers loans net of repos growth, with Italy that shows an increase of 6.7%, net of Non Core Division contribution, compared to 2017, Germany up by 7.3% and Austria up 5.8%. The loans improvement has characterised also the CEE Division's countries (up by 12.2% at constant exchange rates), mainly driven by Russia (up by 29.0% at constant exchange rates), Hungary (up by 17.8% at constant exchange rates), Serbia (up by 10.2% at constant exchange rates), Bosnia (up by 9.0%), Czech Republic (up by 6.6% at constant exchange rates) and Bulgaria (up by 6.2%).

Non Core Division recorded a further reduction of customers loans net of repos from €14.2 billion at the end of December 2017 to €6.6 billion at the end of December 2018 (down by 53.4%), continuing to pursue the goal of the Division's portfolio rundown by the 2021.

Deposits from customers, equal to €479.0 billion, have been growing by 3.5% (up by 4.0% at constant exchange rates) compared to 2017. The increase has been confirmed also by the deposits from customers net of repos: up by 2.0% (up by 2.6% at constant exchange rates).

More specifically, the deposits from customers net of repos grew in Italy up by 3.0% (net of Non Core Division) and Austria up by 1.3%, while Germany recorded a decrease of 0.7%. The CEE Division grew by 5.3% (up by 9.1% at constant exchange rates) compared to 2017, mainly driven by Russia (up by 22.8% at constant exchange rates), Serbia (up by 18.8% at constant exchange rates), Hungary (up by 15.5% at constant exchange rates), Bosnia (up by 10.3% at constant exchange rates) and Romania (up by 8.9% at constant exchange rates).



# Group results

Dividends and other income from equity investments (which include the profits of the companies accounted at equity method) in 2018 amounted to €738 million, increasing by 100 million, or up by 15.6% (up by 32.5% at constant exchange rates) compared with 2017. Main incomes stemmed out from dividends from Bank Pekao S.A. shares (€30 million) that have been however substantially balanced in the net trading income for the mark to market valuation of Bank Pekao S.A. shares and for realized and unrealized effects of the linked "Secured mandatorily exchangeable equity-linked certificate"), from an extraordinary gain of Camfin, consolidated with the equity method (€29 million) and from the disappearance of the charge generated by the sale of Yapi Moscow recorded in 2017 (-€26 million).

The net fees and commissions in 2018 amounted to €6,756 million, growing by 0.9% (up by 1.1% at constant exchange rates) compared to the previous year.

The growth has been determined by the transactional services fees (up by 10.4% in comparison to 2017; up by 10.7% at constant exchange rates), thanks to the good performance of the current account fees and credit and debit cards fees.

The investment services fees were down, recording a 4.9% decrease in comparison to the 2017 (down by 4.8% at constant exchange rates), mainly generated by the investment funds diminished sales in the field of the assets under management.

Financing services were decreasing too, resulting down by 1.9% compared to 2017 (down by 1.5% at constant exchange rates), mainly as an effect of the lower commissions for "Money supply" and guarantees.

The net trading income in 2018 was firmly decreasing, moving from €1,818 million of 2017 to €1,245 million of the current year (down by 31.5% or down by 31.7% at constant exchange rate), also due to the unfavourable market environment, affected by the temporary spread widening, that caused a drop of the gains by the client activity and securities portfolio.

In front of these changes in market conditions, in particular with reference to the volatility affecting the Italian government bonds, a further allocation of newly acquired government bonds was also carried out in the portfolio of financial assets valued at amortized cost, with an underlying model of business aimed at the collection of contractual cash flows ("Held to collect"), which goes hand in hand with the traditional operations with an underlying business model aimed at both the collection of contractual cash flows and the sale of the instruments ("Held to collect and sell") and determines the classification of the related securities in the portfolio "financial assets valued at fair value through other comprehensive income".

Finally, in 2018 the net other expenses/income amounted to €130 million, down by €26 million over the 2017 (down by 16.9% and down by 17.6% at constant exchange rates).

## Operating income

(€ million)

	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Net interest	10,856	10,633	+ 2.1%	2,776	+ 0.4%
Dividends and other income from equity investments	738	638	+ 15.6%	219	+ 46.7%
Net fees and commissions	6,756	6,695	+ 0.9%	1,659	+ 1.9%
Net trading income	1,245	1,818	- 31.5%	159	- 42.5%
Net other expenses/income	130	156	- 16.9%	42	n.m.
<b>Operating income</b>	<b>19,723</b>	<b>19,941</b>	<b>- 1.1%</b>	<b>4,856</b>	<b>+ 0.9%</b>

## Operating costs

Group's operating costs in 2018 were equal to €10,698 million, decreasing by 5.6% compared to 2017 (down by 5.4% at constant exchange rates), thanks to the continuation of the staff resizing initiatives and the administrative expenses control actions.

In detail, the staff expenses of 2018 were €6,423 million, decreasing by 7.0% over the 2017 (down by 6.8% at constant exchange rates).

This result was achieved mainly thanks to the resolute dynamic of employees reduction, characterised by a drop of 5,166 FTEs compared to the 2017, equal to a decrease of 5.6%.

The other administrative expenses, in 2018 amounted to €4,157 million, decreasing by 5.2% in comparison to 2017 (down by 5.0% at constant exchange rates). Lower costs have been recorded mainly among the real estate expenses, mostly relating to the branch network rationalisation, the communication and marketing expenses and the consulting expenses.

The expenses recovery in 2018 amounted to €685 million, decreasing in comparison to €760 million of the last year (-9.9%), in particular the drop was mainly related to the lower credit inquiries of the Non Core Division that, consequently, have entailed the diminution of the correspondent expense recoveries and to the lower expense recoveries from external data centers following the direct taking charge of some IT expenses by these latter.

Finally, the write-downs on tangible and intangible assets in 2018 amounted to €804 million, substantially stable in comparison to €807 million of 2017 (down by 0.5% or 0% at constant exchange rates).

## Group results

## Operating costs

(€ million)

	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Payroll costs	(6,423)	(6,905)	- 7.0%	(1,601)	+ 1.7%
Other administrative expenses	(4,157)	(4,385)	- 5.2%	(1,078)	+ 9.4%
Recovery of expenses	685	760	- 9.9%	165	- 4.8%
Write downs of tangible and intangible assets	(804)	(807)	- 0.5%	(203)	- 0.5%
<b>Operating costs</b>	<b>(10,698)</b>	<b>(11,338)</b>	<b>- 5.6%</b>	<b>(2,718)</b>	<b>+ 4.9%</b>

The good result achieved in terms of cost reduction deeply balanced the revenues decline, generating a Group gross operating profit of €9,025, up by 4.9% compared to 2017 (up by 6.7% at constant exchange rates).

The cost income ratio of 2018 amounted to 54.2%, improving by 2.6 percentage points over the previous year.

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

Net write-downs on loans and provisions for guarantees and commitments of the Group in 2018 were €2,619 million, compared to €2,939 million of 2017 (down by 10.9% or down by 10.3% at constant exchange rates).

The cost of risk was equal to 58 basis points, in comparison to 67 basis points of 2017.

In particular, Italy recording a cost of risk of 103 basis points, stable in comparison to 2017. Germany recorded 3 basis points, improving by 15 basis points over last year, Austria accounted -11 basis points, improving by 12 basis points over last year, having both benefited from some write-backs. CEE Division highlighted a cost of risk of 73 basis points, improving by 24 basis points in comparison to 2017.

The Group gross impaired loans at 31 December 2018 were decreasing by €7.5 billion compared to 1 January 2018 (post IFRS9 accounting principle adoption), thanks to the continuous proactive risk reduction measures carried out.

Thanks to this decrease, the gross non-performing loans on total loans ratio improved, moving from 9.80% of the beginning of January 2018 (post IFRS9 accounting principle adoption) to 7.67% of December 2018. Gross non-performing loans stock was at €21.2 billion, decreasing by €4.2 billion over the beginning of January 2018 (€25.4 billion).

The Group coverage ratio of the gross non-performing loans as at 31 December 2018 was furtherly improved by 173 basis points, reaching 60.98% in comparison to 59.25% as at the beginning of January 2018 (post IFRS9 accounting principle adoption).

## Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL <sup>(*)</sup> NON-PERFORMING	TOTAL PERFORMING	TOTAL LOANS
<b>As at 12.31.2018</b>						
Gross exposure	21,154	16,196	840	<b>38,190</b>	459,473	<b>497,663</b>
as a percentage of total loans	4.25%	3.25%	0.17%	<b>7.67%</b>	92.33%	
Writedowns	15,367	7,657	263	<b>23,287</b>	2,537	<b>25,824</b>
as a percentage of face value	72.64%	47.28%	31.35%	<b>60.98%</b>	0.55%	
Carrying value	5,787	8,539	577	<b>14,903</b>	456,936	<b>471,839</b>
as a percentage of total loans	1.23%	1.81%	0.12%	<b>3.16%</b>	96.84%	
<b>As at 01.01.2018<sup>(**)</sup></b>						
Gross exposure	25,360	19,338	1,014	<b>45,711</b>	420,810	<b>466,521</b>
as a percentage of total loans	5.44%	4.15%	0.22%	<b>9.80%</b>	90.20%	
Writedowns	18,289	8,436	359	<b>27,085</b>	2,732	<b>29,817</b>
as a percentage of face value	72.12%	43.62%	35.44%	<b>59.25%</b>	0.65%	
Carrying value	7,070	10,902	654	<b>18,626</b>	418,078	<b>436,704</b>
as a percentage of total loans	1.62%	2.50%	0.15%	<b>4.27%</b>	95.73%	
<b>As at 12.31.2017<sup>(***)</sup></b>						
Gross exposure	27,775	19,470	1,105	<b>48,349</b>	419,797	<b>468,146</b>
as a percentage of total loans	5.93%	4.16%	0.24%	<b>10.33%</b>	89.67%	
Writedowns	18,306	8,491	441	<b>27,237</b>	2,015	<b>29,252</b>
as a percentage of face value	65.91%	43.61%	39.89%	<b>56.33%</b>	0.48%	
Carrying value	9,469	10,979	664	<b>21,112</b>	417,782	<b>438,895</b>
as a percentage of total loans	2.16%	2.50%	0.15%	<b>4.81%</b>	95.19%	

## Notes:

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

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

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

# Group results

## From net operating profit to profit before tax

The jointly improvements of the gross operating profit (€9,025 million in 2018) and net write-downs on loans (-€2,619 million in 2018), allowed to reach in 2018 a Group's net operating profit amounting to €6,406 million, improving by €742 million compared to 2017 (up by 13.1% or up by 15.5% at constant exchange rates).

Group's provisions for risk and charges were -€2,293 million, compared to -€1,064 million of 2017.

This item includes legal cases and estimated liabilities of various nature totalling -€1,447 million (included provisions for the alleged US sanctions violations, refer to Notes to consolidated accounts Part E - 2.5 Operational risks - B. Legal risks paragraph "Financial sanctions matter" for further details), in addition to the systemic charges, amounting to -€846 million. The latter include the contributions to the Single Resolution Fund (SRF), the harmonised guarantee schemes charges (Deposits Guarantee Scheme - DGS) and the non-harmonised ones, as well as the Bank Levies.

Integration costs in 2018 were -€9 million, mainly thanks to releases on write-downs and works on properties undergoing disposal, accounted in the first quarter in Austria, in comparison to -€147 million recorded in 2017.

Finally, net income from investments in 2018 was -€485 million, mainly due to the Yapi Kredi share impairment of the third quarter of the year for an amount of -€846 million, that more than offset some companies and real estate dismissals, as well as the evaluations of this last, carried out in Germany and Austria in the first half of the year. In 2017 the item had recorded -€305 million, referred to Atlante stake carrying value impairment for -€137 million and some value adjustments on real estates and other impairments of shareholdings.

As an effect of the items mentioned above, in 2018 the Group registered a profit before tax of €3,619 million, compared to €4,148 million of 2017 (down by 12.7% or down by 9.4% at constant exchange rates). Adjusting the figures of both the years from the extraordinary items, the profit before tax would amount to €4,466 million in 2018, increasing by 5.6% in comparison to €4.228 million of 2017. For extraordinary items refer to paragraph "Introduction" of this section.

### Profit before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE- DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX	
					YEAR	
					2018	2017
Commercial Banking Italy	7,257	(4,125)	(1,046)	2,085	1,882	1,775
Commercial Banking Germany	2,470	(1,704)	(145)	620	369	631
Commercial Banking Austria	1,563	(1,022)	25	567	448	445
Central Eastern Europe	4,262	(1,566)	(457)	2,240	2,034	1,855
Corporate & Investment Banking	3,813	(1,563)	(76)	2,174	1,370	2,003
Fineco	624	(246)	(4)	374	353	315
Group Corporate Centre	(205)	(364)	6	(563)	(1,638)	(1,743)
Non Core	(60)	(109)	(921)	(1,090)	(1,199)	(1,133)
<b>Group Total</b>	<b>19,723</b>	<b>(10,698)</b>	<b>(2,619)</b>	<b>6,406</b>	<b>3,619</b>	<b>4,148</b>

# Group results

## Profit (Loss) attributable to the Group

In 2018 Group's income taxes line was positive for €479 million, in comparison to -€609 million of 2017. It is worth remembering that the 2017 tax line benefitted from a release of fiscal provisions relating to the years 2005-2008 in Germany, for a net amount of €80 million. The amount related to 2018 includes the extraordinary effects arising from the recognition through P&L of the positive tax effects related to IFRS9 First Time Adoption on Loan Loss Provisions for €887 million, of which €871 million related to deferred tax assets, further additional positive impacts arising from fiscal provision releases in Germany for €127 million and other write-ups on Deferred Tax Assets in Italy for €149 million and in Germany for €95 million.

Profit from discontinued operations net of taxes in 2018 was €14 million in comparison to €2,251 million of the last year, that mainly included the capital gain related to the Pioneer disposal.

The profit for the period of 2018 was €4,112 million, in comparison to €5,790 million recorded last year. Minorities, conventionally exposed with negative sign, were -€216 million, against -€313 million of 2017. Purchase price allocation was -€3 million, compared to -€4 million of 2017.

Consequently, in 2018 the net profit attributable to the Group amounted to €3,892 million, compared to €5,473 million of 2017. Excluding the extraordinary element from both the years, the 2018 would have recorded a net profit of €3,852 million, increasing by 7.7% in comparison to the 2017 rectified net result, equal to €3,578 million. For extraordinary items refer to paragraph "Introduction" of this section.

### Profit (Loss) attributable to the Group

(€ million)

	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
<b>Operating income</b>	19,723	19,941	- 1.1%	4,856	+ 0.9%
Operating costs	(10,698)	(11,338)	- 5.6%	(2,718)	+ 4.9%
<b>Operating profit (loss)</b>	<b>9,025</b>	<b>8,603</b>	<b>+ 4.9%</b>	<b>2,138</b>	<b>- 3.8%</b>
Net write-downs on loans and provisions for guarantees and commitments	(2,619)	(2,939)	- 10.9%	(923)	+ 32.5%
<b>Net operating profit (loss)</b>	<b>6,406</b>	<b>5,664</b>	<b>+ 13.1%</b>	<b>1,215</b>	<b>- 20.4%</b>
Other charges and provisions	(2,293)	(1,064)	n.m.	(371)	- 49.9%
Integration costs	(9)	(147)	- 93.7%	(15)	n.m.
Net income from investment	(485)	(305)	+ 58.8%	(52)	- 92.0%
<b>Profit (Loss) before tax</b>	<b>3,619</b>	<b>4,148</b>	<b>- 12.7%</b>	<b>778</b>	<b>n.m.</b>
Income tax for the period	479	(609)	n.m.	998	n.m.
Profit (Loss) from non-current assets held for sale, after tax	14	2,251	- 99.4%	1	n.m.
<b>Profit (Loss) for the period</b>	<b>4,112</b>	<b>5,790</b>	<b>- 29.0%</b>	<b>1,777</b>	<b>n.m.</b>
Minorities	(216)	(313)	- 30.8%	(49)	- 12.3%
<b>Net profit (loss) attributable to the Group before PPA</b>	<b>3,896</b>	<b>5,477</b>	<b>- 28.9%</b>	<b>1,728</b>	<b>n.m.</b>
Purchase Price Allocation effects	(3)	(4)	- 19.2%	-	- 65.5%
Goodwill impairment	-	-	n.m.	-	n.m.
<b>Net profit (loss) attributable to the Group</b>	<b>3,892</b>	<b>5,473</b>	<b>- 28.9%</b>	<b>1,727</b>	<b>n.m.</b>

# Group results

## Capital and value management

### Principles of value creation and capital allocation

In order to create value for the shareholders, the Group's strategic guidelines are aimed at optimising the composition of the business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate sustainable earnings measured as EVA (Economic Value Added), which is the main performance indicator related to TSR (Total Shareholder Return). Capital Allocated to Business Segments is quantified applying internal capitalisation targets to regulatory capital requirements (Regulatory Capital), with the exception of the capital allocated to Fineco which is determined as the highest between the Regulatory Capital and Internal Capital, i.e. the capital needed to cover, with an high level of confidence, the risks faced by the Group measured according to internal models.

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

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

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

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

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

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

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

## Group results

## Capital ratios

## Transitional own funds and capital ratios

(€ million)

	AS AT	
	12.31.2018 <sup>(*)</sup>	12.31.2017 <sup>(*)</sup>
Common Equity Tier 1 Capital	44,903	48,880
Tier 1 Capital	50,488	54,703
Total own funds	58,476	64,454
Total RWA	370,180	356,100
<b>Common Equity Tier 1 Capital Ratio</b>	<b>12.13%</b>	<b>13.73%</b>
<b>Tier 1 Capital Ratio</b>	<b>13.64%</b>	<b>15.36%</b>
<b>Total Capital Ratio</b>	<b>15.80%</b>	<b>18.10%</b>

## Note:

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

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

The negative change with respect to 31 December 2017 (equal to about €4 billion on Common Equity Tier 1 Capital and about €6 billion on Total own funds), in addition to the effects related to the first application of new IFRS9 accounting principle and the profit of the period recognised in Common Equity Tier 1 Capital net of 2018 dividends proposal, mainly reflects: negative change related to the reserve on capital instruments and debt securities measured at fair value (equal to €1.6 billion) that mainly reflect: (i) the trend related to the valuation of Italian government bonds, (ii) negative change related to the exchanges reserve (for €1.1 billion) mainly referred to the depreciation of Ruble and Turkish Lira, (iii) with reference to the Total Own Funds, also the effect related to the maturity/redemption of subordinated instruments classified in Additional Tier 1 Capital and Tier 2 Capital<sup>7</sup>.

The capital requirements applicable to the Group as of 31 December 2018 in coherence with CRR article 92 are the following (Pillar 1):

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

In addition to such requirements, the Group shall also meet, through Common Equity Tier 1 Capital, the following additional requirements:

- **2.00%**, as Pillar 2 Requirements for 2018 in coherence with Supervisory Review and Evaluation Process (SREP) results;
- **1.875%**, as Capital Conservation buffer<sup>4</sup> according to CRDIV article 129;
- **0.75%**, as Global Systemically Important Institutions buffer<sup>5</sup>;
- **0.06%**, as Countercyclical Capital buffer<sup>6</sup> according to the CRDIV Article 160 (paragraphs from 1 to 4), to be calculated on a quarterly basis<sup>7</sup>.

Therefore, as at 31 December 2018, the Group shall meet the following overall capital requirements:

- Common Equity Tier 1 Capital: **9.19%**
- Tier 1 Capital: **10.69%**
- Total Capital: **12.69%**

4 On October 2016, Bank of Italy published the update of the Circular No.285 which provides for a different application of the transitional rules relating to the capital conservation buffer: such buffer is 1.875% for 2018; and from 1 January 2019 will be 2.50%.

5 To be increased by 0.25% per year till the target of 1.00% in 2019. Please note that UniCredit Group was identified by the Bank of Italy as an O-SII authorized to operate in Italy, and it has to maintain a CET1 capital buffer equal to 0.25% for 2018; such level will be increased starting by 0.25% on a yearly basis reaching the target of 1.00% from January 1, 2021. Nevertheless, it is worth mentioning that according to the CRDIV article 131.14, the higher of the G-SII and the O-SII buffer will apply: hence, UniCredit is subject to the application of 0.75% G-SII buffer for 2018.

6 Amount rounded to two decimal numbers. With reference to 31 December 2018: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: United Kingdom (0.50%); Czech Republic (1.00%); Hong Kong (1.875%); Iceland (1.25%); Norway (2.00%); Sweden (2.00%); Slovakia (1.25%); Lithuania (0.5%); (II) with reference to the exposures towards Italian counterparties, Bank of Italy has set the rate equal to 0%.

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



# Group results

Find below a scheme of UniCredit Group transitional capital requirements and buffers which also provide evidences of TSCR (Total SREP Capital Requirement) and OCR (Overall Capital Requirement) related to the outcome of the SREP process held in 2017 and applicable for 2018:

## 2018 Transitional capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
<b>A) Pillar 1 Requirements</b>	<b>4.50%</b>	<b>6.00%</b>	<b>8.00%</b>
<b>B) Pillar 2 Requirements</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
<b>C) TSCR (A+B)</b>	<b>6.50%</b>	<b>8.00%</b>	<b>10.00%</b>
<b>D) Combined capital buffer requirement, of which:</b>	<b>2.69%</b>	<b>2.69%</b>	<b>2.69%</b>
1. <i>Capital Conservation buffer (CCB)</i>	1.875%	1.875%	1.875%
2. <i>Global Systemically Important Institution buffer (G-SII)</i>	0.75%	0.75%	0.75%
3. <i>Institution-specific Countercyclical Capital buffer (CCyB)</i>	0.06%	0.06%	0.06%
<b>E) OCR (C+D)</b>	<b>9.19%</b>	<b>10.69%</b>	<b>12.69%</b>

The above mentioned requirements are the ones which are relevant for MDA purposes for UniCredit group as at 31 December 2018.

As at 31 December 2018, UniCredit group's ratios are compliant with all the above requirements.

The profit eligible as at 31 December 2018, equal to €3,892 million is recognised in the Own Funds for 3,287 million, resulting after i) the destination, approved by the Board of Director, to dividends for €601 million, correspondent to the 20% of the rectified Group net profit (equal to €3,006 million), excluding the positive extraordinary impact linked to the tax effects deriving from the change of the fiscal treatment related to First Time Adoption of IFRS9 (€887 million) and ii) the social and charity initiatives for €4 million. The net profit 2018 as at 31 December 2018 is included in Common Equity Tier 1 Capital following the authorization by the competent Authority according to CRR Article 26(2).

## Capital strengthening

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

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

On 12 March 2018, the mandatory conversion of savings shares into ordinary shares, approved by the Extraordinary Shareholders' Meeting and by the Special Meeting of Savings Shareholders on 4 December 2017, became effective under the plan to strengthen corporate governance and simplify the share capital structure of the Bank's share capital. The conversion of all savings shares issued and outstanding (No.252,489), based on the conversion ratio approved by the Shareholders' Meeting, involved: i) the issue of No.964,507 new ordinary shares with regular economic rights according to the conversion ratio of 3.82 ordinary shares for each savings share converted and ii) the payment in cash of the premium to the holders of savings shares in the amount of €27.25 for each share converted.

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

# Group results

## Shareholders' equity attributable to the Group, Parent Company

The Shareholders' equity of the Group, including the net profit of the period equal to €3,892 million, amounted to €55,841 million as at 31 December 2018, compared to €59,331 million as at 31 December 2017.

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

The following table shows the main changes occurred in 2018.

### Shareholders' equity attributable to the Group

(€ million)

<b>Shareholders' equity as at 31 December 2017</b>	<b>59,331</b>
Change in opening balance <sup>(1)</sup>	(3,327)
Change in the valuation reserve relating to the financial assets and liabilities at fair value <sup>(2)</sup>	(1,181)
Dividends and other allocations	(715)
Change in the valuation reserve of the companies accounted for using the equity method <sup>(3)</sup>	(838)
Exchange differences reserve <sup>(4)</sup>	(388)
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans	(302)
Changes in reserve for the unsustainable amount of Tax Losses Carried Forward deferred tax assets (TLCF) <sup>(5)</sup>	(275)
Change in the valuation reserve related coupon on AT1 instruments	(242)
Change in the valuation reserve relating to cash flow hedges	(130)
Others	16
Net profit (loss) for the period	3,892
<b>Shareholders' equity as at 31 December 2018</b>	<b>55,841</b>

#### Notes:

- (1) This impact includes the re-measurement effects resulting from the first time adoption of the accounting principle IFRS9.
- (2) Mainly refers to government bonds.
- (3) The negative change in the valuation reserve of the companies accounted for using the equity method is mainly due to the depreciation of the items in Turkish Lira.
- (4) This effect is mainly due to the negative impact of the Ruble for €352 million.
- (5) This impact includes the write down of TLCF DTAs due to the update of sustainability test.

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

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

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

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

(€ million)

	SHAREHOLDERS' EQUITY	of which: NET PROFIT
<b>Balance as at 31 December 2018 of parent company UniCredit S.p.A.</b>	<b>50,836</b>	<b>2,458</b>
Consolidated contribution:	4,684	4,871
- fully consolidated subsidiaries	1,451	3,811
- investments valued at equity method	3,233	1,060
Reverse of ordinary dividends received in the period:	-	(3,072)
- fully consolidated subsidiaries	-	(2,894)
- investments valued at equity method	-	(178)
Other consolidation adjustments	1,248	(149)
<b>Balance as at 31 December 2018 (minorities included)</b>	<b>56,768</b>	<b>4,109</b>
of which Group	55,841	3,892
of which minorities	927	216

# Group results

## Commercial Banking Italy

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

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

In relation to corporate customers, Commercial Banking Italy operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio.

### Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING ITALY	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Operating income	7,257	7,442	- 2.5%	1,747	- 0.6%
Operating costs	(4,125)	(4,438)	- 7.1%	(1,022)	+ 0.7%
Net write-downs on loans	(1,046)	(975)	+ 7.4%	(298)	- 5.9%
Net operating profit	2,085	2,029	+ 2.7%	427	+ 0.2%
Profit before tax	1,882	1,775	+ 6.0%	345	- 25.5%
Customers loans (net Repos and IC)	145,645	137,437	+ 6.0%	145,645	+ 1.5%
Customers depots (net Repos and IC)	146,260	140,935	+ 3.8%	146,260	+ 0.6%
Total RWA Eop	94,914	85,592	+ 10.9%	94,914	+ 7.2%
EVA (€ million)	9	90	- 89.8%	(105)	n.M.
Absorbed Capital (€ million)	10,988	10,348	+ 6.2%	11,475	+ 4.0%
ROAC	+ 12.1%	+ 11.9%	+ 0.2 p.p.	+ 7.3%	- 6.0 p.p.
Cost/Income	+ 56.9%	+ 59.6%	- 2.8 p.p.	+ 58.5%	+ 0.8 p.p.
Cost of Risk	74 bps	72 bps	3 bps	83 bps	- 6 bps
Full Time Equivalent (eop)	29,669	32,334	- 8.2%	29,669	- 2.1%

## Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services through its branch network.

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

The segment also includes the local Corporate Center, which performs tasks as sub-holding towards other sub-group legal entities.

### Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING GERMANY	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Operating income	2,470	2,694	- 8.3%	621	+ 3.0%
Operating costs	(1,704)	(1,810)	- 5.9%	(429)	+ 3.9%
Net write-downs on loans	(145)	(125)	+ 15.9%	(106)	n.M.
Net operating profit	620	758	- 18.2%	85	- 59.7%
Profit before tax	369	631	- 41.5%	47	+ 2.0%
Customers loans (net Repos and IC)	84,463	80,749	+ 4.6%	84,463	- 1.5%
Customers depots (net Repos and IC)	91,694	91,582	+ 0.1%	91,694	+ 4.6%
Total RWA Eop	36,062	33,999	+ 6.1%	36,062	- 0.6%
EVA (€ million)	(44)	153	n.M.	77	n.M.
Absorbed Capital (€ million)	4,433	4,383	+ 1.1%	4,616	+ 4.0%
ROAC	+ 8.1%	+ 13.4%	- 5.3 p.p.	+ 14.3%	+ 9.7 p.p.
Cost/Income	+ 69.0%	+ 67.2%	+ 1.8 p.p.	+ 69.2%	+ 0.6 p.p.
Cost of Risk	17 bps	15 bps	2 bps	50 bps	60 bps
Full Time Equivalent (eop)	9,208	10,105	- 8.9%	9,208	- 1.3%

# Group results

## Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of: Retail, Corporate (excluding CIB clients, but including the product factories Factoring and Leasing), Private Banking (with its two well-known brands Bank Austria Private Banking and Schoellerbank AG) and the local Corporate Center. Retail covers business with private individuals, ranging from mass-market to affluent customers and business customers. Corporates covers the entire range of SMEs, medium-sized and large companies which do not access capital markets (including real estate and public sector).

A broad coverage of the Retail and Corporate business lines is ensured through its nation-wide branch network. Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.

### Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING AUSTRIA	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Operating income	1,563	1,583	- 1.3%	376	- 6.7%
Operating costs	(1,022)	(1,085)	- 5.9%	(260)	+ 8.3%
Net write-downs on loans	25	17	+ 49.0%	(7)	- 71.8%
Net operating profit	567	515	+ 10.1%	110	- 21.5%
Profit before tax	448	445	+ 0.7%	99	- 23.1%
Customers loans (net Repos and IC)	44,971	44,336	+ 1.4%	44,971	+ 1.1%
Customers depos (net Repos and IC)	47,375	46,487	+ 1.9%	47,375	+ 1.6%
Total RWA Eop	23,314	20,963	+ 11.2%	23,314	+ 7.6%
EVA (€ million)	173	293	- 40.9%	39	- 24.0%
Absorbed Capital (€ million)	2,648	2,754	- 3.9%	2,701	+ 3.3%
ROAC	+ 16.0%	+ 20.1%	- 4.1 p.p.	+ 14.5%	- 4.3 p.p.
Cost/Income	+ 65.3%	+ 68.5%	- 3.2 p.p.	+ 69.0%	+ 9.6 p.p.
Cost of Risk	- 5 bps	- 4 bps	- 2 bps	6 bps	- 15 bps
Full Time Equivalent (eop)	4,873	5,092	- 4.3%	4,873	- 0.4%

## CEE Division

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

### Income statement, key ratios and indicators

(€ million)

CEE DIVISION	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Operating income	4,262	4,186	+ 1.8%	1,112	+ 11.8%
Operating costs	(1,566)	(1,543)	+ 1.5%	(412)	+ 6.3%
Net write-downs on loans	(457)	(584)	- 21.7%	(160)	+ 75.1%
Net operating profit	2,240	2,059	+ 8.8%	540	+ 4.7%
Profit before tax	2,034	1,855	+ 9.7%	475	- 7.5%
Customers loans (net Repos and IC)	65,344	59,966	+ 9.0%	65,344	+ 1.8%
Customers depos (net Repos and IC)	65,744	62,406	+ 5.3%	65,744	+ 5.1%
Total RWA Eop	86,277	85,996	+ 0.3%	86,277	+ 0.4%
EVA (€ million)	493	332	+ 48.4%	111	- 9.1%
Absorbed Capital (€ million)	10,628	10,876	- 2.3%	10,530	- 0.6%
ROAC	+ 15.7%	+ 13.9%	+ 1.9 p.p.	+ 15.2%	- 0.6 p.p.
Cost/Income	+ 36.7%	+ 36.9%	- 0.1 p.p.	+ 37.1%	- 1.9 p.p.
Cost of Risk	73 bps	97 bps	- 24 bps	98 bps	40 bps
Full Time Equivalent (eop)	24,218	24,089	+ 0.5%	24,218	- 0.2%

# Group results

## CIB

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

### Income statement, key ratios and indicators

(€ million)

CORPORATE & INVESTMENT BANKING	YEAR		%	2018	% CHANGE
	2018	2017			
Operating income	3,813	4,113	- 7.3%	937	+ 2.3%
Operating costs	(1,563)	(1,626)	- 3.9%	(412)	+ 11.3%
Net write-downs on loans	(76)	(275)	- 72.4%	(157)	+ 94.6%
Net operating profit	2,174	2,212	- 1.7%	368	- 20.8%
Profit before tax	1,370	2,003	- 31.6%	293	n.m.
Customers loans (net Repos and IC)	80,448	71,647	+ 12.3%	80,448	+ 1.3%
Customers depos (net Repos and IC)	45,281	47,775	- 5.2%	45,281	- 14.2%
Total RWA Eop	81,040	75,639	+ 7.1%	81,040	- 0.8%
EVA (€ million)	(21)	497	n.m.	14	n.m.
Absorbed Capital (€ million)	10,007	9,317	+ 7.4%	10,230	- 0.3%
ROAC	+ 9.0%	+ 15.4%	- 6.4 p.p.	+ 9.4%	+ 5.7 p.p.
Cost/Income	+ 41.0%	+ 39.5%	+ 1.5 p.p.	+ 44.0%	+ 3.5 p.p.
Cost of Risk	7 bps	27 bps	- 20 bps	54 bps	25 bps
Full Time Equivalent (eop)	3,289	3,298	- 0.3%	3,289	- 0.7%

## Fineco

FinecoBank, the multichannel bank of the UniCredit Group, is one of the most important FinTech banks in Europe. It offers from a single account banking, credit, trading and investment services through transactional and advisory platform developed with proprietary technologies, and combined with one of the largest financial advisory network in Italy. Fineco is a bank leader in brokerage in Europe, and one of the most important player in Private Banking in Italy, offering tailor-made advisory services.

### Income statement, key ratios and indicators

(€ million)

FINECO	YEAR		%	2018	% CHANGE
	2018	2017			
Operating income	624	586	+ 6.5%	160	+ 4.9%
Operating costs	(246)	(233)	+ 5.4%	(61)	+ 2.7%
Net write-downs on loans	(4)	(5)	- 18.1%	(2)	n.M.
Net operating profit	374	347	+ 7.6%	96	+ 4.8%
Profit before tax	353	315	+ 12.1%	91	+ 21.4%
Customers loans (net Repos and IC)	2,805	1,927	+ 45.6%	2,805	+ 9.6%
Customers depos (net Repos and IC)	22,157	20,059	+ 10.5%	22,157	+ 2.3%
Total RWA Eop	2,372	2,332	+ 1.7%	2,372	- 0.1%
TfAs Outstanding Stock (eop)	69,337	67,185	+ 3.2%	69,337	- 2.2%
TfAs Net Sales	6,226	5,958	+ 4.5%	1,444	+ 21.8%
EVA (€ million)	66	65	+ 2.3%	17	+ 26.8%
Absorbed Capital (€ million)	185	118	+ 56.2%	224	+ 12.1%
ROAC	+ 45.3%	+ 62.7%	- 17.4 p.p.	+ 39.5%	+ 3.1 p.p.
Cost/Income	+ 39.4%	+ 39.8%	- 0.4 p.p.	+ 38.3%	- 0.8 p.p.
Full Time Equivalent (eop)	1,125	1,082	+ 3.9%	1,125	+ 2.8%

# Group results

## Non Core

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

### Income statement, key ratios and indicators

(€ million)

NON CORE	YEAR		% CHANGE	2018 Q4	% CHANGE ON Q3 2018
	2018	2017			
Operating income	(60)	68	n.m.	(52)	n.m.
Operating costs	(109)	(120)	- 9.4%	(28)	- 4.5%
Net write-downs on loans and provisions for guarantees and commitments	(921)	(962)	- 4.2%	(189)	- 13.4%
Net operating profit	(1,090)	(1,013)	+ 7.6%	(270)	+ 8.8%
Profit before tax	(1,199)	(1,133)	+ 5.8%	(355)	+ 42.0%
Customers loans (net Repos and IC)	6,629	14,223	- 53.4%	6,629	- 25.3%
Customers depos (net Repos and IC)	528	914	- 42.3%	528	- 31.6%
Net Impaired Loans (percentage of total net loans Non-Core)	99.93%	78.36%	n.m.	99.93%	1725.0 bps
Total RWA Eop	12,129	21,595	- 43.8%	12,129	- 13.8%
EVA (€ million)	(1,022)	(1,084)	- 5.8%	(255)	+ 12.8%
Absorbed Capital (€ million)	1,986	2,899	- 31.5%	1,642	- 11.0%
ROAC	- 40.5%	- 26.5%	- 14.0 p.p.	- 51.1%	- 13.0 p.p.
Cost/Income	n.m.	n.m.	n.m.	n.m.	n.m.
Cost of Risk	910 bps	585 bps	325 bps	975 bps	55 bps
Full Time Equivalent (eop)	345	464	- 25.6%	345	- 12.6%



## Other information

### Report on corporate governance and ownership structure

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

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

### Report on remuneration

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

### Non-financial information

Pursuant to articles 3 and 4 of Legislative Decree 254/2016, the Integrated Report, published on UniCredit website (<http://www.unicreditgroup.eu>) constitutes the Non-financial Declaration.

### Research and development projects

In 2018, UniCredit S.p.A.'s Research & Development Department primarily focused on:

- the production of a low latency e-Trading FX platform, commissioned by the CIB Division;
- the production of a tool for Operations that extract and categorize meaningful data from garnishments documents;
- the production of a tool for HR Rewards & Benefits that support the Share Ownership, Netting and Cashing process;
- the production of a new platform for GTB Division that connects all UniCredit customers with reciprocal payments and collections;
- researching FPGA-based hybrid architectures and how those can be employed to accelerate computations in the financial domain.

### Group activities development operations and other corporate transactions

#### Transactions and initiatives involving shareholdings

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

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

##### Yapi Kredi rights issue

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

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

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

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

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

## Other information

### Start of operations of Asset Management Company

In May 2018 Fineco Asset Management (FAM) - an investment company under the Irish law (Asset Management Company) dedicated to the management of UCITS (Collective Investment Savings Bodies) entirely controlled by FinecoBank - received from the Central Bank of Ireland the authorisation to perform the asset management business.

FAM, whose mission is to manage Funds of Funds using strategic partnerships with the best international managers, was appointed the manager of some Luxembourg and Irish "umbrella funds" UCITS.

### Disposal of Italian pawncredit business

On 1 July 2018, the holding UniCredit S.p.A. completed the disposal of its Italian pawncredit business to Dorotheum. The transaction envisaged a consideration of €141 million, paid by Dorotheum at closing, and a potential earn-out in favor of UniCredit S.p.A. up to €9 million, to be paid after three years. In third quarter 2018 the transaction generated a positive impact for UniCredit S.p.A. of about €100 million in the Consolidated accounts and of almost 4 bps on the consolidated CET1 ratio.

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

In second half 2018 UniCredit group completed the increase of its strategic stake in Kepler Cheuvreux to 10.3%, following the signing of a binding agreement in first half 2018.

### Sale initiatives of non-performing portfolios

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

### Zagrebacka Banka sells non performing credit portfolio to B2 KAPITAL

On 15 June 2018 Zagrebacka Banka reached an agreement with B2 Kapital d.o.o., part of group B2 Holding ASA, Norway, in relation to the disposal on a non-recourse basis (pro-soluto) of a portfolio composed of non-performing exposures towards corporate and private individual customers.

The portfolio consists entirely of Croatian loans with gross book value of about €233 million. For further details refer to "Subsequent events" of this Consolidated Report on Operations. The disposal was completed during July 2018.

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

On 20 June 2018 the parent company UniCredit S.p.A. reached an agreement with MBCredit Solutions ("MBCS") in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing unsecured consumer credit portfolio, in Italy. The portfolio consists entirely of Italian unsecured consumer credits with a gross book value of approximately €124 million.

UniCredit and MBCS also reached an agreement for the sale of additional non-performing loans of the same type that were generated starting from the second quarter of 2018. In the second half of 2018, therefore, loans were sold for a total of € 101 million gross of value adjustments.

### UniCredit announces the sale of an Italian non-performing legacy portfolio

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

The Portfolio consists entirely of Italian credits with an aggregate claim value of approximately €537 million (of which gross book value of approximately €348 million) as at 31 December 2017.

### UniCredit announces the sale of non-performing loans portfolio composed by loans to small & medium sizes enterprises

On 21 September UniCredit S.p.A. announced that has reached an agreement with IFIS NPL (Banca IFIS Group) in regards to the disposal, on a non-recourse basis (pro-soluto), of a non-performing loan portfolio composed by loans to small and medium sized enterprises "SMEs" ("the Portfolio") with an aggregate claim value of approximately €1.09 billion (of which gross book value of approximately €870 million) as at 31 December 2017. The Portfolio includes unsecured claims as well as claims secured by personal guarantees and/or by second/junior ranking mortgages.

## Other information

### **UniCredit Bulbank sells Bulgarian non-performing credit portfolio to DCA, part of the B2Holding group**

On 28 September 2018 UniCredit UniCredit Bulbank (Bulgaria), reached an agreement with DCA, part of the B2Holding group, to on a non-recourse basis (pro-soluto) sell a portfolio composed of secured and unsecured non-performing loans granted by UniCredit Bulbank to private individuals, SME's and Corporate customers.

The portfolio consists entirely of Bulgarian loans with a legal claim value of approximately €249 million.

### **AO UniCredit Bank sells Russian non-performing credit portfolio to OOO EOS, part of the EOS group**

On 24 October 2018 AO UniCredit Bank (Russia), reached an agreement with EOS on a non-recourse basis (pro-soluto) to sell a portfolio composed of consumer/car non-performing loans granted by AO UniCredit Bank to private individuals customers.

The portfolio consists entirely of Russian loans with a Legal Claim value of approximately €101 million.

### **UniCredit announces the sale of an Italian Small Medium Enterprise unsecured non-performing loans portfolio**

On 29 November 2018 UniCredit S.p.A. announces today an agreement with a securitization vehicle managed by J-Invest S.p.A. ("J-Invest") and with a securitization vehicle managed by Banca Interprovinciale S.p.A. ("Illimity") in relation to the disposal of a portfolio of Italian Small and Medium Enterprise non performing unsecured loans, on a non-recourse basis (pro-soluto).

The portfolio consists entirely of large tickets Italian exposures with a total gross claim value ("Claim") of approximately €590 million. J-Invest has bought a portion of the portfolio with a Claim Value of approximately €384 million and Illimity has bought the portion with a Claim Value of approximately €206 million.

### **UniCredit announces the sale of an Italian Small Medium Enterprise secured non performing credit portfolio**

On 30 November 2018 UniCredit S.p.A. signed an agreement with an affiliate of Fortress Investment Group LLC ("Fortress") in relation to the disposal of a portfolio of Italian Small and Medium Enterprise secured non-performing loans, on a non-recourse basis (pro-soluto).

The portfolio consists entirely of Italian exposures with a gross claim value of approximately €675 million as of 31 March 2018.

### **UniCredit Leasing S.p.A. announces the sale of an Italian leasing unsecured non-performing credit portfolio**

On 19 December 2018 UniCredit Leasing S.p.A. announced an agreement with Guber banca S.p.A. in relation to the disposal of a portfolio of Italian leasing unsecured non-performing loans, on a non-recourse basis (pro-soluto).

The portfolio consists entirely of Italian exposures with a gross claim value of approximately €170 million as of 31 luglio 2018.

## **Other information on Group activities**

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

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

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

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

## Other information

### FINO Project

During 2018 Phase 2 of the FINO Project was completed, aimed to the progressive sale to third party investors of the ABS securities linked to the respective securitisation transactions of the receivables, in order to bring the total value of securities subscribed to by the parent company UniCredit S.p.A. below the 20% threshold. This Phase, already initiated in the last months of 2017, was completed at the end of January 2018 with the settlement and transfer to the purchasing investors of the ABS securities. The sales transactions resulted in a negative financial out-turn of around €5 million, attributable entirely to the transaction costs incurred, and documented in the UniCredit S.p.A.'s 2018 income statement. As at 31 December 2018, following the redemptions made, the Notes relating to the FINO Project owned by UniCredit S.p.A. amounted totally about €290 million (about €230 million recorded under item "30. Financial assets at fair value through other comprehensive income" pertaining to the Senior securities and in part to the Mezzanine securities, and €60 million recorded under item "20. c) other financial assets mandatorily at fair value" in connection with the remaining Mezzanine securities and all the Junior Notes).

The receivables related to the Deferred Subscription Price (DSP/Deferred Purchase Price-DPP), owed to UniCredit S.p.A. by third-party entities belonging to the relevant third-party Investor's groups, with suitable credit rating and a capital structure that can guarantee that the repayment of the DSP/DPP does not depend, either in full or mainly, on the payment of ABSs issued by the SPVs Fino 1 Securitization S.r.l., Fino 2 Securitization S.r.l. and Onif Finance S.r.l., and deriving from the securitization transactions completed during 2017, have been classified under item "40. Financial assets at amortised cost" according to IFRS9, and measured on the basis of the estimated future cash flows. As at 31 December 2018 they amount to approximately €511 million, and include, for around €15 million, the positive effect (recognised in item "10. Interest income and similar revenues" of the 2018 income statement) connected with the reversal of the time value in respect to 31 December 2017.

### Strategic Bancassurance partnerships

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

The long-term partnerships was implemented in the majority of the countries in scope, in compliance with the all local regulations, in the second half of 2018, predominantly focused on the Life and Non-Life products with Allianz and on the CPI (Credit Protection Insurance) products with Generali. The implementation of the partnership agreements for CPI in Bosnia and Herzegovina and Life and Non-Life in Serbia is planned in 2019.

### Contract renegotiation with ES Shared Service Center S.p.A.

ES Shared Service Center S.p.A. ("ES SSC") is a joint venture established in 2012 by UniCredit Services S.C.p.A. (formerly UniCredit Business Integrated Solutions S.c.p.A.), with a 49% stake, and Hewlett Packard Enterprise with the remaining 51% stake. The company is responsible for providing services in the Human Resources area for the companies of the UniCredit group in Italy and Austria through a 15-year outsourcing contract. In line with the new HR Transformation programme led by UniCredit HR Transformation & Operations Office, a considerable review of the relationship with the company was negotiated, also with the aim to grant to UniCredit Services a "termination for convenience" in relation to the existing agreements in Italy and Austria.

In line with the said agreements, UniCredit Services has exercised its termination right of the agreement related to Italy which is effective from 1 July 2018. The termination of the said agreement envisages also a post termination assistance in order to ensure the continuity of the services and to support the migration of the systems and the activities to UniCredit S.p.A. In this context and in execution of the reached agreement, UniCredit Services has exercised its "put option"; therefore starting from 19 December 2018 UniCredit Services ceased to be a shareholder of ES SSC.

### EBA confirms UniCredit Cashes treatment

On 20 July 2018 the parent company UniCredit communicated to welcome the decision of EBA not to open an investigation based on the request made by Caius Capital and to confirm its 2012 position on the Cashes treatment. This validates UniCredit's previous statement that the treatment of the Cashes has been reviewed and affirmed by all the relevant authorities and that UniCredit ordinary shares are qualified as Common Equity Tier 1 Capital - CET1.

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

During December 2018 UniCredit and Caius Capital announced that they have fully and finally settled their dispute in relation to the Cashes, and accordingly that UniCredit's complaint against Caius and the funds it manages has been withdrawn.

## Other information

### Mediobanca S.p.A. - new consultation agreement

As at 31 December 2018, UniCredit S.p.A. is the largest shareholder in Mediobanca Banca di Credito Finanziario S.p.A. ("Mediobanca"), holding No.74.5 million shares, corresponding to 8.4% of its share capital. Following the termination of the former Mediobanca shareholders' agreement on 31 December 2018, the Parties, including UniCredit S.p.A., representing ca. 20.7% of Mediobanca share capital signed a new "consultation agreement between Mediobanca shareholders on 20 December 2018"; the new agreement is in force on 1 January 2019.

The stake in Mediobanca is accounted as associate under significant influence, in continuity with the previous financial statements.

Also following the subscription of the new consultation agreement, indeed UniCredit continues to hold significant influence on Mediobanca, as the new agreement does not introduce changes in the governance framework of Mediobanca so substantial to require an update in UniCredit classification and valuation criteria of such stake; UniCredit preserves its representation in the Board of Directors of Mediobanca and the participation in determining its financial and operating policies.

Further information about the carrying amount, book value and market value of Mediobanca S.p.A. are contained in the Consolidated financial statements – Notes to consolidated accounts – Part B Consolidated balance sheet - Assets - Section 7 Equity investments

## Organisational model

### Significant organisational changes in 2018

On 9 May 2018, the Board of Directors approved the set-up of the **Group Transformation Office** structure, led by the **Group Chief Transformation Officer (GCTO)**, reporting to the Chief Executive Officer and functionally, for business related initiatives, to the General Manager. The GCTO manages the transformation and ensuring meaningful change to reach the higher and measurable customer satisfaction and service quality, while improving cost efficiency.

## Organizational structure

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

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

## Other information

### Conversion of DTAs into tax credits

In respect of financial year 2017, the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits (pursuant to Art.2, paragraph 55, of Law Decree No.225 of 29 December 2010), were not verified, since the Group legal entities having a stock of Convertible DTAs registered a net profit in their separate financial statements.

In order to preserve for the future the regime of conversion of DTAs into tax credits, and in order to overcome the issues raised by the European Commission in connection to the application of State Aid rules, Art.11 of Law Decree of 3 May 2016 No.59 (so-called "Banks Decree", converted into Law 30 June 2016 No.119), introduced the possibility, starting from 2016 till 2030, to elect for the payment of an annual fee equal to 1.5% of an aggregate amount deriving from the difference between:

- the increase in convertible DTAs recognised at the end of the fiscal year and the convertible DTAs existing as at 31 December 2007, for IRES tax, and as at 31 December 2012 for IRAP tax, taking into account the amounts already converted into tax credits;
- taxes:
  - IRES paid by tax group starting from 1 January 2008;
  - IRAP paid registered starting from 1 January 2013 by Legal Entities included in Tax Group with convertible DTAs;
  - substitute taxes that generated convertible DTAs.

The fee due for financial year 2018 has been paid on 27 June 2018 for an overall amount of €115.8 million relating to the whole Italian Tax Group, out of which €111 million for UniCredit S.p.A., €4.5 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A.

### Certifications and other communications

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

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

- a) according to the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA" adopted by the Board of Directors of UniCredit S.p.A. on 6 February 2019, and published on the website [www.unicreditgroup.eu](http://www.unicreditgroup.eu), during 2018 the Bank's Presidio Unico received no reports of transactions of greater importance ended in the period;
- b) during 2018, no transactions with related parties as defined by article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions and materially affecting the Group's financial and economic situation;
- c) during 2018, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group's financial position or results during the reference period.

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

### Information on risks

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



# Subsequent events and outlook

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

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

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

The bonds will be eligible for the forthcoming of Total Loss Absorbing Capacity (TLAC) requirement improving the subordination ratio by approx. 72bps. The transaction is part of UniCredit's TLAC funding plan for which the company had announced planned issuances of EUR 3 to 5 billion by the end of first quarter 2019 during its third quarter 2018 results presentation.

On 16 January 2018 UniCredit group issued a Statement with reference to recent media reporting on the non-binding recommendation of the ECB to all banks directly supervised by the Single Supervisory Mechanism (SSM) regarding the coverage of the secured and unsecured NPL stock:

- since third quarter 2016, UniCredit has reduced its NPE portfolio by more than €36 billion (as of third quarter 2018). As a consequence, its Core bank NPE ratio was 4.3% in Q3 2018, in line with its EBA sample peers and it has committed to fully run off its Non-Core portfolio by 2021. In addition, UniCredit has a 62% NPE coverage ratio that is evidenced as highest in the sample of Eurozone banks in the recent EBA stress tests under adverse conditions. Consequently, UniCredit considers its NPE coverage fully adequate;
- thanks to such decisive actions and taking into account the NPE portfolio dynamics, UniCredit estimates that the regulatory dialogue with the ECB could lead to a low annual single digit basis point impact on its CET1 ratio for any additional coverage of its NPE stock, for each year up to 2024, date mentioned by the ECB in its communication.

On 18 January 2019 UniCredit Services S.C.p.A., the service company of the UniCredit group, informed having been admitted to the Italian cooperative compliance regime, with the Revenue Agency, pursuant to Legislative Decree No.128/2015, with effect from 2017.

This follows the admittance of UniCredit S.p.A. and FincoBank S.p.A. by the Agency in 2017, with effect from 2016, as the first banks to be admitted. It further strengthens the Group's standing, with three companies now admitted, among the significant taxpayers operating as part of the regime.

This is a fundamental milestone showing the strength of UniCredit group's accountability process, an important element of our fair and efficient fiscal strategy, also considering that UniCredit group is already joining the tax cooperative compliance schemes in other countries where it is present.

On 6 February 2019 UniCredit group announced a reorganisation project of its senior management team as it begins the development of its 2020-23 strategic plan, which will be presented to the markets in London on 3 December 2019. For further details, refer to the information provided in the previous sections about the reorganisation of the senior management team.

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

# Subsequent events and outlook

## Outlook

Global growth momentum has eased from the cyclical high reached in 2017 and we forecast that global GDP growth will ease to 3.4% in 2019 (down from 3.6% in 2018), followed by a more-pronounced slowdown to 2.7% in 2020. One of the most likely sources of weakness in 2020 will be the United States, due to the fact that it is at a very late stage in its business cycle. Still, risks are now tilted towards more front-loaded deterioration in global demand, in comparison to the initial expectations. China plays, and will continue to play, a critical role. The growth trajectory of this Country will remain on a structurally slowing trend, but it is plausible that the slowdown may exceed the current pace of deceleration. Economic growth in emerging markets is forecasted to slow as a result of the cyclical downturn in advanced economies and a tightening of financial conditions, but a generalized crisis in Emerging Markets remains unlikely in the near future

The Eurozone's growth outlook weakened further at the turn of 2018, primarily in the wake of external factors, especially a steep loss of momentum in global trade. This seems to mainly reflect heightened uncertainty about protectionist policies and the outcome of Brexit negotiations, that has weighed on sentiment and investment decisions globally. Domestic fundamentals have generally developed positively, especially with regard to the labor market, but economic activity in the Euro Area hardly will not suffer the expected slowdown in global growth. After GDP growth averaged 1.8% in 2018, we forecast that it will decelerate to 1.4% in 2019, with risks tilted to the downside.

Among eurozone countries, weakness has been more pronounced in Italy, which slipped into a technical recession in the second half of 2018. Growth deterioration has been driven by external and domestic factors. In particular, a decline from annual growth of 1.6% in 2017 to slightly less than 1.0% in 2018 was due to an abrupt adjustment in Italian exports and the slowdown of the world trade in the first half of the year. While domestic demand turned out to be particularly weak starting from the third quarter of 2018, probably due to increasing domestic uncertainty. We expect Italy's GDP to expand by 0.5% in 2019, with our forecast underpinning a return to modest, positive quarterly growth, supported by a recovery in business sentiment and a pickup in both external and domestic demand. Therefore the main short-term risk Italy now faces is a stronger-than-initially-expected deterioration in global trade. In contrast, following the positive resolution of the budget discussion between the government and the European Commission in December, internal demand may get some relief from lower domestic uncertainty and from the still-limited transmission of the 10Y BTP-Bund spread widening into higher lending rates for the private sector. Still, investments in equipment are expected to be particularly affected by the slowdown in global demand. Expectations of a continuation of a modest recovery in domestic demand will continue to support ongoing credit growth in Italy, however, further acceleration in lending growth to the private sector is expected to be constrained.

Headline inflation has fluctuated around 2% for most of second half of 2018 but has entered 2019 on a downward trend, mainly reflecting a fall in oil prices. Core inflation has been much less volatile and has remained stuck around 1% over the last couple of years. Muted underlying price pressure, inherent in a weakening growth outlook, is likely to force the European Central Bank (ECB) to delay its plan to start normalizing interest-rate policy this year, namely the beginning of a phase of rising rates. There is also an increasing likelihood that further ECB liquidity support will be provided to the banking sector to offset the impact from the diminishing residual maturity of outstanding TLTRO money

During 2019 the Group will operate in a challenging macro-economic environment, characterized by uncertainty factors (including the protectionist tensions, the economic cycle evolution and the financial markets volatility, also in relation to the spread dynamic of Italian government bonds) and by a still low level of interest rates. During 2019, UniCredit will keep on implementing measures in order to maintain a solid capital position and will continue to focus on the execution of the Transform plan by completing the transformation of the operating model and pursuing the achievement of the plan targets, as pan-European winner. The Group's results will also benefit from ongoing commercial and cost reduction initiatives, in addition to the constant attention to the asset quality.

Milan - 6 February 2019

CHAIRMAN  
FABRIZIO SACCOMANNI



THE BOARD OF DIRECTORS

CEO  
JEAN PIERRE MUSTIER



# Improve asset quality.



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

# Governance organisational structure

## Introduction

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

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

Since 2001, UniCredit has adopted the Code which is available to the public on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codiceeng2018.en.pdf>).

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

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

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

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

The information provided, unless otherwise specified, refers to the financial year 1 January/31 December 2018.

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

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

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

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

# Governance organisational structure

## Shareholders' Meeting

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

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

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

## Board of Directors

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

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

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

UniCredit Directors shall be appointed, according to the current legal and regulatory provisions, on the basis of a proportional representation mechanism ("*voto di lista*") abiding by the membership criteria concerning, inter alia, minority and independent Directors, apart from abiding by the rules on the balance between genders envisaged by Law no.120/2011, pursuant to the procedures specified in Clause 20 of the UniCredit Articles of Association. The legitimate parties who are entitled to submit lists are the Board of Directors and the shareholders, who individually or collectively with others represent at least 0.5% of share capital in the form of ordinary shares with voting rights at ordinary Shareholders' Meetings.

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

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

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

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

# Governance organisational structure

## Independence of Directors

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

With reference to the Board of Directors' members, the Corporate Governance, Nomination and Sustainability Committee and the Board of Directors, the latter at the verification carried out at the time of the Board renewal on 9 May 2018, carried out the assessment of the Directors' independence requirements based on the statements made by the parties concerned and on the information available to the Company.

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

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

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

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

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

As a result of such assessments, the number of independent Directors according to the provisions of the Code is equal to 12.

According to the Code, the Board of Statutory Auditors, in its 22 May 2018 meeting, ascertained, with a positive outcome, the proper application of the criteria and procedures adopted by the Board of Directors to assess the independence of its own members.



# Governance organisational structure

## Status and activities of the Directors

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

POSITION	MEMBERS	IN OFFICE		SLATE (M/m) <sup>(*)</sup>	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT AS PER ARTICLES OF ASSOCIATION AND CODE	INDEPENDENT AS PER TUF	BOARD MEETINGS ATTENDANCE % <sup>(**)</sup>	NUMBER OF OTHER POSITIONS <sup>(***)</sup>
		SINCE	UNTIL							
Chairman	Saccomanni Fabrizio	04.12.2018	Approval of 2020 financial statements	M		X		X	100	--
Deputy Vice Chairman	Bisoni Cesare	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	--
CEO $\diamond$	Mustier Jean Pierre	04.12.2018	Approval of 2020 financial statements	M	X				100	--
Director	Al Mehairi Mohamed Hamad	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	7
Director	Andreotti Lamberto	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	1
Director	Balbinot Sergio	04.12.2018	Approval of 2020 financial statements	M		X		X	100	7
Director	Böchenfeld Martha Dagmar	04.12.2018	Approval of 2020 financial statements	M		X	X	X	94.12	6
Director	Cariello Vincenzo	04.12.2018	Approval of 2020 financial statements	m		X	X	X	90.91	--
Director	Carletti Elena <sup>(1)</sup>	02.07.2019	04.11.2019	--		X	X	X	--	--
Director	de Wismes Isabelle	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	--
Director	Micossi Stefano	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	--
Director	Pierdicchi Maria	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	3
Director	Tondi Francesca	04.12.2018	Approval of 2020 financial statements	m		X	X	X	100	1
Director	Wolfgang Alexander	04.12.2018	Approval of 2020 financial statements	M		X	X	X	100	3
Director	Zambon Elena	04.12.2018	Approval of 2020 financial statements	M		X	X	X	88.24	12
<b>Directors that left off during and after the end of the Period</b>										
Chairman	Vita Giuseppe	05.13.2015	04.12.2018	m		X		X	100	1
Deputy Vice Chairman	Calandra Buonaura Vincenzo	05.13.2015	04.12.2018	m		X		X	100	--
Director	Bochniarz Henryka	05.13.2015	04.12.2018	m		X	X	X	100	2
Director	Caltagirone Alessandro	05.13.2015	04.12.2018	m		X	X	X	83.33	5
Director	Cordero di Montezemolo Luca <sup>(2)</sup>	05.13.2015	04.12.2018	m		X	X	X	83.33	4
Director	Reichlin Lucrezia	05.13.2015	04.12.2018	M		X	X	X	100	4
Director	Sironi Andrea <sup>(3)</sup>	04.12.2018	02.06.2019	M		X	X	X	72.73	3
Director	Streit Clara C.	05.13.2015	04.12.2018	m		X	X	X	83.33	4
Director	Vezzani Paola	05.13.2015	04.12.2018	m		X	X	X	100	--
Director	Wyand Anthony	05.13.2015	04.12.2018	m		X		X	83.33	2
<b>Quorum required for the submission of the slates for the latest appointment: 0.5%</b>										
<b>Number of meetings held during the financial year: 17</b>										

### Notes:

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

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

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

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

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

$\diamond$  Director in charge of the internal controls and risks management system.

(1) Co-opted by the Board of Directors held on 6 February 2019, effective from 7 February 2019, in place of Mr. Andrea Sironi. As at the approval date of this document, information about the Director's independence requirements is based on her statement. The meeting of such requirements shall be checked by the UniCredit Board of Directors in compliance with the applicable provisions.

(2) Mr. Cordero di Montezemolo stepped down from his role as Vice Chairman on 20 April 2017.

(3) Resigned effective as from 7 February 2019.

# Governance organisational structure

## Committees of the Board of Directors

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

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

The Corporate Governance, Nomination and Sustainability Committee also supervises the sustainability issues linked to the activity exercised by UniCredit and to the dynamics of the interactions of the latter with all the stakeholders.

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

The Committee's tasks are coordinated by the Chairman, who exercises all necessary powers for its proper functioning. Each Committee draws up an annual plan of activities to ensure the fulfillment of its tasks. Except as specifically provided for the Related-Parties Committee, Committee meetings are convened by the Chairman with frequency adequate to the fulfillment of its tasks and plan of activities or when needed or requested in writing, with proper motivation, by at least two members of the Committee.

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

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

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

The Chairman of each Committee reports at the first available meeting of the Board of Directors on the work undertaken at the Committee meetings. The Board Committees' composition, functions and competencies are set forth in the Corporate Bodies and Committees Regulation, available on the Governance/Governance system & policies Section of the UniCredit website.

# Governance organisational structure

## Internal Controls & Risks Committee

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

The composition of the Committee is the following: Mr. Alexander Wolfgring (Chairman), Ms. Martha Dagmar Böckenfeld, Ms. Isabelle de Wismes, Ms. Maria Pierdicchi and Mr. Andrea Sironi. Further to the resignation handed in by the Director Mr. Andrea Sironi, the Board of Directors, in its meeting held on 6 February 2019, has appointed Ms. Elena Carletti as member of the Internal Controls & Risks Committee effective from 7 February 2019.

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

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

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

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

In 2018, the Committee held 13 meetings.

## Duties

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

Among other things, the Committee:

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

# Governance organisational structure

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

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

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

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

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

## Corporate Governance, Nomination and Sustainability Committee

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

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

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

In 2018, the Committee held 15 meetings.

### Duties

Among other things, the Committee:

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

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

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

## Governance organisational structure

- f) the definition of the policy for the appointment of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies;
- g) the designation of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at the main companies.

Moreover, the Committee:

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

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

Within this framework, in particular, the Committee:

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

# Governance organisational structure

## Remuneration Committee

The Remuneration Committee consists of 3 non-executive Directors.

The composition of the Remuneration Committee is the following: Mr. Lamberto Andreotti (Chairman), Mr. Andrea Sironi and Ms. Elena Zambon. Further to the resignation handed in by the Director Mr. Andrea Sironi, the Board of Directors, in its meeting held on 6 February 2019, has appointed Ms. Elena Carletti as member of the Remuneration Committee effective from 7 February 2019.

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

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

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

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

In 2018, the Committee held 8 meetings.

## Duties

Among other things, the Committee:

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

Furthermore, the Committee issues opinions to the Board on:

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

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

Furthermore, the Committee:

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



# Governance organisational structure

## Related-Parties Committee

The Related-Parties Committee consist of 3 independent Directors.

The composition of the Related-Parties Committee is the following: Mr. Cesare Bisoni (Chairman), Mr. Vincenzo Cariello and Mr. Stefano Micossi.

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

In 2018 the Committee held 15 meetings.

## Duties

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

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

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

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

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

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

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

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

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

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

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

# Governance organisational structure

## Board Committees

MEMBERS	EXEC.	NON EXEC.	INDEP. AS PER ARTICLES OF ASSOCIATION AND CODE	INTERNAL CONTROLS & RISKS COMMITTEE		CORPORATE GOVERNANCE, NOMINATION AND SUSTAINABILITY COMMITTEE		REMUNERATION COMMITTEE		RELATED-PARTIES COMMITTEE	
				(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Saccomanni Fabrizio		X		M <sup>(1)</sup>	100%	M <sup>(1)</sup>	100%				
Bisoni Cesare		X	X	M <sup>(1)</sup>	100%	M <sup>(2)</sup>	100%			C	100%
Mustier Jean Pierre	X										
Al Mehairi Mohamed Hamad		X	X								
Andreotti Lamberto		X	X					C <sup>(2)</sup>	100%		
Balbinot Sergio		X									
Böchenfeld Martha Dagmar		X	X	M <sup>(2)</sup>	100%						
Cariello Vincenzo		X	X							M <sup>(2)</sup>	100%
Carletti Elena		X	X	M <sup>(3)</sup>	--			M <sup>(3)</sup>	--		
de Wismes Isabelle		X	X	M <sup>(2)</sup>	100%						
Micossi Stefano		X	X			C <sup>(2)</sup>	100%			M <sup>(2)</sup>	100%
Pierdicchi Maria		X	X	M <sup>(2)</sup>	100%						
Tondi Francesca		X	X			M <sup>(2)</sup>	90.91%				
Wolfgring Alexander		X	X	C	100%	M <sup>(2)</sup>	100%	M <sup>(1)</sup>	100%		
Zambon Elena		X	X			M	80%	M <sup>(2)</sup>	100%		
<b>Members that left off during and after the end of the Period</b>											
Vita Giuseppe		X		M <sup>(1)</sup>	100%	M <sup>(1)</sup>	100%	M <sup>(1)</sup>	100%		
Calandra Buonauro Vincenzo		X		M <sup>(1)</sup>	100%	M <sup>(1)</sup>	100%				
Bochniarz Henryka		X	X					M <sup>(1)</sup>	66.67%		
Caltagirone Alessandro		X	X			M <sup>(1)</sup>	50%	C <sup>(1)</sup>	100%		
Cordero di Montezemolo Luca		X	X			C <sup>(1)</sup>	100%				
Reichlin Lucrezia		X	X	M <sup>(1)</sup>	100%					M <sup>(1)</sup>	75%
Sironi Andrea		X	X	M <sup>(4)</sup>	88.89%			M <sup>(4)</sup>	80%		
Streit Clara C.		X	X	M <sup>(1)</sup>	100%	M <sup>(1)</sup>	75%				
Vezzani Paola		X	X	M <sup>(1)</sup>	100%					M <sup>(1)</sup>	100%
Wyand Anthony		X		M <sup>(1)</sup>	100%			M <sup>(1)</sup>	100%		
<b>No. of meetings held during the financial year</b>				<b>IC&amp;RC: 13</b>		<b>CGN&amp;S: 15</b>		<b>RC: 8</b>		<b>RPC: 15</b>	

**Notes:**

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

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

(1) Office held until 12 April 2018.

(2) Office held since 13 April 2018.

(3) Further to the resignation handed in by the Director Mr. Andrea Sironi, the Board of Directors, in its meeting held on 6 February 2019, has appointed Ms. Elena Carletti as member of the Internal Controls & Risks Committee and Remuneration Committee effective from 7 February 2019.

(4) Office held from 13 April 2018 up to 6 February 2019.

# Governance organisational structure

## Board of Statutory Auditors

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

Permanent and substitute members of the Board of Statutory Auditors are appointed on the basis of a proportional representation mechanism ("voto di lista") in abidance by the composition criteria regarding, *inter alia*, the appointment of the Chairman of the Board by the minority shareholders and according to the rules on the balance of genders envisaged by Law No.120/2011, as established by the UniCredit Articles of Association, and in compliance with current legal provisions. In detail, the candidate who has obtained the highest share of votes among the candidates belonging to the slate that obtained the highest number of votes among the minority slates, as defined by current provisions (also regulatory) in force, shall be selected by the Shareholders' Meeting as Chairman of the Board of Statutory Auditors.

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

Members of the Board of Statutory Auditors shall meet the professional experience, integrity and independence requirements laid down by law and they can hold administrative and control appointments with other companies within the limits set by current laws and regulations.

The Shareholders' Meeting of 14 April 2016, appointed the permanent and substitute Statutory Auditors for the 2016-2018 financial years, with term of office until the date of the Shareholders' Meeting called upon to approve the 2018 financial statements.

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

### Statutory Auditors

POSITION	MEMBERS	IN OFFICE		SLATE (M/m) (*)	INDEPENDENT AS PER CODE	%	NUMBER OF OTHERS POSITIONS
		SINCE	UNTIL				
Chairman	Singer Pierpaolo	04.14.2016	04.11.2019	m	X	100%	--
Permanent Statutory Auditor	Bonissoni Angelo	04.14.2016	04.11.2019	M	X	97.37%	--
Permanent Statutory Auditor	Navarra Benedetta	04.14.2016	04.11.2019	M	X	97.37%	3
Permanent Statutory Auditor	Paolucci Guido <sup>(1)</sup>	12.04.2017	04.11.2019	M	X	100%	--
Permanent Statutory Auditor	Bientinesi Antonella <sup>(2)</sup>	12.04.2017	04.11.2019	m	X	97.37%	1
Substitute Statutory Auditor	Manes Paola	04.14.2016	04.11.2019	M	X		--
Substitute Statutory Auditor	Talamonti Maria	04.14.2016	04.11.2019	m	X		2
Substitute Statutory Auditor	Pagani Raffaella <sup>(3)</sup>	12.04.2017	04.11.2019	--	X		3
Substitute Statutory Auditor	Amato Myriam <sup>(3)</sup>	12.04.2017	04.11.2019	--	X		1
<b>Statutory Auditors that left off during the Period</b>							
...							
<b>Quorum required for the submission of the slates for the latest appointment: 0.5%</b>							
<b>Number of meetings held during the financial year: 38</b>							

#### Notes:

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

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

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

(1) He took office under Article 2401 of the Italian Civil Code in replacement of Mr. Enrico Laghi who resigned on 2 May 2017 and was appointed as Statutory Auditor by the Shareholders' Meeting held on 4 December 2017.

(2) She took office under Article 2401 of the Italian Civil Code in replacement of Ms. Maria Enrica Spinardi who resigned on 26 October 2017 and was appointed as Statutory Auditor by the Shareholders' Meeting held on 4 December 2017.

(3) Appointed by the Shareholders' Meeting held on 4 December 2017.

# Governance organisational structure

## Share capital

As at 31 December 2018, the fully subscribed and paid up UniCredit share capital amounted to Euro 20,940,398,466.81, divided into 2,230,176,665 ordinary shares with no nominal value. The ordinary shares are issued in a dematerialized form and are indivisible as well as freely transferable.

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

## Major Shareholders

On the basis of the results from the Shareholders Register, completed with the communications received according to Section 120 of the TUF and other information known to the Company, the relevant equity holdings, direct and indirect, as at 31 December 2018 were as follows.

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

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
Mubadala Investment Company PJSC	Aabar Luxembourg S.a.r.l.	5.028%	5.028%

## Participation Rights

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

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

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

# Senior management team reorganisation

UniCredit announced the reorganisation of its senior management team, to support the development of its 2020-23 strategic plan.

The reorganisation project, approved by the UniCredit board of directors on 6 February 2019, aims to continue the streamlining process initiated with Transform 2019, and will ensure that the management team who will deliver the next 2020-23 plan will have full ownership of the new strategy from the very outset of the planning process.



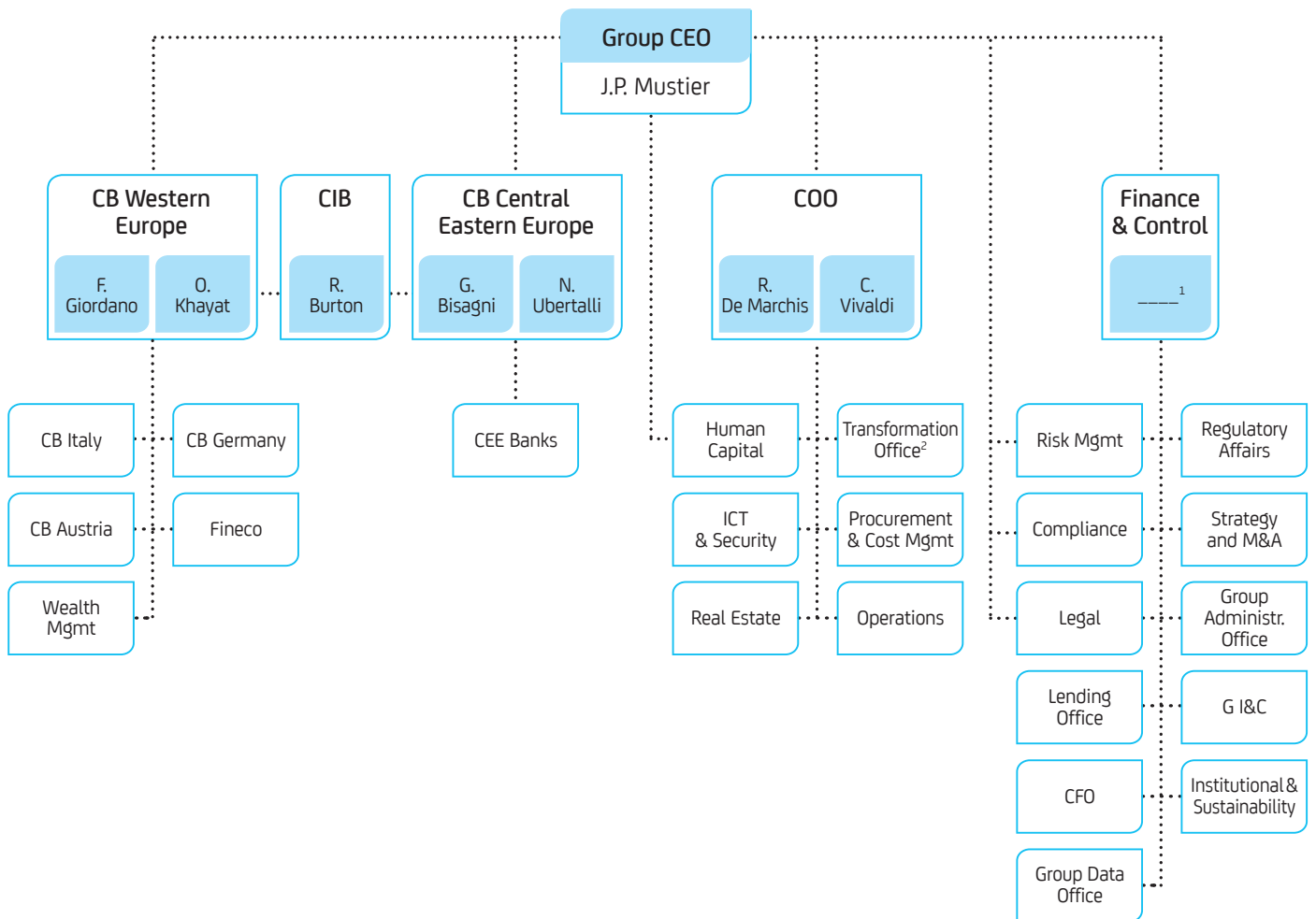
## **Jean Pierre Mustier, Group CEO:**

*As we reach the final stretch of our Transform 2019 marathon, nearing the achievement of our key financial and operational targets, it is now time to actively prepare for the next strategic cycle. Our overarching objective is to create sustained value for all our stakeholders, primarily through proactive self help actions focused on the development of our activities and continued optimisation of our processes, to ensure UniCredit remains a pan-European winner. This begins with an even more energised leadership team, and a changed leadership structure that will bring this new strategy to fruition. We will build the next phase of the Group's long term transformational journey capitalising on our Transform 2019 achievements with an even stronger focus on commercial banking supported by the Group's successfully plugged in CIB. We shall also continue the comprehensive review and digitalisation of our processes and roll-out an even more proactive and enhanced Group-wide customer service.*

By further streamlining the management structure with fewer direct reports, the CEO will be able to fully focus on the new strategy, drive the transformation process as well as actively contribute to the development of the next generation of UniCredit managers.

The new organisational project will be effective before the end of March.

## New organisation setup



1. Ad interim covered by Group CEO.  
2. Mrs. Kuetz, will become deputy COO.



# Senior Management Team



**JEAN PIERRE MUSTIER**  
Chief Executive Officer



**GIANPAOLO ALESSANDRO**  
Head of Group Legal Secretary of the BoD



**CARLO APPETITI**  
Group Compliance Officer



**MAURIZIO BERETTA**  
Head of Group Institutional Affairs & Sustainability



**MIRKO BIANCHI**  
Group Chief Financial Officer



**GIANFRANCO BISAGNI**  
Designated Co-CEO Commercial Banking CEE




**MARCO BIZZOZERO**  
CEO Group Wealth Management



**RICHARD BURTON**  
Designated CEO CIB Division



**ANDREA CASINI**  
Co-CEO Commercial Banking Italy



**PAOLO CORNETTA**  
Head of Group Human Capital



**SERENELLA DE CANDIA\***  
Head of Internal Audit



**RANIERI DE MARCHIS**  
Co-Chief Operating Officer



**MICHAEL DIEDERICH**  
CEO Commercial Banking Germany





**FRANCESCO  
GIORDANO**

Designated Co-CEO  
Commercial Banking WEu



**AURELIO  
MACCARIO**

Head of Group  
Regulatory Affairs



**ANDREA FRANCESCO  
MAFFEZZONI**

Head of Strategy  
and M&A



**MAXIMILIAN  
HOHENBERG**

Head of Group Identity  
& Communication



**OLIVIER  
KHAYAT**

Designated Co-CEO  
Commercial Banking WEu



**FINJA CAROLIN  
KÜTZ**

Designated Deputy COO  
Chief Transformation Officer



**TJ  
LIM**

Group Chief Risk  
Officer



**STEFANO  
PORRO**

Designated Head of Group  
Administrative & Analytics Office



**GIOVANNI  
RONCA**

Co-CEO Commercial  
Banking Italy



**ANDREA UMBERTO  
VARESE**

Chief Lending Officer



**CARLO  
VIVALDI**

Designated Co-Chief  
Operating Officer



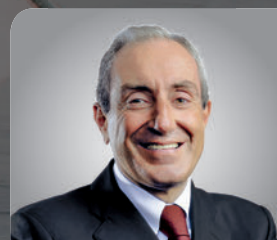
**NICCOLÒ  
UBERTALLI**

Designated Co-CEO  
Commercial Banking CEE



**ROBERT  
ZADRAZIL**

CEO Commercial  
Banking Austria



**ALESSANDRO  
FOTI\*\***

CEO Fineco

\* Not EMC Member  
\*\* EMC Permanent Guest

# Group Management Team

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

	<p><b>Enrico Maria Minniti</b> General Manager - Bulgaria</p> <p><b>Mihály Patai</b> Chief Executive Officer - Hungary</p> <p><b>Rasvan Radu</b> Chief Executive Officer - Romania</p> <p><b>Luca Rubaga</b> Head of CEE GBS &amp; CEE CIO</p> <p><b>Arcangelo Michele Vassallo</b> Head of CEE Bank Assurance</p> <p><b>Ivan Vlahe</b> Head of CEE Retail</p> <p><b>Miljenko Zivaljic</b> Chief Executive Officer - Croatia</p> <p><b>Feza Tan **</b> Chief Executive Officer - Serbia</p> <p><b>Gordan Pehar **</b> Chief Executive Officer - Banja Luka</p> <p><b>Dalibor Cubela **</b> Chief Executive Officer - Mostar</p> <p><b>Stefan Vavti **</b> Chief Executive Officer - Slovenia</p>	<p><b>Susanne Wendler</b> Unternehmerbank (Corporate Banking)</p> <p><i>COUNTRY GERMANY – UNICREDIT BANK AG</i> <b>Sandra Betocchi</b> Chief Operating Officer</p> <p><b>Markus Beumer</b> Head of Commercial Banking</p> <p><b>Diego Biondo</b> Head of SRM</p> <p><b>Emanuele Butta'</b> Head of Commercial Banking (Privatkunden Bank)</p> <p><b>Ljiljana Cortan</b> Chief Risk Officer</p> <p><b>Joachim Dobrikat</b> Head Of Accounting, Shareholdings &amp; Reg. Reporting</p> <p><b>Andreas Frueh</b> Head of Legal, Corporate Affairs &amp; Documentation</p> <p><b>Jan Kupfer</b> Head of Corporate &amp; Investment Banking</p> <p><b>Angelika Plauk</b> Head of Audit Management</p> <p><b>Georg Rohleder</b> Head of Human Capital &amp; Corporate Activities</p> <p><b>Guglielmo Zadra</b> Chief Financial Officer</p> <p><i>FINECOBANK</i> <b>Mauro Albanese</b> Head of Commercial PFA Network and Private Banking</p> <p><b>Paolo Di Grazia</b> Deputy General Manager and Head of Global Business</p> <p><b>Fabio Milanese</b> Deputy General Manager and Head of Global Banking Services</p> <p><b>Lorena Pelliciarì</b> Chief Financial Officer</p> <p><i>ITALY</i> <b>Andrea Burchi</b> Regional Manager Centro Nord</p> <p><b>Giovanni Forestiero</b> Regional Manager Centro</p> <p><b>Elena Goitini</b> Regional Manager Sud</p> <p><b>Lucio IZZI</b> Head of Corporate Sales &amp; Marketing</p>
<b>EXECUTIVE VICE PRESIDENT</b>	<p><i>CORPORATE &amp; INVESTMENT BANKING</i> <b>Giuseppe Aquaro</b> Head of CIB Business and Process Transformation</p> <p><b>Luca Corsini</b> Global Head of Global Transaction Banking</p> <p><b>Alfredo Maria De Falco</b> Head of CIB Italy</p> <p><b>Jérôme Frizé</b> Head of Financial Institutions Groups</p> <p><b>Guy Laffineur</b> Head of Markets</p> <p><b>Patrick Soulard</b> Country Head France</p> <p><i>COUNTRY AUSTRIA – UNICREDIT BANK AUSTRIA AG</i> <b>Romeo Collina</b> Chief Operating Officer</p> <p><b>Dieter Hengl</b> Head of CIB Network Austria</p> <p><b>Juergen Kullnigg</b> Chief Risk Officer</p> <p><b>Mauro Maschio</b> Privatkundenbank (Retail, Small Business, Private)</p> <p><b>Doris Tomanek</b> Head of HR Austria</p>	
<b>CENTRAL EASTERN EUROPE</b>	<p><b>Mikhail Alekseev</b> Chief Executive Officer - Russia</p> <p><b>Graziano Cameli</b> General Manager - Russia</p> <p><b>Claudio Cesario</b> General Manager - Croatia</p> <p><b>Marco Cravario</b> General Manager - Romania</p> <p><b>Andrea Diamanti</b> Head of CEE CIB &amp; PB</p> <p><b>Levon Hampartzoumian</b> Chief Executive Officer - Bulgaria</p> <p><b>Marco Iannaccone</b> General Manager - Hungary</p> <p><b>Paolo Iannone</b> Deputy Chief Executive Officer - Czech Republic &amp; Slovakia</p> <p><b>Jiri Kunert</b> Chief Executive Officer - Czech Republic &amp; Slovakia</p>	

**Salvatore Malandrino**  
Regional Manager Sicilia

**Salvatore Pisconti**  
Head of Private Banking Sales & Advisory

**Giovanni Solaroli**  
Regional Manager Lombardia

**Remo Taricani**  
Head of Retail Sales & Marketing

*GROUP WEALTH MANAGEMENT*  
**Gaspere Amico**  
Head of GWM Strategy, Business  
Management & Development

**Paolo Lange'**  
Cordusio SIM - Chief Executive Officer

CEO FUNCTIONS

*GROUP COMPLIANCE*  
**Martin Boehm**  
Head of Group CIB Compliance

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

*GROUP HUMAN CAPITAL*  
**Angelo Carletta**  
Head of HR COO Area

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

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

**Ivan Tardivo**  
Head of HR CIB

**Andrea Vintani**  
Head of Planning & Reward and Human  
Capital Development

*GROUP IDENTITY & COMMUNICATION*  
**Laura Spotorno**  
Head of Group Internal Communication

*GROUP LEGAL*  
**Leila Canetta Roeder**  
Head of Group CIB Legal

*GROUP LENDING OFFICE*  
**Mario Agostini**  
Head of CLO Italy

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

**Andreas Mayer**  
Head of Group Credit Transactions

*GROUP RISK MANAGEMENT*  
**Davide Bazzarello**  
Head of Group Credit & Integrated Risks

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

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

**Wolfgang Schilk**  
Head of CRO CEE

*COO AREA*  
**Alessandro Brusadelli**  
Head of Group Finance

**Stefano Ceccacci**  
Head of Group Tax Affairs

**Mihaela Alina Lupu**  
Head of Group Planning, Capital Management  
& Strategic ALM

**Simone Marcucci**  
Head of Global Business Planning & Control

**Roberto Monachino**  
Head of Group Data Office

**Fabio Cesaretti**  
UniCredit Services - CIO CIB and Germany

**Paolo Chiaverini**  
UniCredit Services - Head of Global Operations

**Salvatore Greco**  
Head of Group Real Estate

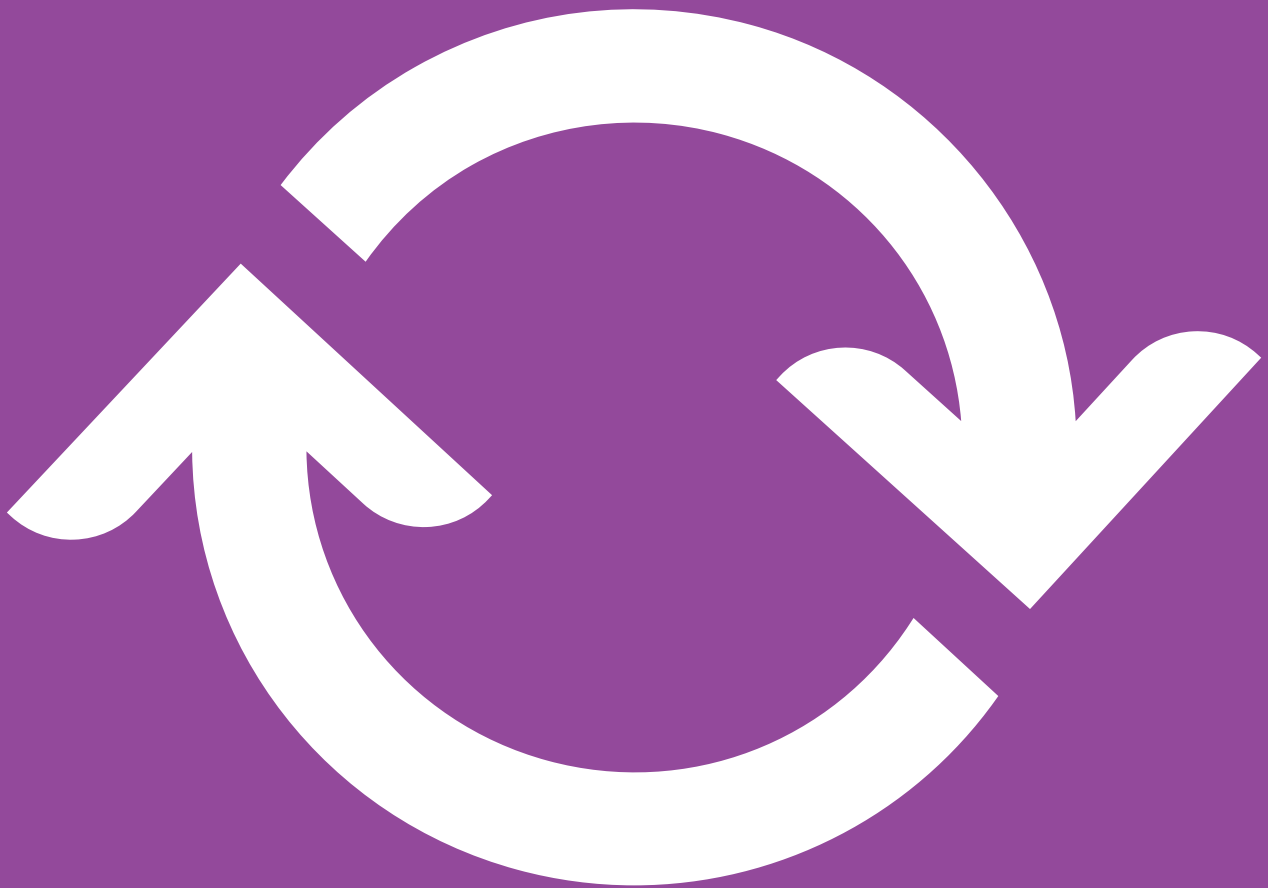
**Marcello Vittorio Ronco**  
UniCredit Services - CIO Commercial Banking  
& Italy

**Daniele Tonella**  
UniCredit Services - Chief Executive Officer

**Stefan Vogt**  
Head of Group ICT & Security Office

\* Data as at February 1, 2019  
\*\* SVP Group Title

# Transform operating model.



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

## Consolidated accounts

## Consolidated balance sheet

(€ '000)

ASSETS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
10. Cash and cash balances	30,991,361	64,493,411
20. Financial assets at fair value through profit or loss:	86,137,755	
a) financial assets held for trading	65,231,474	
b) financial assets designated at fair value	106	
c) other financial assets mandatorily at fair value	20,906,175	
<i>Financial assets held for trading (ex IAS39 Item 20)</i>		74,685,890
<i>Financial assets at fair value through profit or loss (ex IAS39 Item 30)</i>		22,073,343
30. Financial assets at fair value through other comprehensive income	88,280,157	
<i>Available-for-sale financial assets (ex IAS39 Item 40)</i>		104,101,031
40. Financial assets at amortised cost:	579,310,842	
a) loans and advances to banks	73,642,827	
b) loans and advances to customers	505,668,015	
<i>Held-to-maturity investments (ex IAS39 Item 50)</i>		6,277,022
<i>Loans and receivables with banks (ex IAS39 Item 60)</i>		70,982,743
<i>Loans and receivables with customers (ex IAS39 Item 70)</i>		447,726,913
50. Hedging derivatives	4,681,517	3,431,070
60. Changes in fair value of portfolio hedged items (+/-)	2,438,598	2,244,685
70. Equity investments	5,501,533	6,212,142
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	8,408,356	8,449,288
100. Intangible assets	3,507,246	3,385,310
<i>of which: goodwill</i>	1,483,721	1,483,721
110. Tax assets:	13,077,671	12,658,279
a) current	1,031,863	2,039,696
b) deferred	12,045,808	10,618,583
120. Non-current assets and disposal groups classified as held for sale	1,799,936	1,110,960
130. Other assets	7,333,752	8,957,637
<b>Total assets</b>	<b>831,468,724</b>	<b>836,789,724</b>



## Consolidated accounts

continued: Consolidated balance sheet

(€ '000)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	
	12.31.2018	12.31.2017
10. Financial liabilities at amortised cost:	686,036,242	
a) deposits from banks	125,895,243	
b) deposits from customers	478,987,709	
c) debt securities in issue	81,153,290	
<i>Deposits from banks (ex IAS39 Item 10)</i>		123,244,080
<i>Deposits from customers (ex IAS39 Item 20)</i>		462,895,261
<i>Debt securities in issue (ex IAS39 Item 30)</i>		98,602,632
20. Financial liabilities held for trading	43,111,236	
<i>Financial liabilities held for trading (ex IAS39 Item 40)</i>		55,783,725
30. Financial liabilities designated at fair value	9,317,731	
<i>Financial liabilities at fair value through profit or loss (ex IAS39 Item 50)</i>		3,010,529
40. Hedging derivatives	6,032,029	3,567,845
50. Value adjustment of hedged financial liabilities (+/-)	3,229,796	3,041,990
60. Tax liabilities:	824,740	1,092,905
a) current	401,717	651,263
b) deferred	423,023	441,642
70. Liabilities associated with assets classified as held for sale	539,987	184,829
80. Other liabilities	13,950,607	15,573,476
90. Provision for employee severance pay	697,592	917,284
100. Provisions for risks and charges:	10,960,983	8,650,468
a) commitments and guarantees given	1,140,057	
b) post-retirement benefit obligations	4,767,399	4,522,188
c) other provisions for risks and charges	5,053,527	4,128,280
110. Technical reserves	-	-
120. Valuation reserves	(7,489,131)	(4,327,092)
130. Redeemable shares	-	-
140. Equity instruments	4,610,073	4,610,073
150. Reserves	20,502,728	19,296,907
160. Share premium	13,392,918	13,399,799
170. Share capital	20,940,398	20,880,550
180. Treasury shares (-)	(8,826)	(2,695)
190. Minority shareholders' equity (+/-)	927,182	894,083
200. Profit (Loss) of the year (+/-)	3,892,439	5,473,075
<b>Total liabilities and shareholders' equity</b>	<b>831,468,724</b>	<b>836,789,724</b>

## Consolidated accounts

## Consolidated income statement

(€ '000)

ITEMS	AS AT	
	12.31.2018	12.31.2017
10. Interest income and similar revenues	15,219,793	14,759,711
<i>of which: interest income calculated with the effective interest method</i>	12,989,294	
20. Interest expenses and similar charges	(4,366,666)	(4,461,650)
<b>30. Net interest margin</b>	<b>10,853,127</b>	<b>10,298,061</b>
40. Fees and commissions income	8,165,441	7,663,454
50. Fees and commissions expenses	(1,295,370)	(1,271,029)
<b>60. Net fees and commissions</b>	<b>6,870,071</b>	<b>6,392,425</b>
70. Dividend income and similar revenues	412,939	314,807
80. Net gains (losses) on trading	416,633	
<i>Gains (Losses) on financial assets and liabilities held for trading (ex IAS39 Item 80)</i>		1,075,435
90. Net gains (losses) on hedge accounting	17,163	57,344
100. Gains (Losses) on disposal and repurchase of:	308,048	
a) financial assets at amortised cost	128,650	
b) financial assets at fair value through other comprehensive income	176,005	
c) financial liabilities	3,393	
<i>Gains (Losses) on disposal and repurchase of: (ex IAS39 Item 100)</i>		98,963
a) loans		(433,732)
b) available-for-sale financial assets		533,353
c) held-to-maturity investments		10
d) financial liabilities		(668)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	289,014	
a) financial assets/liabilities designated at fair value	411,248	
b) other financial assets mandatorily at fair value	(122,234)	
<i>Gains (Losses) on financial assets/liabilities at fair value through profit or loss (ex IAS39 Item 110)</i>		(91,007)
<b>120. Operating income</b>	<b>19,166,995</b>	<b>18,146,028</b>
130. Net losses/recoveries on credit impairment relating to:	(2,680,959)	
a) financial assets at amortised cost	(2,661,563)	
b) financial assets at fair value through other comprehensive income	(19,396)	
<i>Net losses/recoveries on impairment: (ex IAS39 Item 130)</i>		(2,412,669)
a) loans		(2,090,607)
b) available-for-sale financial assets		(334,642)
c) held-to-maturity investments		6,387
d) other financial assets		6,193
140. Gains/Losses from contractual changes with no cancellations	(3,002)	
<b>150. Net profit from financial activities</b>	<b>16,483,034</b>	<b>15,733,359</b>
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
<b>180. Net profit from financial and insurance activities</b>	<b>16,483,034</b>	<b>15,733,359</b>

# Consolidated accounts

continued: Consolidated income statement

(€ '000)

ITEMS	AS AT	
	12.31.2018	12.31.2017
190. Administrative expenses:	(11,488,781)	(12,069,279)
a) staff costs	(6,436,912)	(6,930,132)
b) other administrative expenses	(5,051,869)	(5,139,147)
200. Net provisions for risks and charges:	(1,523,003)	(508,576)
a) commitments and financial guarantees given	(19,037)	
b) other net provisions	(1,503,966)	(508,576)
210. Net value adjustments/write-backs on property, plant and equipment	(606,074)	(759,679)
220. Net value adjustments/write-backs on intangible assets	(425,217)	(407,384)
230. Other operating expenses/income	1,018,489	1,035,651
<b>240. Operating costs</b>	<b>(13,024,586)</b>	<b>(12,709,267)</b>
250. Gains (Losses) of equity investments	(97,452)	576,326
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	956	(613)
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals on investments	231,421	99,835
<b>290. Profit (Loss) before tax from continuing operations</b>	<b>3,593,373</b>	<b>3,699,640</b>
300. Tax (expenses) income of the year from continuing operations	501,694	(595,662)
<b>310. Profit (Loss) after tax from continuing operations</b>	<b>4,095,067</b>	<b>3,103,978</b>
320. Profit (Loss) after tax from discontinued operations	13,515	2,681,598
<b>330. Profit (Loss) of the year</b>	<b>4,108,582</b>	<b>5,785,576</b>
340. Minority profit (loss) of the year	(216,143)	(312,501)
<b>350. Parent Company's profit (loss) of the year</b>	<b>3,892,439</b>	<b>5,473,075</b>
Earnings per share (€)	1.712	2.794
Diluted earnings per share (€)	1.704	2.779

## Consolidated accounts

## Consolidated statement of other comprehensive income

(€ '000)

ITEMS	AS AT	
	12.31.2018	12.31.2017
<b>10. Profit (Loss) of the year</b>	<b>4,108,582</b>	<b>5,785,576</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>		
20. Equity instruments designated at fair value through other comprehensive income	15,810	
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	120,104	
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	(297,712)	238,653
80. Non-current assets and disposal groups classified as held for sale	-	(45)
90. Portion of valuation reserves from investments valued at equity method	(2,181)	(17,895)
<b>Other comprehensive income after tax reclassified to profit or loss</b>		
100. Foreign investments hedging	-	-
110. Foreign exchange differences	(386,090)	306,928
120. Cash flow hedging	(130,101)	(126,985)
130. Hedging instruments (non-designated items)	-	
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(1,289,667)	
<i>Available-for-sale financial assets:(ex IAS39 Item 100)</i>		(84,396)
150. Non-current assets and disposal groups classified as held for sale	-	40,960
160. Part of valuation reserves from investments valued at equity method	(829,057)	(456,037)
<b>170. Total other comprehensive income after tax</b>	<b>(2,798,894)</b>	<b>(98,817)</b>
<b>180. Other comprehensive income (Item 10+170)</b>	<b>1,309,688</b>	<b>5,686,759</b>
190. Minority consolidated other comprehensive income	(214,741)	(522,041)
<b>200. Parent Company's consolidated other comprehensive income</b>	<b>1,094,947</b>	<b>5,164,718</b>

## Consolidated accounts

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

	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Share capital:					
- ordinary shares	21,200,353	-	21,200,353	-	-
- other shares	2,368	-	2,368	-	-
Share premium	13,488,060	-	13,488,060	-	-
Reserves:					
- from profits	11,519,736	(3,011,723)	8,508,013	4,923,995	-
- other	7,950,530	-	7,950,530	-	-
Valuation reserves	(4,329,035)	(325,404)	(4,654,439)	-	-
Advanced dividends	-	-	-	-	-
Equity instruments	4,610,073	-	4,610,073	-	-
Treasury shares	(2,961)	-	(2,961)	-	-
Profit (Loss) of the year	5,785,576	-	5,785,576	(4,923,995)	(861,581)
<b>Total shareholders' equity</b>	<b>60,224,700</b>	<b>(3,337,127)</b>	<b>56,887,573</b>	<b>-</b>	<b>(861,581)</b>
Group shareholders' equity	59,330,617	(3,327,358)	56,003,259	-	(714,559)
Minority shareholders' equity	894,083	(9,769)	884,314	-	(147,022)

The column change in opening balances includes the reclassification and remeasurement effects resulting from the first time adoption of accounting principle IFRS9.

It should be noted that these effects include a negative impact for €198 million related to a company consolidated using the equity method totally compensated by previous impairment reversal. Furthermore, it is worth specifying that due to deposits certificates reclassification, performed in order to grant the homogeneous classification within the Group, the accumulated changes in fair value related to the own credit risk for €21 million have been accounted with negative impact in revaluation reserves with a corresponding positive effect under other reserves. Refer to "Transition to 'IFRS9 Financial Instruments' of UniCredit group", General - Other matters, for further details.

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

The cumulated change of revaluation reserve includes the negative effect for €299 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the negative effects of the cash flow hedges reserve for €130 million and the negative effect of financial asset and liabilities at fair value for €1,186 million.

This cumulated change includes furthermore the negative effect of exchange differences reserve for €386 million, mainly related to negative effect of Ruble for €352 million and the negative change in the valuation reserve of the companies accounted for using the equity method for €838 million, mainly due to the depreciation of the items in Turkish Lira for €712 million.

The negative change of the other reserves includes the payment of coupon on AT1 equity instruments for €242 million.

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

For further details about the Shareholders' Equity changes see Part B - Consolidated Balance Sheet - Liabilities - Section 13 of the Consolidated Financial Statement, Note to the Consolidated Accounts.

## Consolidated accounts

(€ '000)

CHANGES IN RESERVES	CHANGES IN THE YEAR									TOTAL SHAREHOLDERS' EQUITY AS AT 12.31.2018	GROUP SHAREHOLDERS' EQUITY AS AT 12.31.2018	MINORITY SHAREHOLDERS' EQUITY AS AT 12.31.2018
	SHAREHOLDERS' EQUITY TRANSACTIONS								OTHER COMPREHENSIVE INCOME 2018			
	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS				
(14,490)	62,216	-	-	-	-	-	-	-	-	21,248,079	20,940,398	307,681
-	-	(2,368)	-	-	-	-	-	-	-	-	-	-
(8,291)	-	-	-	-	-	-	-	-	-	13,479,768	13,392,918	86,850
53,700	(59,849)	-	-	-	-	-	-	-	-	13,425,860	13,221,839	204,021
(613,235)	-	-	-	-	-	70,465	-	-	-	7,407,760	7,280,889	126,871
(40,886)	-	-	-	-	-	-	-	-	(2,798,894)	(7,494,219)	(7,489,131)	(5,088)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	4,610,073	4,610,073	-
(15,161)	-	-	-	-	-	-	-	-	-	(18,122)	(8,826)	(9,296)
-	-	-	-	-	-	-	-	-	4,108,582	4,108,582	3,892,439	216,143
<b>(638,364)</b>	<b>2,368</b>	<b>(2,368)</b>	-	-	-	<b>70,465</b>	-	-	<b>1,309,688</b>	<b>56,767,781</b>	<b>55,840,599</b>	<b>927,182</b>
(615,562)	2,368	(2,368)	-	-	-	70,465	2,049	1,094,947	1,094,947	55,840,599		
(22,802)	-	-	-	-	-	-	(2,049)	214,741	214,741	927,182		



## Consolidated accounts

## Statement of changes in the consolidated shareholders' equity as at 31 December 2017

	BALANCE AS AT 12.31.2016	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2017	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Share capital:					
- ordinary shares	21,371,076	-	21,371,076	-	-
- other shares	8,517	-	8,517	-	-
Share premium	15,833,467	-	15,833,467	(11,460,133)	-
Reserves:					
- from profits	13,648,993	-	13,648,993	(67,363)	-
- other	5,531,632	-	5,531,632	-	-
Valuation reserves	(4,255,598)	-	(4,255,598)	-	-
Advanced dividends	-	-	-	-	-
Equity instruments	2,383,463	-	2,383,463	-	-
Treasury shares	(6,935)	-	(6,935)	-	-
Profit (Loss) of the year	(11,326,313)	-	(11,326,313)	11,527,496	(201,183)
<b>Total shareholders' equity</b>	<b>43,188,302</b>	<b>-</b>	<b>43,188,302</b>	<b>-</b>	<b>(201,183)</b>
Group shareholders' equity	39,335,550	-	39,335,550	-	(2,000)
Minority shareholders' equity	3,852,752	-	3,852,752	-	(199,183)

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

The cumulated change of revaluation reserve includes the positive effect for €239 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the negative effect of €84 million of the reserve on AFS financial assets, the negative effects of the cash flow hedges reserve for €127 million and the positive effects of the reserve on non-current assets classified as held for sale for €68 million mainly due to the sale of the Polish subsidiary and to the disposal to Amundi of the subsidiaries belonging to Pioneer group.

This change includes furthermore the positive effect of exchange differences reserve for €307 million, mainly related to the reduction for €494 million of the negative exchange differences reserve of Zloty, €310 million referred to Group portion, related to the Polish subsidiary due to the loss of control occurred on 7 June 2017 partially net by the negative effect of Ruble for €219 million. In addition this positive effect is partly net of the negative change in the valuation reserve of the companies accounted for using the equity method for €475 million, mainly due to the depreciation of the items in Turkish Lira for €427 million.

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

The changes in shareholdings relate to the effects of the disposal of Bank Pekao S.A. share (1.04%) due to the early redemption of "Secured mandatorily exchangeable equity-linked certificate" occurred in the first quarter of 2017 before loss of control on 7 June 2017 following the sale of 32.8% to Powszechny Zakład Ubezpieczeń S.A and Polish Development Fund S.A.

## Consolidated accounts

(€ '000)

CHANGES IN RESERVES	CHANGES IN THE YEAR									TOTAL SHAREHOLDERS' EQUITY AS AT 12.31.2017	GROUP SHAREHOLDERS' EQUITY AS AT 12.31.2017	MINORITY SHAREHOLDERS' EQUITY AS AT 12.31.2017
	SHAREHOLDERS' EQUITY TRANSACTIONS											
	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	OTHER COMPREHENSIVE INCOME 2017			
(213,836)	39,805	-	-	-	-	-	-	3,307	-	21,200,353	20,878,182	322,171
-	(6,149)	-	-	-	-	-	-	-	-	2,368	2,368	-
(3,891,425)	12,983,565	-	-	-	-	-	-	-	22,586	13,488,060	13,399,799	88,261
(2,105,128)	(17,588)	-	-	-	-	-	-	-	60,821	11,519,736	11,473,248	46,488
2,340,559	-	-	-	-	-	-	78,339	-	-	7,950,530	7,823,659	126,871
25,380	-	-	-	-	-	-	-	-	(98,817)	(4,329,035)	(4,327,092)	(1,943)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,226,610	-	-	-	-	4,610,073	4,610,073	-
3,974	-	-	-	-	-	-	-	-	-	(2,961)	(2,695)	(266)
-	-	-	-	-	-	-	-	-	5,785,576	5,785,576	5,473,075	312,501
<b>(3,840,476)</b>	<b>12,999,633</b>	-	-	-	<b>2,226,610</b>	-	<b>78,339</b>	<b>86,714</b>	<b>5,686,759</b>	<b>60,224,700</b>	<b>59,330,617</b>	<b>894,083</b>
(501,227)	12,999,633	-	-	-	2,226,610	-	78,339	28,992	5,164,718	59,330,617		
(3,339,249)	-	-	-	-	-	-	-	57,722	522,041	894,083		

## Consolidated accounts

## Consolidated cash flow statement (indirect method)

(€ '000)

	AS AT	
	12.31.2018	12.31.2017
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations:</b>	<b>8,565,661</b>	<b>10,370,919</b>
- profit (loss) of the period (+/-)	3,892,439	5,473,075
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(2,202,705)	-
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-) (ex IAS39)	-	212,862
- gains (losses) on hedge accounting (-/+)	(17,163)	(57,344)
- net losses/recoveries on impairment (+/-)	4,485,919	-
- net losses/recoveries on impairment (+/-) (ex IAS39)	-	4,345,256
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	1,030,335	1,167,676
- net provisions for risks and charges and other expenses/income (+/-)	1,044,621	-
- provisions and other incomes/expenses (+/-) (ex IAS39)	-	390,210
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	(728,803)	274,083
- impairment/write-backs after tax on discontinued operations (+/-)	(19,484)	(1,739,601)
- other adjustments (+/-)	1,080,502	304,702
<b>2. Liquidity generated/absorbed by financial assets:</b>	<b>(39,033,291)</b>	<b>19,635,267</b>
- financial assets held for trading	10,559,453	-
- financial assets held for trading (ex IAS39)	-	12,571,386
- financial assets designated at fair value	(96)	-
- other financial assets mandatorily at fair value	6,153,236	-
- financial assets at fair value (ex IAS39)	-	6,559,653
- financial assets at fair value through other comprehensive income	10,436,086	-
- available-for-sale financial assets (ex IAS39)	-	5,611,395
- financial assets at amortised cost	(68,600,901)	-
- loans and receivables with banks (ex IAS39)	-	3,217,078
- loans and receivables with customers (ex IAS39)	-	(6,606,690)
- other assets	2,418,931	(1,717,555)
<b>3. Liquidity generated/absorbed by financial liabilities:</b>	<b>(491,896)</b>	<b>2,493,222</b>
- financial liabilities at amortised cost	6,386,534	-
- deposits from banks (ex IAS39)	-	20,608,680
- deposits from customers (ex IAS39)	-	9,747,803
- debt certificates including bonds (ex IAS39)	-	(16,163,807)
- financial liabilities held for trading	(7,373,824)	-
- financial liabilities held for trading (ex IAS39)	-	(12,544,782)
- financial liabilities designated at fair value	1,634,897	-
- financial liabilities designated at fair value (ex IAS39)	-	513,797
- other liabilities	(1,139,503)	331,531
<b>Net liquidity generated/absorbed by operating activities</b>	<b>(30,959,526)</b>	<b>32,499,408</b>

## Consolidated accounts

continued: Consolidated cash flow statement (indirect method)

(€ '000)

	AS AT	
	12.31.2018	12.31.2017
<b>B. INVESTMENT ACTIVITIES</b>	-	-
<b>1. Liquidity generated by:</b>	<b>841,857</b>	<b>7,694,211</b>
- sales of equity investments	14,147	44,937
- collected dividends on equity investments	182,892	131,409
- sales of property, plant and equipment	376,723	291,830
- sales of intangible assets	6,225	12,790
- sales of subsidiaries and business units	261,870	7,176,545
- sales of financial assets held to maturity (ex IAS39)	-	36,700
<b>2. Liquidity absorbed by:</b>	<b>(2,061,504)</b>	<b>(3,898,008)</b>
- purchases of equity investments	(484,934)	(57,322)
- purchases of property, plant and equipment	(1,007,528)	(781,419)
- purchases of intangible assets	(569,042)	(627,462)
- purchases of subsidiaries and business units	-	-
- purchases of financial assets held to maturity (ex IAS39)	-	(2,431,805)
<b>Net liquidity generated/absorbed by investment activities</b>	<b>(1,219,647)</b>	<b>3,796,203</b>
<b>C. FUNDING ACTIVITIES</b>	-	-
- issue/purchase of treasury shares	-	12,590,744
- issue/purchase of equity instruments	-	2,226,610
- dividend distribution and other	(1,300,584)	(477,993)
- sale/purchase of minority control	-	-
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(1,300,584)</b>	<b>14,339,361</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR</b>	<b>(33,479,757)</b>	<b>50,634,972</b>

## Reconciliation

(€ '000)

ITEMS	AS AT	
	12.31.2018	12.31.2017
<b>Cash and cash balances at the beginning of the year</b>	<b>64,493,411</b>	<b>13,857,831</b>
Net liquidity generated/absorbed in the year	(33,479,757)	50,634,972
Cash and cash balances: foreign exchange effect	(22,293)	608
<b>Cash and cash balances at the end of the year</b>	<b>30,991,361</b>	<b>64,493,411</b>

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

For further details related to the change of the Funding activities regarding the issue/purchase of equity instruments, refer to Part B - Consolidated balance sheet - Liabilities - Section 13 - Group shareholders' equity.

The item "Cash and cash equivalents" refers to the definition according to Banca d'Italia (Circular 262, 22 December 2005).

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



## Part A - Accounting policies

### A.1 - General

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

These Consolidated Accounts have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to 31 December 2018, pursuant to EU Regulation No.1606/2002 which was incorporated into Italian legislation through Legislative Decree No.38 of 28 February 2005 (see Section 5 - Other matters).

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

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

Banca d'Italia issued on 22 December 2017 the 5th update of its circular 262 adjusting the formats for the financial statements and explanatory notes to the requirements of IFRS 9 Financial Instruments.

Please note that as a result of the first time adoption of the new accounting standard IFRS9 and the choice not to restate the previous period, the templates and the tables in the notes prescribed by the mentioned circular have been integrated with additional items in order to allow comparisons with the previous period that has been presented according to IAS39 standard and to Circular 262 (4th update of 15 December 2015).

Opening balances shown in tables of the notes to the consolidated accounts are the ones coming from the first time adoption of the new accounting standard IFRS9.

In addition, with reference to Part E – Information on risks and hedging policies, the abovementioned circumstances have required the choice not to provide the comparison with the previous period with reference to certain tables whose content is not comparable with previous period tables.

#### Section 2 - General preparation criteria

As mentioned above, these Consolidated Accounts have been prepared in accordance with the IFRS endorsed by the European Commission. The following documents have been used to interpret and support the application of IFRS, even though not all of them have been endorsed by the European Commission:

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRSs;
- Interpretative documents on the application of IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- ESMA (European Securities and Markets Authority) and CONSOB documents on the application of specific IFRS provisions.

The Consolidated Accounts include the Balance Sheet, the Income Statement, the Statement of Other Comprehensive Income, the Statement of changes in Shareholders' Equity, the Cash Flow Statement (compiled using the "indirect method") and the Notes to the Accounts, together with the Consolidated Report on Operations and Annexes.

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

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

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

Figures in the financial statements and Notes to the Accounts are given in **thousands of euros**, unless otherwise specified.

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

In this regard, the Directors, based on the 2016-2019 Strategic Plan as well as on the results of the capital increase fully subscribed with effect from 2 March 2017, identified no symptoms in the capital and financial structure and in the economic performance that could indicate uncertainty about the ability to continue as a going-concern and therefore believe with reasonable certainty that the Group will continue to operate profitably in the foreseeable future; as a result, in accordance with the provisions of IAS1, the Consolidated Financial Statements as at 31 December 2018 have been prepared on a going-concern basis.



## Part A - Accounting policies

The measurement criteria adopted are therefore consistent with the assumption that the business is a going-concern and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form. These criteria have not changed compared with the previous year.

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

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

In particular estimated figures have been used for the recognition of some of the largest value-based items in the Consolidated Accounts at 31 December 2018, as required by the accounting policies and regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going-concern, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted confirm the carrying values at 31 December 2018. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment.

The parameters and information used to check the above-mentioned values were therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying values cannot be ruled out.

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

Uncertainty affecting estimates is generally inherent in the measurement of:

- fair value of financial instruments not listed in active markets;
- loans and receivables, equity investments and, in general, any other financial assets/liabilities;
- severance pay (Italy) and other employee benefits;
- provisions for risks and charges and contingent assets (for more information on legal risks see Part E – Par. 1.5 Operational risk);
- goodwill and other intangible assets;
- deferred tax assets;
- investment properties;

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

Please note that the economic and political uncertainty in Turkey and Russia were taken into account during the assessment of the net assets owned by the Group in these countries. Please see Part E - Information on risks and hedging policies - Section 5 - Other Risks - Top and emerging risks.

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

With specific reference to future cash flow projections used in the valuation of goodwill, other intangible assets and deferred tax assets, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change in unpredictably. For further information see Part B - Consolidated Balance Sheet - Assets - Section 10 - Intangible assets.

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

## Part A - Accounting policies

### Section 3 - Consolidation scope and methods

The consolidation criteria and principles used to prepare the Consolidated accounts as at 31 December 2018 are described below.

#### Consolidated Accounts

For the preparation of the Consolidated accounts as at 31 December 2018 the following sources have been used:

- UniCredit S.p.A. draft accounts as at 31 December 2018;
- the accounts as at 31 December 2018, approved by the competent bodies and functions, of the other fully consolidated subsidiaries duly reclassified and adjusted to take account of consolidation needs and, where necessary, to align them to the Group accounting principles;
- the sub-consolidated Accounts of Nuova Compagnia di Partecipazioni Group, including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italtipetroli S.p.A.), and Capital Dev Group, including Capital Dev S.p.A., and their direct and indirect subsidiaries, as at 31 December 2018.

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

The accounts and Explanatory Notes of the main fully consolidated subsidiaries prepared under IAS/IFRS are subject to limited review by leading audit companies.

#### Subsidiaries

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

Control over an entity entails:

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

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

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

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

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

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

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

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

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

## Part A - Accounting policies

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

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

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

### Joint arrangements

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

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

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

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

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

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

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

### Associates

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

Significant influence is presumed when the investor:

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

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

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

### Equity Method

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

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

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

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

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

## Part A - Accounting policies

## 1. Investments in Subsidiaries

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
<b>A. LINE BY LINE METHOD</b>						
1 UNICREDIT SPA Issued capital EUR 20,940,398,466.81	MILAN	MILAN		HOLDING		
2 A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG Issued capital EUR 613,550	MUNICH	MUNICH	1	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	100.00	
3 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	1.89
				SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	100.00	98.11
4 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	100.00	98.11
				ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	1.89
5 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	1.89
				HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	98.11
6 AGROB IMMOBILIEN AG Issued capital EUR 11,689,200	ISMANING	ISMANING	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	52.72	75.02
7 AI BETEILIGUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
8 ALLEGRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
9 ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
10 ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
11 ALMS LEASING GMBH. Issued capital EUR 36,000	VIENNA	SALZBURG	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
12 ALPINE CAYMAN ISLANDS LTD. Issued capital EUR 798	GRAND CAYMAN	GEORGE TOWN	1	UNICREDIT BANK AUSTRIA AG	100.00	
13 ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	<sup>(3)</sup>
14 ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
15 AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD Issued capital RSD 98,672,974	BELGRADE	BELGRADE	1	UCTAM D.O.O. BEOGRAD	100.00	
16 ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
17 ANTHEMIS EVO LLP Issued capital EUR 30,904,702	LONDON	LONDON	4	UNICREDIT SPA	..	<sup>(3)</sup>
18 AO LOCAT LEASING RUSSIA Issued capital RUR 106,998,000	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
19 AO UNICREDIT BANK Issued capital RUR 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT SPA	100.00	
20 ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
21 ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
22 ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
23 ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
24 ATLANTERRA IMMOBILIENVERWALTUNGS GMBH Issued capital EUR 1,023,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	90.00	
25 AUSTRIA LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.40	
				GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.40	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
26 BA ALPINE HOLDINGS, INC. Issued capital USD 74,435,918	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AUSTRIA AG	100.00	
27 BA BETRIEBSOBJEKTE GMBH Issued capital EUR 5,630,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
28 BA CA LEASING (DEUTSCHLAND) GMBH Issued capital EUR 153,388	HAMBURG	HAMBURG	1	UNICREDIT LEASING SPA	94.90	
				THROUGH A TRUST COMPANY OUTSIDETHE GROUP	5.10	(4)
29 BA CA SECUND LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
30 BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 363,364	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
31 BA GEBAEUDEVERMIEITUNGSGMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH	89.00	
				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
				PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
32 BA GVG-HOLDING GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
33 BA IMMO GEWINNSCHEIN FONDS1	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
34 BA-CA ANDANTE LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
35 BA-CA FINANCE (CAYMAN) II LIMITED Issued capital EUR 15,000	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
36 BA-CA FINANCE (CAYMAN) LIMITED Issued capital EUR 15,000	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
37 BA-CA LEASING DREI GARAGEN GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
38 BA-CA LEASING MAR IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

## Part A - Accounting policies

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



## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
58 BANK AUSTRIA FINANZSERVICE GMBH  Issued capital EUR 490,542	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
59 BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG  Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
60 BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				WOEM GRUNDSTUECKSVERTWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
61 BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
62 BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
63 BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
64 BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH  Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
65 BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH  Issued capital EUR 5,000,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
66 BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
67 BANK AUSTRIA WOHNBAUBANK AG  Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
68 BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
69 BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
70 BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG Issued capital EUR 0	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	1.00	
				CALG IMMOBILIEN LEASING GMBH	99.00	
71 BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA. Issued capital BRL 351,531	SAO PAULO	SAO PAULO	1	UNICREDIT SPA	100.00	
				UNICREDIT U.S. FINANCE LLC	..	
72 BERTRAM PROJEKT UNODECIMA TECHNIKZENTRUM GMBH & CO. KG Issued capital EUR 10,000	HANNOVER	HANNOVER	1	ROLIN GRUNDSTUECKSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH	87.00	
				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	6.00	
				WEALTHCAP MANAGEMENT SERVICES GMBH	1.00	
73 BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
74 BF NINE HOLDING GMBH  Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
75 BIL LEASING-FONDS GMBH & CO VELUM KG Issued capital EUR 2,556	GRUNWALD	GRUNWALD	1	BIL LEASING-FONDS VERWALTUNGS-GMBH	..	33.33
				UNICREDIT BANK AG	100.00	33.33
76 BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
77 BORGO DI PEROLLA SRL  Issued capital EUR 2,043,952	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
78 BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
79 BUITENGAATS HOLDING B.V.	EEMSHAVEN	EEMSHAVEN	4	BARD ENGINEERING GMBH	..	(3)
80 C.E.CO.S. COMPLETAMENTO EDILIZIO CORSO SICILIA SPA Issued capital EUR 103,300	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	100.00	
81 CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
82 CA-LEASING SENIOREN PARK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
83 CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
84 CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
85 CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
86 CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
87 CALG 443 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				CALG IMMOBILIEN LEASING GMBH	1.00	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
88 CALG 445 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.60	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.40	
89 CALG 451 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
90 CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
91 CALG ANLAGEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
92 CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG Issued capital EUR 2,326,378	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
93 CALG DELTA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
94 CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
95 CALG GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
96 CALG IMMOBILIEN LEASING GMBH Issued capital EUR 254,355	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

## Part A - Accounting policies

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

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		HOLDING %	VOTING RIGHTS % (2)
				HELD BY			
115 CORDUSIO SIM SPA Issued capital EUR 56,282,051	MILAN	MILAN	1	UNICREDIT SPA		96.1	(5)
116 CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA		100.00	
117 CORIT - CONCESSIONARIA RISCOSSIONE TRIBUTI S.P.A. IN LIQUIDAZIONE Issued capital EUR 1,243,732	ROME	ROME	1	UNICREDIT SPA		60.00	
118 CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA		100.00	
119 DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG		100.00	
120 DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.		100.00	
121 DEBO LEASING SRL Issued capital RON 724,400	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A. UNICREDIT LEASING CORPORATION IFN S.A.		0.01 99.99	
122 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH		100.00	
123 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT BETA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH		100.00	
124 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH		100.00	
125 DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG		100.00	
126 DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG		100.00	
127 DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH		100.00	
128 DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH		0.20 99.80	
129 DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH		0.20 99.80	
130 ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)
131 ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)
132 ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG		..	(3)
133 ELEKTRA PURCHASE NO. 32 S.A. - COMPARTEMENT 2	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG		..	(3)
134 ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)
135 ELEKTRA PURCHASE NO. 34 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)
136 ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG		..	(3)

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
137 ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
138 ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
139 ELEKTRA PURCHASE NO. 39 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
140 ELEKTRA PURCHASE NO. 41 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
141 ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
142 ELEKTRA PURCHASE NO. 44 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
143 ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
144 ELEKTRA PURCHASE NO. 48 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
145 ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
146 ELEKTRA PURCHASE NO. 55 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
147 ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
148 ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
149 ELEKTRA PURCHASE NO. 63 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
150 ELEKTRA PURCHASE NO. 718 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
151 ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
152 EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
153 EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
154 EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
155 EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
156 EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
157 EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
158 EUROPA BEFETETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) Issued capital HUF 100,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
159 EUROPA INGATLANBEFETETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)
160 EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
161 EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
162 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
163 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
164 FACTORBANK AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
165 FINECO ASSET MANAGEMENT DESIGNATED ACTIVITY COMPANY  Issued capital EUR 3,000,000	DUBLIN	DUBLIN	1	FINECOBANK SPA	100.00	
166 FINECO VERWALTUNG AG  Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
167 FINECOBANK SPA  Issued capital EUR 200,773,450	MILAN	REGGIO EMILIA	1	UNICREDIT SPA	35.35	
168 FINN ARSENAL LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.60	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	0.20	
169 FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG  Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
170 FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG  Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING KFT	75.00	
171 FMZ SIGMA PROJEKTENTWICKLUNGS GMBH  Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
172 FOLIA LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
173 FONDIARIA LASA SPA  Issued capital EUR 3,102,000	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
174 FOOD & MORE GMBH  Issued capital EUR 100,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
175 FUGATO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
176 GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.  Issued capital EUR 27,434	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
177 GEBAEUDELEASING GRUNDSTUECKVERWALTUNGSGESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
178 GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
179 GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.  Issued capital EUR 18,333	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	37.30	
				CALG IMMOBILIEN LEASING GMBH	37.50	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
180 GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG  Issued capital EUR 68,272,038	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	..	(3)

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
181 GENERAL LOGISTIC SOLUTIONS LLC Issued capital RUB 2,342,309,444	MOSCOW	MOSCOW	1	UCTAM RU LIMITED LIABILITY COMPANY	100.00	
182 GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND) Issued capital EUR 4,086,245	MUNICH	MUNICH	1	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	98.24	
183 GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAFT Issued capital EUR 51,500	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
184 GRUNDSTUECKSERWALTUNG LINZ-MITTE GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
185 H.F.S. IMMOBILIENFONDS GMBH Issued capital EUR 25,565	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
186 H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING) Issued capital EUR 97,154,824	MUNICH	MUNICH	1	BIL IMMOBILIEN FONDS GMBH	..	
				HVB IMMOBILIEN AG	99.43	
187 H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG Issued capital EUR 56,605,126	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	<sup>(3)</sup>
				WEALTHCAP REAL ESTATE MANAGEMENT GMBH	..	
188 H.F.S. LEASINGFONDS GMBH Issued capital EUR 26,000	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
189 HAMZO PROJECT DEVELOPMENT I GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
				UNICREDIT PEGASUS LEASING GMBH	90.00	
190 HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG Issued capital EUR 276,200	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
191 HAWA GRUNDSTUCKS GMBH & CO. OHG IMMOBILIENVERWALTUNG Issued capital EUR 54,300	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
192 HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
193 HERKU LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
194 HJS 12 BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
195 HONEU LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
196 HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
197 HVB CAPITAL LLC Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	



## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		HOLDING %	VOTING RIGHTS % (2)
				HELD BY			
198 HVB CAPITAL LLC II Issued capital USD 13	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG		100.00	
199 HVB CAPITAL LLC III Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG		100.00	
200 HVB CAPITAL PARTNERS AG Issued capital EUR 2,500,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		100.00	
201 HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG		..	(3)
202 HVB FUNDING TRUST II Issued capital USD 2,298	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG		100.00	
203 HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG		..	(3)
204 HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG Issued capital EUR 10,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		100.00	
205 HVB HONG KONG LIMITED Issued capital USD 129	HONG KONG	HONG KONG	1	UNICREDIT BANK AG		100.00	
206 HVB IMMOBILIEN AG Issued capital EUR 520,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		100.00	
207 HVB LEASING CZECH REPUBLIC S.R.O. Issued capital CZK 49,632,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.		100.00	
208 HVB PROJEKT GMBH Issued capital EUR 24,543,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG UNICREDIT BANK AG		94.00 6.00	
209 HVB SECUR GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		100.00	
210 HVB TECTA GMBH Issued capital EUR 1,534,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG UNICREDIT BANK AG		94.00 6.00	
211 HVB VERWA 4 GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		100.00	
212 HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH		100.00	
213 HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH		100.00	
214 HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH		100.00	
215 HVZ GMBH & CO. OBJEKT KG Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG		100.00	
216 HYPO-BANK VERWALTUNGSZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE Issued capital EUR 25,600	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG		100.00	
217 IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE Issued capital EUR 180,100,960	ROME	ROME	4	UNICREDIT SPA		..	(3)
218 IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG		100.00	
219 IMMOBILIEN RATING GMBH Issued capital EUR 50,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH UNICREDIT BANK AUSTRIA AG UNICREDIT LEASING (AUSTRIA) GMBH		61.00 19.00 19.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
220 IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
221 INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
				UNICREDIT BANK AG	6.15	
222 INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
223 ISB UNIVERSALE BAU GMBH Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
224 ISTITUTO IMMOBILIARE DI CATANIA SPA Issued capital EUR 7,700,000	CATANIA	CATANIA	1	CAPITAL DEV SPA	93.92	
				UNICREDIT SPA	1.12	
225 ISTITUTO PER L'EDILIZIA POPOLARE DI SAN BERILLO SRL IN LIQUIDAZIONE Issued capital EUR 154,800	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	99.90	
226 JAUSERN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
227 KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG Issued capital EUR 36,336	VIENNA	VIENNA	1	RAMSES-IMMOBILIENHOLDING GMBH	..	100.00
				UNICREDIT BANK AUSTRIA AG	99.80	0.00
228 KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH	0.20	
				UNICREDIT BANK AUSTRIA AG	99.80	
229 KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H. Issued capital EUR 44,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
230 KUNSTHAUS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
231 KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
232 LAGERMAX LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
233 LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
234 LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
235 LARGO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
				VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
236 LEASFINANZ ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	
237 LEASFINANZ BANK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
238 LEASFINANZ GMBH  Issued capital EUR 218,019	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
239 LEGATO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
240 LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
241 LIFE MANAGEMENT ERSTE GMBH  Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
242 LINO HOTEL-LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
243 LIPARK LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
244 LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
245 LOCAT CROATIA DOO  Issued capital HRK 39,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
246 LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING SPA	..	(3)
247 M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO. OG. Issued capital EUR 3,707	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96	
				UNICREDIT LUNA LEASING GMBH	98.04	
248 MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
249 MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O.  Issued capital EUR 7,500	LJUBLJANA	LJUBLJANA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
250 MENUETT GRUNDSTUECKSV ERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
251 MERKURHOF GRUNDSTUECKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG  Issued capital EUR 5,112,919	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
252 MM OMEGA PROJEKTENTWICKLUNGS GMBH  Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
253 MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG  Issued capital EUR 5,112,940	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
254 MOEGRA LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
255	MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	.. (3)
256	MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	.. (3)
257	NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80
258	NF OBJEKT FFM GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00
259	NF OBJEKTE BERLIN GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00
260	NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00
261	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA Issued capital EUR 200,000	ROME	ROME	1	UNICREDIT SPA	100.00
262	OCEAN BREEZE ASSET GMBH & CO. KG Issued capital EUR 2,000	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00
263	OCEAN BREEZE ENERGY GMBH & CO. KG Issued capital EUR 2,000	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00
264	OCEAN BREEZE FINANCE S.A. - COMPARTMENT 1	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	.. (3)
265	OCEAN BREEZE GMBH Issued capital EUR 25,000	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00
266	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80
267	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00
268	OMNIA GRUNDSTUECKSGMBH & CO. OBJEKT HAIDENAUPLATZ KG Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00
					UNICREDIT BANK AG	6.00
269	OMNIA GRUNDSTUECKSGMBH & CO. OBJEKT PERLACH KG Issued capital EUR 5,125,701	MUNICH	MUNICH	1	OMNIA GRUNDSTUECKSGMBH	.. 0.99
					ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	94.78 93.87
					WEALTHCAP LEASING GMBH	5.22 5.14
270	OOO UNICREDIT LEASING Issued capital RUR 149,160,248	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00
271	ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	.. (3)
272	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH Issued capital EUR 10,149,150	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00
273	OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00
					T & P FRANKFURT DEVELOPMENT B.V.	30.00
					T & P VASTGOED STUTTGART B.V.	60.00

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
274 OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
				T & P FRANKFURT DEVELOPMENT B.V.	30.00	
				T & P VASTGOED STUTTGART B.V.	60.00	
275 PAI (BERMUDA) LIMITED Issued capital USD 12,000	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
276 PAI (NEW YORK) LIMITED Issued capital USD 1	DOVER	NEW YORK	1	UNICREDIT SPA	100.00	
277 PAI MANAGEMENT LTD Issued capital EUR 1,032,000	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
278 PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG Issued capital EUR 2,180,185	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
279 PARCO DELLE ACACIE DUE S.P.A. Issued capital EUR 90,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
280 PARSEC 6 SPA Issued capital EUR 90,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
281 PAYTRIA UNTERNEHMENSBEITILIGUNGEN GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
282 PELOPS LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
283 PENSIONSASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
284 PERIKLES 20092 VERMOGENSVERWALTUNG GMBH Issued capital EUR 25,000	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
285 PIANA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
286 PIONEER ALTERNATIVE INVESTMENTS (ISRAEL) LIMITED IN VOLUNTARY LIQUIDATION Issued capital ILS 50,000	RAMAT GAN	RAMAT GAN	1	UNICREDIT SPA	100.00	
287 PIRTA VERWALTUNGS GMBH Issued capital EUR 2,067,138	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
288 PISANA S.P.A. Issued capital EUR 1,000,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
289 POLLUX IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBEITILIGUNGEN GMBH	0.20	
				UNICREDIT BANK AUSTRIA AG	99.80	
290 POMINVEST DD Issued capital HRK 17,434,000	SPLIT	SPLIT	1	ZAGREBACKA BANKA D.D.	88.66	88.95
291 PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG Issued capital EUR 500,013,550	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
292 POSATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
293 PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
294 PRO WOHNBAU GMBH Issued capital EUR 23,621,113	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.31	
				IMMOBILIEN HOLDING GMBH	99.69	
295 PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
296 QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
297 QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
298 QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
299 RANA-LIEGENSCHAFTSVERWERTUNG GMBH Issued capital EUR 72,700	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
300 RE-ST.MARX HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
301 REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
302 REAL INVEST IMMOBILIEN GMBH Issued capital EUR 36,400	VIENNA	VIENNA	1	BACA INVESTOR BETEILIGUNGS GMBH	1.00	
				TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00	
303 REAL INVEST PROPERTY GMBH & CO SPB JOTA KG Issued capital EUR 0	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	..	32.07
				TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	44.55	
304 REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
305 REAL-RENT LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
306 REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 726,728	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
307 RIGEL IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH	0.20	
				UNICREDIT BANK AUSTRIA AG	99.80	
308 ROLIN GRUNDSTUECKSPLANUNGS- UND - VERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 30,677	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
309 ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
310 ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		HOLDING %	VOTING RIGHTS % (2)
				HELD BY			
311 RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.		100.00	
312 S. MARIA DELLA GUARDIA S.R.L. Issued capital EUR 210,000	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA		51.00	
313 SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG		100.00	
314 SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM Issued capital EUR 2,300,850	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG		97.78	
				TIVOLI GRUNDSTUCKS-AKTIEGESELLSCHAFT		2.22	
315 SAMAR SPA Issued capital EUR 50,000	ROME	ROME	1	CAPITAL DEV SPA		100.00	
316 SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA		99.60	
317 SCHOELLERBANK AKTIENGESELLSCHAFT Issued capital EUR 20,000,000	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBEITRUGEN GMBH		0.01	
				UNICREDIT BANK AUSTRIA AG		99.99	
318 SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT		100.00	
319 SECA-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH		74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH		25.00	
320 SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH		99.80	
321 SELFOSS BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	GRUNWALD	GRUNWALD	1	HVB PROJEKT GMBH		100.00	
322 SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH		99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
323 SHOPPING PALACE BRATISLAVA, V.O.S. Issued capital EUR 0	BRATISLAVA	BRATISLAVA	1	REAL INVEST PROPERTY GMBH & CO SPB JOTA KG		100.00	
324 SIA UNICREDIT INSURANCE BROKER Issued capital EUR 15,080	RIGA	RIGA	1	SIA UNICREDIT LEASING		100.00	
325 SIA UNICREDIT LEASING Issued capital EUR 15,569,120	RIGA	RIGA	1	UNICREDIT SPA		100.00	
326 SIGMA LEASING GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH		99.40	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH		0.40	
327 SIMON VERWALTUNGS-AKTIEGESELLSCHAFT I.L. Issued capital EUR 2,556,459	MUNICH	MUNICH	1	UNICREDIT BANK AG		99.98	
328 SIRIUS IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBEITRUGEN GMBH		0.20	
				UNICREDIT BANK AUSTRIA AG		99.80	



## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
329 SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH Issued capital EUR 30,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	5.00	
				SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	95.00	
330 SOCIETA' DI GESTIONI ESATTORIALI IN SICILIA SO.G.E.SI. S.P.A. IN LIQ. Issued capital EUR 36,151,500	PALERMO	PALERMO	1	UNICREDIT SPA	80.00	
331 SOCIETA' ITALIANA GESTIONE ED INCASSO CREDITI S.P.A. IN LIQUIDAZIONE Issued capital EUR 341,916	ROME	ROME	1	UNICREDIT SPA	100.00	
332 SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
333 SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 35,800	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
334 SONATA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	98.8	
335 SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
336 SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH Issued capital EUR 511,300	MUNICH	MUNICH	1	ARGENTAUROS IMMOBILIEN-VERMIETUNGS-UND VERWALTUNGS GMBH	100.00	
337 STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	24.00	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	75.80	
338 STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
339 SUCCESS 2015 B.V.	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(3)
340 SVILUPPO IMMOBILIARE PESCACCIO - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 10,000	ROME	ROME	1	CAVE NUOVE SPA	100.00	
341 T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	100.00	
342 T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	87.50	
343 TERRENO GRUNDSTUECKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
344 TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
345 TIVOLI GRUNDSTUECKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	99.67	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
346 TRANSTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
				UNICREDIT BANK AG	6.15	
347 TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
348 TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.  Issued capital EUR 365,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
349 TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG  Issued capital EUR 6,979,476	MUNICH	MUNICH	1	HYPO-REAL HAUS- UND GRUNDBESITZ GESELLSCHAFT MBH	..	
				ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
350 TRICASA GRUNDBESITZGESELLSCHAFT DES BÜRGERLICHEN RECHTS NR. 1  Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
351 UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG Issued capital EUR 10,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
				BA-CA ANDANTE LEASING GMBH	10.00	
352 UCTAM BALTICS SIA  Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
353 UCTAM BH D.O.O.  Issued capital BAM 2,000	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
354 UCTAM BULGARIA EOOD  Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
355 UCTAM CZECH REPUBLIC SRO  Issued capital CZK 45,500,000	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
356 UCTAM D.O.O. BEOGRAD  Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
357 UCTAM HUNGARY KFT  Issued capital HUF 10,300,000	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
358 UCTAM RETAIL HUNGARY KFT.  Issued capital HUF 10,000,000	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
359 UCTAM RO S.R.L.  Issued capital RON 30,560,080	BUCHAREST	BUCHAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
360 UCTAM RU LIMITED LIABILITY COMPANY  Issued capital RUB 4,000,000	MOSCOW	MOSCOW	1	UCTAM BALTICS SIA	..	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
361 UCTAM SVK S.R.O.  Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UCTAM BALTICS SIA	15.00	0.01
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99
362 UCTAM UPRAVLJANJE D.O.O.  Issued capital EUR 7,500	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
363 UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
364 UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG  UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
365 UNICREDIT AURORA LEASING GMBH  Issued capital EUR 219,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
366 UNICREDIT BANK A.D. BANJA LUKA  Issued capital BAM 97,055,000	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	98.46	
367 UNICREDIT BANK AG  Issued capital EUR 2,407,151,016	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
368 UNICREDIT BANK AUSTRIA AG  Issued capital EUR 1,681,033,521	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
369 UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.  Issued capital CZK 8,754,617,898	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	
370 UNICREDIT BANK D.D.  Issued capital BAM 119,195,000	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
371 UNICREDIT BANK HUNGARY ZRT.  Issued capital HUF 24,118,220,000	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
372 UNICREDIT BANK IRELAND PLC  Issued capital EUR 1,343,118,650	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
373 UNICREDIT BANK S.A.  Issued capital RON 1,177,748,253	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.63	
374 UNICREDIT BANK SERBIA JSC  Issued capital RSD 23,607,620,000	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
375 UNICREDIT BANKA SLOVENIJA D.D.  Issued capital EUR 20,383,765	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
376 UNICREDIT BETEILIGUNGS GMBH  Issued capital EUR 1,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
377 UNICREDIT BIZTOSITASKOEZVETITO KFT  Issued capital HUF 5,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
378 UNICREDIT BPC MORTGAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
379 UNICREDIT BPC MORTGAGE S.R.L.  Issued capital EUR 12,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
380 UNICREDIT BROKER S.R.O.  Issued capital EUR 8,266	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
381 UNICREDIT BULBANK AD  Issued capital BGN 285,776,674	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
382 UNICREDIT CAPITAL MARKETS LLC  Issued capital USD 100,100	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
383 UNICREDIT CENTER AM KAISERWASSER GMBH  Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
384 UNICREDIT CONSUMER FINANCING EAD  Issued capital BGN 2,800,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		HOLDING %	VOTING RIGHTS % (2)
				HELD BY			
385 UNICREDIT CONSUMER FINANCING IFN S.A. Issued capital RON 103,269,200	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.		50.10	
				UNICREDIT SPA		49.90	
386 UNICREDIT DIRECT SERVICES GMBH Issued capital EUR 767,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		100.00	
387 UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 222,600,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.		100.00	
388 UNICREDIT FACTORING EAD Issued capital BGN 1,000,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD		100.00	
389 UNICREDIT FACTORING SPA Issued capital EUR 414,348,000	MILAN	MILAN	1	UNICREDIT SPA		100.00	
390 UNICREDIT FLEET MANAGEMENT EOOD Issued capital BGN 100,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD		100.00	
391 UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.		100.00	
392 UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.		100.00	
393 UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH Issued capital EUR 57,000	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.		99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
394 UNICREDIT GLOBAL LEASING EXPORT GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT SPA		100.00	
395 UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT LEASING SPA		100.00	
396 UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	SOFIA	1	UNICREDIT LEASING EAD		100.00	
397 UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH		0.03	
				UNICREDIT INSURANCE MANAGEMENT CEE GMBH		99.97	
398 UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH		100.00	
399 UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA Issued capital EUR 13,406,600	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA		100.00	
400 UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.		100.00	
401 UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,000	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.		100.00	
402 UNICREDIT LEASING (AUSTRIA) GMBH Issued capital EUR 17,296,134	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.		10.00	
				PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH		0.02	
				UNICREDIT BANK AUSTRIA AG		89.98	
403 UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH		100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
404 UNICREDIT LEASING AVIATION GMBH Issued capital EUR 1,600,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
405 UNICREDIT LEASING CORPORATION IFN S.A. Issued capital RON 90,989,013	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	99.96	
				UNICREDIT CONSUMER FINANCING IFN S.A.	0.04	
406 UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
407 UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
408 UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
409 UNICREDIT LEASING FINANCE GMBH Issued capital EUR 17,580,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
410 UNICREDIT LEASING FLEET MANAGEMENT S.R.L. Issued capital RON 680,000	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH	90.02	
				UNICREDIT LEASING CORPORATION IFN S.A.	9.98	
411 UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH Issued capital EUR 364,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
412 UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
413 UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
414 UNICREDIT LEASING IMMOTRUCK ZRT. Issued capital HUF 52,500,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
415 UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
416 UNICREDIT LEASING KFT Issued capital HUF 3,100,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
417 UNICREDIT LEASING LUNA KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
418 UNICREDIT LEASING MARS KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
419 UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
420 UNICREDIT LEASING SPA Issued capital EUR 1,106,877,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
421 UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
422 UNICREDIT LEASING TECHNIKUM GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
423 UNICREDIT LEASING URANUS KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
424 UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
425 UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
426 UNICREDIT LUNA LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
427 UNICREDIT MOBILIEN UND KFZ LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
428 UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
429 UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
430 UNICREDIT OPERATIV LIZING KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
431 UNICREDIT PARTNER D.O.O. BEOGRAD Issued capital RSD 2,001,875	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
432 UNICREDIT PEGASUS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
433 UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
434 UNICREDIT POLARIS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
435 UNICREDIT RENT D.O.O. BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
436 UNICREDIT SERVICES GMBH Issued capital EUR 1,200,000	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
437 UNICREDIT SERVICES S.C.P.A. Issued capital EUR 237,523,160	MILAN	MILAN	1	CORDUSIO SIM SPA	..	
				CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
				FINECOBANK SPA	..	
				UNICREDIT BANK AG	..	
				UNICREDIT FACTORING SPA	..	
				UNICREDIT SPA	100.00	100.00
438 UNICREDIT SUBITO CASA SPA Issued capital EUR 500,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
439 UNICREDIT TECHRENT LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
440 UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
441 UNICREDIT U.S. FINANCE LLC Issued capital USD 130	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
442 UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
443 UNICREDIT-LEASING HOSPES KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
444 UNICREDIT-LEASING NEPTUNUS KFT Issued capital HUF 3,010,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
445 UNIVERSALE INTERNATIONAL REALITAETEN GMBH Issued capital EUR 32,715,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
446 V.M.G. VERMIETUNGSGESELLSCHAFT MBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
447 VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
448 VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG Issued capital EUR 48,728,161	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
				LANDOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	0.06
449 VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH Issued capital EUR 511,292	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
450 VICOVARO RE SRL Issued capital EUR 10,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
451 VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
452 WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
453 WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
454 WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
455 WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
456 WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
457 WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG Issued capital EUR 5,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	50.00
				WEALTHCAP VORRATS-2 GMBH	..	50.00
458 WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG Issued capital EUR 10,600	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	94.34	50.00
				WEALTHCAP VORRATS-2 GMBH	5.66	50.00
459 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH Issued capital EUR 25,565	GRUNWALD	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
460 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH Issued capital EUR 25,000	GRUNWALD	GRUNWALD	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	



## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		HOLDING %	VOTING RIGHTS % (2)
				HELD BY			
461 WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH		100.00	
462 WEALTHCAP INVESTMENT SERVICES GMBH Issued capital EUR 4,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		10.00	
				WEALTH MANAGEMENT CAPITAL HOLDING GMBH		90.00	
463 WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH		100.00	
464 WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH		100.00	
465 WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH		100.00	
466 WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUNWALD	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH		100.00	
467 WEALTHCAP LOS GATOS 131 ALBRIGHT WAY L.P. Issued capital USD 1,000	WILMINGTON	WILMINGTON	1	WEALTHCAP INVESTMENTS INC.		100.00	
468 WEALTHCAP MANAGEMENT SERVICES GMBH Issued capital EUR 50,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH		100.00	
469 WEALTHCAP OBJEKT-VORRAT 20 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG		6.00	
				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG		6.00	
				WEALTHCAP MANAGEMENT SERVICES GMBH		88.00	
				WEALTHCAP OBJEKT-VORRAT 20 KOMPLEMENTAER GMBH		..	
470 WEALTHCAP OBJEKT-VORRAT 21 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG		6.00	25.00
				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG		6.00	25.00
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH		88.00	25.00
				WEALTHCAP SPEZIAL BURO 6 KOMPLEMENTAR GMBH		..	25.00
471 WEALTHCAP PEIA KOMPLEMENTAR GMBH Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH		100.00	
472 WEALTHCAP PEIA MANAGEMENT GMBH Issued capital EUR 1,023,000	MUNICH	MUNICH	1	UNICREDIT BANK AG		6.00	
				WEALTH MANAGEMENT CAPITAL HOLDING GMBH		94.00	
473 WEALTHCAP PORTLAND PARK SQUARE, L.P. Issued capital USD 1,000	WILMINGTON	WILMINGTON	1	WEALTHCAP INVESTMENTS INC.		99.90	
				WEALTHCAP PORTLAND PARK SQUARE GP INC.		0.10	
474 WEALTHCAP REAL ESTATE MANAGEMENT GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH		100.00	
475 WEALTHCAP VORRATS-2 GMBH Issued capital EUR 25,000	GRUNWALD	BAD SODEN	1	WEALTHCAP FONDS GMBH		100.00	
476 WOEM GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH		99.80	
477 Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG		0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH		99.80	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
478 Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
479 Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
480 Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
481 Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
482 Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
483 Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
484 Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
485 Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
486 Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
487 Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
488 Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
489 Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
490 Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
491 Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
492 Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
493 Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
494 Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
495 Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
496 Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
497 Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
498 Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
499 Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT PEGASUS LEASING GMBH	99.80	
500 ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
501 ZAGREB NEKRETNINE DOO Issued capital HRK 5,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
502 ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48	
503 ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE DOO	100.00	
504 ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
505 ZB INVEST D.O.O. ZA UPRAVLJANJE INVESTICIJSKIM FONDOVIMA Issued capital HRK 4,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	

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

(1) Type of relationship:

1= majority of voting rights at ordinary shareholders' meeting;

2= dominant influence at ordinary shareholders' meeting;

3= agreements with other shareholders;

4= other types of control;

5= centralised management pursuant to paragraph 1 of Art.39 of "Legislative decree 136/2015";

6= centralised management pursuant to paragraph 2 of Art.39 of "Legislative decree 136/2015";

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

(3) Companies consolidated line by line under IFRS10 as a result of the simultaneous availability of power to govern the relevant activities and exposures to variability of related returns.

(4) In the consolidated financial statements the Group's stake is 100% as the trust company does not share in the profits. The voting rights are held by the grantor, a Group company.

(5) The equity investment in Cordusio SIM - Advisory &amp; Family Office S.p.A. is consolidated at 100% by virtue of UniCredit S.p.A.'s 96.10% and its option on minority interests representing 3.90% of the share capital.

## Part A - Accounting policies

### Changes in the scope of consolidation

Companies consolidated line by line, including the Parent Company and those ones classified as non-current assets and asset disposal groups, decreased by 85 entities compared with 31 December 2017 (4 inclusions and 89 exclusions as a result of disposals, changes of the consolidation method and mergers), from 590 as at 31 December 2017 to 505 as at 31 December 2018.

### Wholly-owned subsidiaries

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

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

	NUMBER OF COMPANIES
<b>A. Opening balance (from previous year)</b>	<b>590</b>
<b>B. Increased by</b>	<b>4</b>
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	4
<b>C. Reduced by</b>	<b>89</b>
C.1 Disposal/Liquidation	26
C.2 Change of the consolidation method	48
C.3 Absorption by other Group entities	15
<b>D. Closing balance</b>	<b>505</b>

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

### Increases

#### Newly established companies

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

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

COMPANY NAME	MAIN OFFICE
ELEKTRA PURCHASE NO. 56 DAC	DUBLIN
HAMZO PROJECT DEVELOPMENT I GMBH	VIENNA

COMPANY NAME	MAIN OFFICE
RE-ST.MARX HOLDING GMBH	VIENNA
ELEKTRA PURCHASE NO. 63 DAC	DUBLIN

### Reductions

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

#### Disposal

COMPANY NAME	MAIN OFFICE
CENTAR KAPTOL DOO	ZAGREB
ELEKTRA PURCHASE NO. 40 DAC	DUBLIN
I-FABER SPA	MILAN
MOBILITY CONCEPT GMBH	OBERHACHING
BA BETRIEBSOBJEKTE PRAHA, SPOL.S.R.O.	PRAGUE
UNO-EINKAUFSZENTRUM- VERWALTUNGSGESELLSCHAFT M.B.H. IN LIQU.	LEONDING
RAMSES IMMOBILIEN GESELLSCHAFT M.B.H. & CO OG	VIENNA
GELDILUX-TS-2013 S.A.	LUXEMBOURG
TRIESTE ADRIATIC MARITIME INITIATIVES SRL	TRIESTE
BARODA PIONEER TRUSTEE COMPANY PVT LTD	MUMBAI
ELEKTRA PURCHASE NO. 47 DAC	DUBLIN
EUROVENTURES-AUSTRIA-CA-MANAGEMENT	VIENNA
ELEKTRA PURCHASE NO. 58 DAC	DUBLIN

COMPANY NAME	MAIN OFFICE
ELEKTRA PURCHASE NO. 35 DAC	DUBLIN
UCTAM AIRPORT BUILDING S.R.O	PRAGUE
PIONEER GLOBAL FUNDS DISTRIBUTOR LTD	HAMILTON
LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2006)	CONEGLIANO
GARAGE AM HOF GESELLSCHAFT M.B.H.	VIENNA
JOHA GEBAEUDE- ERRICHTUNGS- UND VERMIETUNGS- GESELLSCHAFT M.B.H. IN LIQ.	VIENNA
TREUCONSULT PROPERTY EPSILON GMBH IN LIQU.	VIENNA
HVB-LEASING FORTE INGATLANHASNOSITO KORLATOLT FELELOESSEGUE TARSASAG	BUDAPEST
BARODA PIONEER ASSET MANAGEMENT COMPANY LTD	MUMBAI
UNI IT SRL	TRENTO
LASSALLESTRASSE BAU-, PLANUNGS-, ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA
ELEKTRA PURCHASE NO. 42 DAC	DUBLIN
DBC SP.Z O.O. W LIKWIDACJI	WARSAW

## Part A - Accounting policies

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

### Change of the consolidation method

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

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

## Part A - Accounting policies

### Absorption by other Group entities

COMPANY NAME OF THE MERGED ENTITY	MAIN OFFICE		COMPANY NAME OF THE TAKING IN ENTITY	MAIN
ARANY PENZUEGYI LIZING ZRT.	BUDAPEST	>>>	UNICREDIT BANK HUNGARY ZRT.	BUDAPEST
SAS-REAL INGATLANUEZEMELTETOE ES KEZELOE KFT. (ENGLISH :SAS-REAL KFT)	BUDAPEST	>>>	UNICREDIT BANK HUNGARY ZRT.	BUDAPEST
OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT EGGENFELDENER STRASSE KG	MUNICH	>>>	HVB IMMOBILIEN AG	MUNICH
UNICREDIT TURN-AROUND MANAGEMENT GMBH	VIENNA	>>>	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	VIENNA
UNICREDIT PARTNER D.O.O. ZA TRGOVINU I USLUGE	ZAGREB	>>>	UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	ZAGREB
PRVA STAMBENA STEDIONICA DD ZAGREB	ZAGREB	>>>	ZAGREBACKA BANKA D.D.	ZAGREB
UNICREDIT LUXEMBOURG S.A.	LUXEMBOURG	>>>	UNICREDIT BANK AG	MUNICH
KLEA ZS-IMMOBILIENVERMIETUNG G.M.B.H.	VIENNA	>>>	KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H.	VIENNA
NORDBAHNHOF PROJEKTE HOLDING GMBH	VIENNA	>>>	RE-ST.MARK HOLDING GMBH	VIENNA
UNICREDIT INGATLANLIZING ZRT	BUDAPEST	>>>	UNICREDIT LEASING IMMOTRUCK ZRT.	BUDAPEST
MY DREI HANDELS GMBH	VIENNA	>>>	BA BETRIEBSOBJEKTE GMBH	VIENNA
HVB-LEASING GARO INGATLANHSZOSITO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST	>>>	UNICREDIT LEASING KFT	BUDAPEST
HVB-LEASING SMARAGD KFT.	BUDAPEST	>>>	UNICREDIT LEASING KFT	BUDAPEST
BV GRUNDSTUCKSENTWICKLUNGS-GMBH & CO. VERWALTUNGS-KG	MUNICH	>>>	UNICREDIT BANK AG	MUNICH
BA BETRIEBSOBJEKTE GMBH & CO BETA VERMIETUNGS OG	VIENNA	>>>	BA BETRIEBSOBJEKTE GMBH	VIENNA

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

COMPANY NAME	MAIN OFFICE	COMPANY NAME	MAIN OFFICE
WOHNPAK BRANDENBURG-GORDEN GESELLSCHAFT M.B.H IN LIQUIDATION (ex WOHNPAK BRANDENBURG-GORDEN GMBH)	BRANDEBURG	IVONA BETEILIGUNGSVERWALTUNG GMBH IN LIQU. (ex IVONA BETEILIGUNGSVERWALTUNG GMBH)	VIENNA
PAI (NEW YORK) LIMITED (ex PIONEER ALTERNATIVE INVESTMENTS (NEW YORK) LTD)	DOVER	FINECO ASSET MANAGEMENT DESIGNATED ACTIVITY COMPANY (ex FINECO AM LIMITED)	DUBLIN
UNICREDIT SERVICES S.C.P.A. (ex UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI)	MILAN	UNICREDIT SERVICE GMBH (ex UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH)	VIENNA
PAI MANAGEMENT LTD (ex PIONEER ALTERNATIVE INVESTMENT MANAGEMENT LTD)	DUBLIN	PAI (BERMUDA) LIMITED (ex PIONEER ALTERNATIVE INVESTMENT MANAGEMENT (BERMUDA) LIMITED)	HAMILTON
AO LOCAT LEASING RUSSIA (ex ZAO LOCAT LEASING RUSSIA)	MOSCOW	DBC SP.Z O.O. W LIKWIDACJI (ex DBC SP.Z O.O.)	WARSAW
ZB INVEST D.O.O. ZA UPRAVLJANJE INVESTICIJSKIM FONDOVIMA (ex ZB INVEST DOO)	ZAGREB	FINECO VERWALTUNG AG (ex FINECO VERWALTUNG AG (IN LIQUIDATION))	MUNICH
DEBO LEASING SRL (ex DEBO LEASING IFN S.A.)	BUCAREST		

## Part A - Accounting policies

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

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

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

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

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

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

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

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

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

As at 31 December 2018 the Group holds the majority of the voting rights in all the operating entities subject to consolidation, with the exception of five companies for which the Group, although not holding the majority of voting rights, (i) has signed shareholders' agreements which enable it to appoint the majority of members of the governing body, or contractual agreements which determine the possibility of managing the company's business unilaterally, and (ii) is exposed to the variability of the said company's returns.

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

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

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

In particular, consolidated special purpose entities include:

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

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

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



## Part A - Accounting policies

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

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

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

Investment funds managed by third-party companies are considered controlled if the Group is significantly exposed to the variability of returns and at the same time, has the unilateral right to remove the management company. In this regard it is assumed as a rebuttable presumption that the exposure to the variability of returns is significant if the Group has subscribed at least 30% of the fund's units.

With reference to 31 December 2018, it should be noted that 219 controlled entities (of which 20 belonging to the Banking Group) were not consolidated pursuant to IFRS10, of which 206 for materiality threshold and/or liquidation procedures.

Among the 13 remaining non consolidated entities it should be noted:

- 2 investment funds whose the majority of quotas are subscribed by the Group and for which consolidation would not determine neither a significant increase in Group consolidated assets;
- 6 operating entities deriving from restructuring procedures or work-out, whose risks are measured as part of the overall credit exposures;
- 4 entities expected to be sold or liquidated within a year and with a limited amount of total assets;
- 1 SPE which has repaid its liabilities and distributed the dividends.

Based on available information, it should be considered that their consolidation would not have impacted significantly the Group Shareholders' Equity.

### 3. Equity investments in wholly-owned subsidiaries with significant non-controlling interests

#### 3.1 Non-controlling interests, availability of votes of NCIs and dividends distributed to NCIs

NAME	MINORITIES EQUITY RATIOS (%)	MINORITIES VOTING RIGHTS (%)	DIVIDENDS TO MINORITIES (€ '000)
FINECOBANK SPA	64.65	64.65	112,102
ZAGREBACKA BANKA D.D.	15.53	15.53	17,575

#### 3.2 Equity investments with significant non-controlling interests: accounting information

(€ '000)

LEGAL ENTITIES	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	TANGIBLE AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	NET EQUITY	NET INTEREST MARGIN
FINECOBANK SPA	24,713,572	6	24,241,608	114,637	23,289,036	962,547	278,702
ZAGREBACKA BANKA D.D.	15,285,673	2,649,921	12,409,975	180,752	12,847,726	2,230,204	359,457

continued: 3.2 Equity investments with significant non-controlling interests: accounting information

LEGAL ENTITIES	OPERATING INCOME	OPERATING COSTS	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	PROFIT (LOSS) (1)	OTHER COMPREHENSIVE INCOME AFTER TAX (2)	OTHER COMPREHENSIVE INCOME (3) = (1) + (2)
FINECOBANK SPA	604,812	(262,723)	338,399	227,920	-	227,922	(3,432)	224,490
ZAGREBACKA BANKA D.D.	627,286	(265,565)	248,150	220,463	-	220,463	(2,508)	217,955

The exposures above refer to the amounts of individual accounts of subsidiaries as at 31 December 2018.

## Part A - Accounting policies

### 4. Significant restrictions

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

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

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

With reference to regulatory requirements, it should be noted that UniCredit group is a banking group subject to the rules provided by Directive 2013/36/EU on the "access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (CRD IV) and by Regulation (EU) No.575/2013 on "prudential requirements for credit institutions and investment firms" (CRR) and which controls financial institutions subject to the same regulation.

The ability of the controlled banks to distribute capital or dividends may be restricted to the fulfilment of these requirements in terms of both capital ratios and "Maximum Distributable Amount" as well as further recommendation by competent authorities provided time by time (e.g.

Recommendation of the European Central Bank on dividend distribution policy - ECB/2019/01).

For the disclosure on UniCredit group Capital Requirements and on the outcome of mentioned SREP, process held in 2017 and applicable for 2018, refer to the chapter "Capital and value management" of the Consolidated report on operations.

With reference to subsidiaries, it should be noted that in some jurisdictions and for some foreign entities of the Group, commitments to maintain local supervisory capital higher than regulatory thresholds may exist also as a result of SREP performed at local level.

With reference to contractual agreements, UniCredit group has also issued financial liabilities whose callability, redemption, repurchase or repayment prior to the date of their contractual maturity is subordinated to the consent by the authorization of competent authority. The value of these instruments as of 31 December 2018 is equal to 14,531,930 thousand.

### 5. Other information

For information on jointly-controlled companies and companies subject to significant influence that have not been consolidated in accordance with IFRS10 as of 31 December 2018, in addition to the controlled ones disclosed in previous paragraph 2. Significant assumptions and assessment in determining the consolidation scope, reference is made to Part B - Assets - Section 7 - Equity investments - Item 70 - paragraph 7.6 Valuation and significant assumptions to establish the existence of joint control or significant influence of this Notes to the consolidated accounts.

## Section 4 - Subsequent events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated Accounts as of 31 December 2018.

For a description of the significant events after year-end see the specific paragraph of the Consolidated report on operations.

## Section 5 - Other matters

In 2018 the following standards, amendments or interpretations came into force:

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

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

## Part A - Accounting policies

As of 31 December 2018 the European Commission endorsed the following accounting principles that will be applicable for reporting periods beginning on or after 1 January 2019:

- IFRS16 - Leasing (EU Regulation 2017/1986);
- IFRIC 23 Uncertainty over Income Tax Treatments (Reg. UE 2018/1595);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

IFRS16, effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the current set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right-of-use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

In this context, the Group is performing the activities aimed to ensure compliance with this accounting principle, in particular with reference to the calculation and accounting for Right of Use and Lease Liability that represent the main discontinuity compared to the current accounting model required by IAS17.

The activities aimed to the development of rules, principles and IT systems to be used for the proper evaluation of new assets and liabilities and the subsequent calculation of the related economic effects have been finalised.

In this context the Group has decided, as allowed by the standard, not to apply IFRS16 provisions to:

- leases of intangible assets;
- short term leases, lower than 12 months; and
- low value assets leases. For this purpose an asset is considered as "low value" when its fair value when new is equal to or lower than €5 thousand. This category mainly comprises office equipment (PC, monitors, tablets, etc.) and fixed and mobile phones.

In order to calculate the lease liability and the related right-of-use asset, the Group proceeds with discounting the future lease payments at a proper discount rate.

In this respect, future lease payments to discount are determined based on contractual provisions and net of VAT, when applicable, as the obligation to pay such a tax starts when the invoice is issued by the lessor and not at the starting date of the lease contract.

To perform the mentioned calculation lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract. In addition if the lease payments foreseen by the contracts include additional services beside the mere rental of the asset, the right of use and the associated lease liability are calculated considering also these components.

In determining the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset taking also into account potential renewal options if the lessee is reasonably certain to renew.

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

The Group has decided not to restate comparatives and has chosen, for First Time Adoption purposes, to put the value of right of use equal to the lease liability.

In particular, the adoption of IFRS16 will determine an increase of the Group total assets and liabilities that can be preliminary estimated in the range of 0.3% while the effect on Group CET1 ratio can be preliminarily estimated in the range of -0.1%, gross of tax effect.

As at 31 December 2018 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17: Insurance Contracts (May 2017);
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (October 2017);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (February 2018);

## Part A - Accounting policies

- Amendments to the IFRS Conceptual Framework (March 2018);
- Amendments to IFRS3: Business combination (October 2018);
- Amendments to IAS1 and IAS8: Definition of Material (October 2018).

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

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

IFRS15 provides for:

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

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

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

### Transition to “IFRS9: Financial Instruments” of UniCredit group

#### 1. Summary of impacts

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

The adoption of the standard is the result of a long-time project aimed at creating reporting and risk monitoring methods, harmonised between Group’s Legal Entities, that ensure compliance with the standard and at updating governance and monitoring processes in light of the new rules. This project was organised at Group level through specific work-streams:

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

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

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

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

- has introduced significant changes in the rules for classifying and measuring financial instruments compared to IAS39. With reference to loans and debt securities, the classification and consequent measurement of these instruments is based on the “business model” and on the characteristics of the financial instrument cash flows (SPPI criterion - Solely Payments of Principal and Interests). With reference to equity instruments, they will be classified as financial instruments at fair value, with differences recognised through profit or loss or in other comprehensive income. In the latter case, unlike the requirements of IAS39 for available-for-sale financial assets, IFRS9 no longer requires to recognise impairment losses and provides that, in the event of sale of the instrument, the profits and losses on disposal must be reclassified to other shareholders’ equity reserve and not to profit or loss. Lastly, with reference to financial liabilities designated at fair value, it modified the accounting of “own credit risk”, i.e. the changes in the value of liabilities at fair value that are due to fluctuations in their creditworthiness. According to the new standard, these changes must be recognised in an equity reserve, rather than in the income statement as per IAS39, thus eliminating a source of volatility in economic results;
- has introduced a new accounting model of impairment for credit exposures based on (i) an “expected losses” approach replacing the current one based on the recognition of “incurred losses” and (ii) the concept of “lifetime” expected loss;
- has introduced guidelines that clarify when financial instruments shall be written off by specifying that the write-off constitutes an event of accounting derecognition;
- has also modified the rules applicable to “hedge accounting” with regard to designating a hedging relationship and verifying its effectiveness with the aim of ensuring greater alignment between the accounting recognition of hedges and the underlying management rationale.

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

## Part A - Accounting policies

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

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

### Consolidated balance sheet

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

## Part A - Accounting policies

continued: Consolidated balance sheet

(€ '000)

	AMOUNTS AS AT
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>01.01.2018</b>
10. Financial liabilities at amortised cost:	684,189,854
a) Deposits from banks	123,234,090
b) Deposits from customers	462,895,261
c) Debt securities in issue	98,060,503
20. Financial liabilities held for trading	51,099,691
30. Financial liabilities designated at fair value	8,301,781
40. Hedging derivatives	3,567,846
50. Value adjustment of hedged financial liabilities (+/-)	3,046,609
60. Tax liabilities:	1,108,062
a) Current	644,439
b) Deferred	463,623
70. Liabilities referable to disposal groups classified as held for sale	184,831
80. Other liabilities	14,808,680
90. Provision for employee severance pay	917,284
100. Provisions for risks and charges:	9,740,979
a) Commitments and guarantees given	1,090,289
b) Post-retirement benefit obligations	4,522,188
c) Other provisions for risks and charges	4,128,502
110. Technical reserves	-
120. Valuation reserves	(4,650,811)
130. Redeemable shares	-
140. Equity instruments	4,610,073
150. Reserves	16,293,284
160. Share premium	13,399,799
170. Share capital	20,880,550
180. Treasury shares (-)	(2,695)
190. Minority shareholders' equity (+/-)	884,314
200. Profit (Loss) for the period (+/-)	5,473,108
<b>Total Liabilities and Shareholders' Equity</b>	<b>833,853,239</b>

The adoption of IFRS9 has determined:

- an overall negative effect on consolidated net equity for an amount of -€3,535,207 thousand, net of taxes calculated on 1 January 20189 (-€3,708,885 thousand gross of taxes);
- an overall negative effect on CET1 Ratio10 fully loaded equal to -99 bps11 (-104 bps12 gross of taxes);
- the increase of loan loss provisions to an amount equal to €31,002,599 thousand.

In particular, this effect (-€3,535,207 thousand net of taxes and -€3,708,885 thousand gross of taxes) stems from:

- for an amount, net of the taxes, of -€303,977 thousand (-€339,948 thousand gross of taxes) from changes in the revaluation reserves reported in item "120. Valuation Reserve" which is attributable to instruments classified in item "30 Financial assets at fair value through other comprehensive income" and in item "30. Financial liabilities designated at fair value", for the component relating to the valuation of own creditworthiness;
- for an amount, net of the tax effect, of -€3,231,230 thousand, net of the taxes (-€3,368,937 thousand gross of taxes) from changes in item "150. Reserves" attributable to the effects of reclassification and measurement of financial instruments other than those reported in item "30. Financial assets at fair value through other comprehensive income" and to the calculation of impairment on on-balance-sheet and off-balance sheet exposures.

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

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

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

9 In the current section "Transition to IFRS9: Financial Instruments" of UniCredit group the tax impacts shown are based on tax regulation existing as at 1 January 2018.

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

11 Considering tax impact and FTA related effects on loans and Deferred Tax Assets Risk weighted assets.

12 Considering FTA related effects on loans Risk weighted assets.

## Part A - Accounting policies

Note that these final impacts are different from those preliminarily disclosed in the Consolidated Reports and Accounts as at 31 December 2017<sup>13</sup> mainly as a result of:

- the observation of market transactions occurred on a specific asset class of NPL loans that are included in Group NPL Strategy that has required the revision of prices, estimated through internal models, considered in the sale scenario for the measurement of non-performing exposures<sup>14</sup>. This price adjustments has determined a negative FTA effect of €270,675 thousand, gross of taxes;
- the inclusion in the "NPL strategy" of an additional portfolio of non-performing exposures for an amount equal to their residual value after write-off recognition in light of:
  - the Group strategy for the management of the non-performing loan portfolio that gives precedence to the deleveraging of such portfolio, as illustrated in the Multi-year Plan (MYP) communicated to the market in December 2017;
  - the introduction by IFRS9 of specific guidance on write-off.

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

Write-offs have determined a negative FTA effect of €802,763 thousand, gross of taxes<sup>15</sup>.

### 2. Classification and measurement

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

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

The analysis of the business model was conducted by mapping the business areas that make up the Group and by allocating a specific business model, for IFRS9 purposes, to each of them.

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

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

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

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

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

### 3. Impairment

The entry into force of the new accounting standard has required the developments of model aimed at calculating the amount of loan loss provisions on the basis of the expected credit loss.

The models developed are based on two main pillars:

- the allocation of credit exposures in the Stages 1, 2 and 3 as required by the standard (Stage Allocation);
- the calculation of the associated expected credit loss.

With reference to stage allocation the Group has developed a combination of relative and absolute elements aimed at granting the proper allocation of credit exposures in the different credit Stages. For additional information refer to Part E - Section 2 - 2.1 Credit risk.

With reference to the calculation of expected credit loss, Group models leverage on the Probability of Default ("PD"), Loss Given Default, ("LGD") and Exposure at Default ("EAD") used for regulatory purposes, with specific adjustments in order to ensure compliance with accounting rules. These adjustments are aimed, among other things, at introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for regulatory purposes and including "forward looking" information.

<sup>13</sup> UniCredit group's Consolidated Reports and Accounts as at 31 December 2017, page 141: "[...] Overall adjustments to the carrying value of financial instruments due to IFRS9 transition will be accounted for through Equity as of 1 January 2018 and they will have an impact on fully loaded CET1 ratio, gross of tax effect, that can be preliminarily estimated in the range of -75bps which is equivalent to about -€2.8 billion."

<sup>14</sup> Refer to the related paragraph of Part A - Section 16 - Other Information.

<sup>15</sup> Refer to the related paragraph of Part A - Section 16 - Other Information.



## Part A - Accounting policies

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

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

- The Base Scenario ("Baseline") reflects the macroeconomic evolution expected from the Group and as such is coherent with the assumptions used by the Group in the planning processes. The Baseline Scenario foresees an economic growth stable and positive, both for the Eurozone and for the CEE countries, in a context where the interest rates in the Euro area are expected to be slightly growing even though they continue to be at historical low levels. Specifically, the annual growth of the real GDP for the Eurozone is foreseen at +1.8% for 2018 and +1.5% for 2019 (with Italy at +1.2% and +1.0% and Germany at +1.9% and +1.8%, respectively), while the foreseen growth for the CEE countries is +2.4% in 2018 and +2.2% in 2019. The Scenario implies that the 3 months Euribor stays negative for 2018 and comes back near zero in 2019;
- The Positive Scenario is based on the hypothesis that the positive economic growth of 2017 both at global level and at European level might consolidate even in 2018, sustained by the trend in the global commerce and by accommodating economic policies. This would imply, for the biggest European countries, a maximum phase of the economic cycle prolonged by an year, that would reflect in a bigger growth of the annual real GDP (with respect to the baseline scenario) of about 0.2%-0.5% both in 2018 and in 2019. Specifically, the annual growth of the real GDP for the Eurozone would grow to +2.3% for 2018 and +1.9% for 2019 (with Italy at +1.5% and +1.2% respectively) in a context of short term rates (3 months Euribor) still negatives or close to zero. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a better trend of the economy than the one assumed in the Baseline scenario;
- The Adverse Scenario reflects one of the scenarios used in the evaluation processes of the capital adequacy (ICAAP). In coherence with the ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Group foresees as most relevant in the context of the countries where the Group operates and for the Group's business activities. The scenario of Widespread Contagion is based on the hypothesis of intensification of political risks of the European Union, caused by an increased influence of populist parties in Italy, Germany and France alongside with, among others, the extension of tension between Spanish government and Catalonia Region. This context would lead to an increase of the risk premiums for different "asset class" and to a slowdown of the economic growth both of the Eurozone (lower of about 1.5 per year with respect to the baseline scenario, in terms of real GDP) and of CEE countries (lower of about 2. points percentage, respectively). Specifically, the annual growth of the GDP for the Eurozone would be +0.4% for 2018 and -0.1% for 2019 (with Italy to -0.2% and -1.1% respectively) in a context of rates in the short run (3 months Euribor) that would stay negative even in 2019, based on the hypothesis that the ECB would prolong in such a market context the liquidity support to markets. The likelihood of happening of such scenario, at the time of its definition, is foreseen probable and appropriate to quantify the adverse trend of the economy. In coherence with the scenario and with the magnitude of changes compared to the baseline scenario, it is assumed that the negative scenario is less likely than the positive scenario.

In addition the assessment of impaired exposures (Stage 3) considered sale scenarios whereas the Group's Non-Performing Asset Strategy foresees the sale on the market as a recovery method.

For additional information on the methods used for the calculation of expected loss refer to Part E - Section 2 - 2.1 Credit risk.

## Part A - Accounting policies

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

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

#### Consolidated balance sheet

(€ '000)

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

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

## Part A - Accounting policies

continued: Consolidated balance sheet

('€ '000)

	AMOUNTS AS AT				01.01.2018
	12.31.2017 <sup>(*)</sup>	RECLASSIFICATION OF BALANCE SHEET VALUE ON 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
10. Financial liabilities at amortised cost:		684,189,854	-	-	684,189,854
a) Deposits from banks		123,234,090	-	-	123,234,090
b) Deposits from customers		462,895,261	-	-	462,895,261
c) Debt securities in issue		98,060,503	-	-	98,060,503
<i>Deposits from banks (ex IAS39 Item N. 10)</i>	123,244,080	(123,244,080)	-	-	
<i>Deposits from customers (ex IAS39 Item N. 20)</i>	462,895,261	(462,895,261)	-	-	
<i>Debt securities in issue (ex IAS39 Item N. 30)</i>	98,602,632	(98,602,632)	-	-	
20. Financial liabilities held for trading		51,099,691	-	-	51,099,691
<i>Financial liabilities held for trading (ex IAS39 Item N. 40)</i>	51,089,701	(51,089,701)	-	-	
30. Financial liabilities designated at fair value		8,246,682	55,099	-	8,301,781
<i>Financial liabilities at fair value through profit or loss (ex IAS 39 Item N. 50)</i>	7,704,553	(7,704,553)	-	-	
40. Hedging derivatives	3,567,845	-	-	1	3,567,846
50. Value adjustment of hedged financial liabilities (+/-)	3,041,990	-	4,619	-	3,046,609
60. Tax liabilities:	1,092,905	-	15,157	-	1,108,062
a) Current	651,263	-	(6,824)	-	644,439
b) Deferred	441,642	-	21,981	-	463,623
70. Liabilities associated with assets classified as held for sale	184,829	-	-	2	184,831
80. Other liabilities	15,573,476	-	(782,024)	17,228	14,808,680
90. Provision for employee severance pay	917,284	-	-	-	917,284
100. Provisions for risks and charges:	8,650,468	-	1,090,511	-	9,740,979
110. Technical reserves	-	-	-	-	-
120. Valuation reserves	(4,327,092)	-	(323,719)	-	(4,650,811)
130. Redeemable shares	-	-	-	-	-
140. Equity instruments	4,610,073	-	-	-	4,610,073
150. Reserves	19,296,907	-	(3,003,623)	-	16,293,284
160. Share premium	13,399,799	-	-	-	13,399,799
170. Share capital	20,880,550	-	-	-	20,880,550
180. Treasury shares (-)	(2,695)	-	-	-	(2,695)
190. Minority shareholders' equity (+/-)	894,083	-	(9,769)	-	884,314
200. Profit (Loss) for the period (+/-)	5,473,075	-	-	33	5,473,108
<b>Total liabilities and shareholders' equity</b>	<b>836,789,724</b>				<b>833,853,239</b>

**Note:**

(\*) Note that the amounts presented in column "12.31.2017" for the categories "Financial liabilities held for trading (ex IAS39 Item 40)" and "Financial liabilities at fair value through profit or loss (ex IAS39 Item 50)" differ from those published in UniCredit group's Consolidated Reports and Accounts as at 31 December 2017 as a result of a reclassification of deposit certificates for an amount of €4.694.024 thousand in order to grant the homogeneous classification of this type of liabilities within the Group.

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

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

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

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

## Part A - Accounting policies

### Reclassification of financial assets

#### Legend

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New book value as per IFRS9

(€ '000)

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

(€ '000)

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

(€ '000)

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

## Part A - Accounting policies

The reclassification of financial assets shows:

- with reference to financial assets previously classified under item “20. Financial assets held for trading” and “30. Financial assets at fair value through profit or loss” their almost complete classification in the analogous categories foreseen by IFRS9. It must be noted that the execution of the SPPI Test has required embedded derivatives (€15,837 thousand) previously bifurcated and classified in financial assets held for trading according to IAS39 rules, to be re-conducted in the host instrument classification category;
- with reference financial assets previously classified under item “40. Available-for-sale-financial assets”:
  - the almost complete reclassification of debt securities (€101,101,315 thousand) in item “30. Financial assets at fair value through other comprehensive income” (€98,099,003 thousand). The remaining part was reclassified under item “20. c) Other financial assets mandatorily at fair value” or in item “40. Financial assets at amortised cost” due to the characteristics of cash flows, which do not allow for classification as Financial assets at fair value through other comprehensive income despite a “held to collect and sell” business model or to better reflect the “held to collect” business model associated with these financial instruments;  
With reference to the reclassifications to financial assets at amortised cost, it should be noted that this transfer had a negative effect of -€331,571 thousand due to the simultaneous reversal of previously recognised revaluation reserves and the recognition of impairment on these instruments;
  - the classification of equity instruments (€2,254,426 thousand) in item “30. Financial assets at fair value through other comprehensive income” (€1,901,753 thousand) given the nature of the relationship and/or the characteristics of the instrument. The remaining part was classified under item “20.c) Other financial assets mandatorily at fair value”. In this case the revaluation reserve have been reclassified in item “150. Reserves”. Note that, as a result of IFRS9 that does no longer allow to measure equity instrument at cost when their fair value is deemed not to be reliable, revaluation effects for €75,590 thousand were recognised. These effects have been recognised either in time “120. Valuation Reserve” or in item “150. Reserves” depending on the classification category;
  - the classification of units in investment funds (€726,245 thousand) in item “20.c) Other financial assets mandatorily at fair value” also due to regulatory clarifications according to which these instruments cannot be considered as equity instruments with consequent recognition of the related revaluation reserves recognised under IAS39 in item “150. Reserves”;
  - the reclassification of loans (€19,045 thousand) in item “40. Financial assets at amortised cost” in order to better reflect the “held to collect” business model associated with these financial instruments;
- with reference to financial assets previously classified under item “50. Financial assets held to maturity”, consisting exclusively of debt securities (€6,277,022 thousand), they were mainly classified under item “40. Financial assets at amortised cost” (€5,097,905 thousand). This reclassification had a negative effect of -€3,043 thousand due to application of the new impairment rules. The remaining part of the portfolio was reclassified in item “20.c) Other financial assets mandatorily at fair value” (€747,692 thousand) following failure of the SPPI test or in item “30. Financial assets at fair value through other comprehensive income” (€431,425 thousand) to reflect the changed business model. The necessary re-measurement of these positions at fair value had positive balance sheet effects of €29,563 thousand;
- with reference to financial assets previously classified under item “60. Loans and receivables with banks” (€70,982,743 thousand) consisting of both loans and debt securities, they were almost entirely classified (€70,458,457 thousand) under item “40. Financial assets at amortised cost”. This reclassification had a negative effect of €4,118 thousand due to application of the new impairment rules. The remaining part has been reclassified in item “20.c) Other financial assets mandatorily measured at fair value” due to the characteristics of the cash flows or, as regards debt securities, in item “30. Financial assets at fair value through other comprehensive” income to reflect the changed business model associated with these positions.  
These reclassifications had a positive impact on shareholders' equity of €51,925 thousand arising from fair value measurement;
- with reference to financial assets previously classified under item “70. Loans and receivables with customers” (€447,726,913 thousand) consisting of both loans and debt securities, they were almost entirely classified (€445,565,207 thousand) under item “40. Financial assets at amortised cost”. This reclassification had a negative effect of €3,278,886 thousand due to application of the new impairment rules.  
The remaining part has been reclassified in item “20.c) Other financial assets mandatorily at fair value” (€2,161,706 thousand) due to the characteristics of the cash flows. These reclassifications had a positive impact on shareholders' equity of €34,038 thousand arising from fair value measurement.

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

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

## Part A - Accounting policies

The following table focuses on the reclassification from “Available-for-sale-financial assets”, according to IAS39, to “Financial assets at amortised cost”, according to IFRS9”, in order to represent, both for debt securities and loans, the carrying value as at 31 December 2018, Fair Value that would have been accounted for at the same date in case of no reclassification in FTA and the consequent changes in Fair Value that would have been recognised in the period.

(€'000)

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO UNDER IAS39	ACCOUNTING PORTFOLIO UNDER IFRS9	CARRYING AMOUNT AS AT	FAIR VALUE AS AT	FAIR VALUE GAINS OR LOSSES ABSENT RECLASSIFICATION
			12.31.2018	12.31.2018	
Financial Assets reclassified from Available for sale (AFS) to Financial Assets at amortized cost					
1. Debt securities	AFS	AC	1,640,110	1,843,660	(73,993)
2. Loans	AFS	AC	14,824	14,568	(256)
<b>Total</b>			<b>1,654,934</b>	<b>1,858,228</b>	<b>(74,249)</b>

### Reclassification of financial liabilities<sup>16</sup>

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New IFRS9 book value

(€'000)

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

(€'000)

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

16 Note that the amounts presented in column “Book value as at 31 December 2017 IAS39” for the categories “Financial liabilities held for trading” and “Financial liabilities at fair value through profit or loss” differ from those published in UniCredit group’s Consolidated Reports and Accounts as at 31 December 2017 as a result of a reclassification of deposit certificates for an amount of €4.694.024 thousand in order to grant the homogeneous classification of this type of liabilities within the Group.

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

## Part A - Accounting policies

(€ '000)

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

The reclassification of financial liabilities highlights a substantial continuity of the classifications compared to those applied according to IAS39, taking also into account the change of the name of the various categories following the implementation of the 5<sup>th</sup> update of Circular 262.

As regards financial liabilities recorded in item "30. Financial liabilities designated at fair value", the cumulative fair value changes deriving from changes in own creditworthiness as of the issue date have been reported in item "120. Valuation reserves" in application of the rules established by IFRS9.

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

### 4.2 Loan Loss Provisions

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

(€ '000)

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

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



## Part A - Accounting policies

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

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

(€ '000)

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

(€ '000)

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

## Part A - Accounting policies

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

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

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

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

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

## Part A - Accounting policies

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

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

In this regard the following should be noted:

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

### Approval of 2019 Budgetary law and consequent effects on deferred taxes related to IFRS9 adoption

Starting from 1 January 2018, the new accounting standard IFRS9 which deals with the recognition and measurement of Financial instruments has been applied for the preparation of Financial statements. The adoption of the new accounting standard has determined, among other effects, an increase in Loan Loss Provisions (LLPs) whose economic effects have been recognized as a reduction of 1 January 2018 net equity (First Time Adoption - FTA<sup>17</sup>).

At the same date, UniCredit S.p.A. has not recognised IRAP and IRES tax assets related to the mentioned LLPs because the tax rule applicable at the time required the full deductibility in 2018 and, absent a sufficient taxable income, the sustainability test showed the inability to recover the IRES deferred tax assets associated with tax losses carried forward.

The new 2019 Budgetary Law approved in December 2018 envisaged the deductibility of LLPs recognized in FTA on a 10 years period (1/10 in 2018 and 9/10 in future periods up to 2027), for both IRES and IRAP purposes. This circumstance has determined the transformation of these DTAs from tax assets related to tax losses carried forward to tax assets related to temporary differences (IRES and IRAP) and, consequently, their recognition in financial statements for an amount determined through the sustainability test carried out coherently with the new tax rules.

Recognition of these DTAs has required an in-depth analysis by the management so to assess the proper accounting treatment, given the absence of specific indications by IAS12 on their recognition against equity or against P&L.

On this matter, which pertains to a strict representation issue not involving recognition nor measurement topics, the management:

- has performed technical analysis, also considering the content of the Document issued by Banca d'Italia, Consob and ISVAP (now IVASS) on 21 February 2008 concerning the application of IAS/IFRS (in particular the Document was issued so to clarify the accounting treatment of negative changes in DTA related to the first time adoption of IAS/IFRS and resulting from the change in IRES and IRAP tax rates set by 2008 Budgetary Law);
- has concluded that the content of the mentioned Document is applicable also to the present case absent further indications by IFRS IC (Interpretation Commitments) or changes by IASB (International Accounting Standard Board).

<sup>17</sup> Refer to Part A - Accounting policies - Section 5 Other matters - "Transition to IFRS9: Financial Instruments of UniCredit group" for an explanation of the effects arising from the first time adoption of IFRS9.

## Part A - Accounting policies

In conclusion, DTAs related to the first time adoption of IFRS9, have been recognised against P&L for an amount of €871 million. As a result, also considering the impact of IRAP current taxes for €16 million, the net profit for 2018 is equal to €3,892 million (€1,727million in the fourth quarter of 2018).

In case these DTAs were recognised against equity, the net profit for 2018 would have been equal to €3,006 million (€840 million in the fourth quarter of 2018); 20% of rectified net profit (3,006 million) is subject to proposal of dividend distribution to UniCredit Shareholders' Meeting. Lastly note that the choice to recognise these DTAs against equity, instead against P&L as happened, would have not determined different effects on the overall equity capital of the Bank.

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The Parent Company Accounts and the Consolidated Accounts as at 31 December 2018 are audited by Deloitte & Touche S.p.A. pursuant to Legislative Decree No.39 of 27 January 2010 and to the resolution passed by the Shareholders' Meeting on 11 May 2012.

UniCredit group prepared and published within the time limits set by law and pursuant to the requirements of Consob, the Consolidated First Half Financial Report as at 30 June 2018, subject to limited scope audit, as well as the Consolidated Interim Reports as at 31 March and 30 September 2018, both as Press Releases.

The Parent Company Accounts and the Consolidated Accounts as at 31 December 2018 has been approved by the Board of Directors' meeting of 6 February 2019, which authorised its disclosure to the public, also pursuant to IAS10.

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

## A.2 - Main items of the accounts

### 1 - Financial assets at fair value through profit or loss

#### a) Financial assets held for trading

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

- acquired or incurred principally for the purpose of selling or repurchasing it in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for derivatives which constitute financial guarantees, and derivatives designated as hedging instruments).

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

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

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

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

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

## Part A - Accounting policies

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

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

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

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

### b) Financial assets designated at fair value through profit or loss

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

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

### c) Other financial assets mandatorily at fair value

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

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

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

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

## 2 - Financial assets at fair value through other comprehensive income

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

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

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

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

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortised cost criterion in item “10. Interest income and similar revenues” if positive, or in item 20. “Interest expenses and similar charges” if negative.

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

These instruments are tested for impairment as illustrated in the specific section 16 - Other Information - Impairment.

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

## Part A - Accounting policies

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

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

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

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

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

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk (Company Financial Statements). Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk.

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

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

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

### 3 - Financial assets at amortised cost

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

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

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

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

After initial recognition at fair value, these assets are measured at amortised cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan. Such interest is recognised in item "10. Interest income and similar revenues" if positive or in item "20. Interest expenses and similar charges" if negative.

The amount of financial assets at amortised cost is adjusted in order to take into account impairment losses arising from valuation process as illustrated in the specific section 16 - Other information - Impairment.

Impairment losses are recorded in the income statement, in item "130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost".

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

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

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

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

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

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk (Company Financial Statements). Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk.

## Part A - Accounting policies

### 4 - Hedge accounting

Hedging instruments are created to hedge market (interest-rate, currency and price) and/or credit risk to which the hedged positions are exposed. They may be described as follows:

- Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- Hedge of a net investment in a foreign entity, whose operations are based or conducted in a currency other than euro.

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

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Generally a hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80-125%. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date.

If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when (i) the hedging instrument expires or is sold, terminated or exercised, (ii) the hedged item is sold, expires or is repaid, (iii) it is no longer highly probable that the forecast transaction will occur.

Hedging instruments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:

- **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting"; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the difference is recognised in profit or loss under item "90. Net gains (losses) on hedge accounting" at once. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in item "100. Gains (Losses) on disposal and repurchase";
- **Cash Flow Hedging** - hedging instruments are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognised in equity item "120. Valuation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in revaluation reserves from the period when the hedge was effective remains separately recognised in revaluation reserves until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to item "90. Net gains (losses) on hedge accounting". The fair value changes are recorded in the Statement of Other Comprehensive Income and disclosed in item "120. Valuation reserves";
- **Hedging a Net Investment in a Foreign Entity** - hedges of a net investment in a foreign entity whose activities are based or conducted in a country or currency other than those of the reporting entity are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign entity. The fair value changes are recorded in the Statement of Comprehensive Income and disclosed in item "120. Valuation reserves"; the ineffective portion of the gain or loss is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting";



## Part A - Accounting policies

• **Macro-hedges of Financial Assets (Liabilities)** - IAS39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro-hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro-hedging, macrohedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125%. Net changes, gains or losses, in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item "60. Changes in fair value of portfolio hedged items (+/-)" or liability item "50. Value adjustment of hedged financial liabilities (+/-)", respectively and offset the profit and loss item "90. Net gains (losses) on hedge accounting".

The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item "90. Net gains (losses) on hedge accounting".

If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items "60. Changes in fair value of portfolio hedged items (+/-)" or liability item "50. Value adjustment of hedged financial liabilities (+/-)" is recognised through profit or loss in items "10. Interest income and similar revenues" or "20. Interest expenses and similar charges", along the residual life of the hedged financial assets or liabilities.

If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item "100. Gains (Losses) on disposal and repurchase".

### 5 - Equity investments

The principles governing the recognition and measurement of equity investments under IFRS10 Consolidated Financial Statements, IAS27 Separate Financial Statements, IAS28 Investments in Associates and Joint Ventures and IFRS11 Joint Arrangements are provided in detail in Part A.1, Section 3 - Consolidation Procedures and Scope, where disclosure on the evaluation processes and key assumptions used to assess the existence of control, joint control or significant influence in accordance with IFRS12 (paragraphs 7-9) is provided.

The remaining interests other than subsidiaries, associates and joint ventures, and interests recognised in items "120. Non-current assets and disposal groups classified as held for sale" and "70. Liabilities associated with assets classified as held for sale" are classified as financial assets at fair value through other comprehensive income or other financial assets mandatorily at fair value and accordingly accounted.

### 6 - Property, plant and equipment (Tangible assets)

The item includes:

- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;

and is divided between:

- assets used in the business;
- assets held as investments;
- inventories in the scope of IAS2 standard.

This item also includes tangible assets arising from collection of collaterals.

#### Assets used in the business and Assets held as investments

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used for more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease.

The item "Property, plant and equipment" includes assets used by the Group as lessee under a finance lease, or let/hired out by the Group as lessor under an operating lease.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants).

## Part A - Accounting policies

Leasehold improvements are usually borne in order to make leased premises fit for the expected use.

Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item "130. Other assets".

Assets held for investment purposes are properties covered by IAS40, i.e. properties held (owned or under a finance lease) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:

- "190. Administrative expenses: b) other administrative expenses", if they refer to assets used in the business;

or:

- "230. Other operating expenses/income", if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

Exceptions are made for property investments underlying liabilities whose yield is linked to their fair value. For these latter assets the fair value model as per IAS40 paragraph 32A is used.

An item with a finite useful life is subject to straight-line depreciation.

Residual useful life is usually assessed as follows:

- |                          |                 |
|--------------------------|-----------------|
| • buildings              | up to 50 years; |
| • furniture and fixtures | up to 25 years; |
| • electronic equipment   | up to 15 years; |
| • other                  | up to 10 years; |
| • leasehold improvements | up to 25 years. |

An item with an indefinite useful life is not depreciated.

Land and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings have instead a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is clear evidence that an asset has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in profit and loss item "210. Net value adjustments/write-backs on property, plant and equipment".

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

An item of property, plant and equipment is derecognised (i) on disposal or (ii) when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in profit and loss item "280. Gains (losses) on disposals on investments" or "210. Net value adjustments/write-backs on property, plant and equipment", respectively.

### Inventories in the scope of IAS2 standard

Inventories are assets held for sale in the ordinary course of business. They are accounted for at the lower of their carrying amounts and net realizable value. Any value adjustment arising from the application of the aforementioned criterion is recognised under item "210. Net value adjustments/write-backs on property, plant and equipment".

## Part A - Accounting policies

### 7 - Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance which is expected to be used for more than one period, controlled by the Group and from which future economic benefits are probable.

Intangible assets are principally goodwill, software, brands and patents.

This item also includes intangible assets used by the Group as lessee under finance leases or as lessor under operating leases (rental/hire).

Intangible assets other than goodwill are recognised at purchase cost, i.e. including cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.

In case of internally generated software the expenses incurred to develop the project are recognised under intangible assets only if the following elements are demonstrated: the technical feasibility of the project, the intention to complete the intangible asset, its future usefulness, the availability of adequate technical, financial and other resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- Software up to 10 years;
- Other intangible assets up to 20 years.

Intangible assets with an indefinite life are not amortised.

If there is clear evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item "220. Net value adjustments/write-backs on intangible assets".

For an intangible asset with indefinite life even if there are no indications of impairment, the carrying amount is compared annually with its recoverable value. If the carrying amount is greater than the recoverable value, the difference is recognised in profit and loss item "220. Net value adjustments /write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is derecognised (i) on disposal or (ii) when no further future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item "280. Gains (Losses) on disposals on investments" or "220. Net value adjustments/write-backs on intangible assets", respectively.

#### Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the interest acquired in the net fair value of the assets and liabilities acquired at the acquisition date.

Goodwill arising from the acquisition of subsidiaries is recognised as an intangible asset, whereas goodwill arising from the acquisition of associates is included in the carrying amount of the investments in associates.

At a subsequent financial reporting date, goodwill is recognised net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually, as for other intangible assets with an indefinite useful life. To this end it is allocated to the Group's business areas identified as the Cash Generating Units (CGUs). Goodwill is monitored by the CGUs at the lowest level in the Group in line with its business model.

Impairment losses on goodwill are recognised in profit and loss item "270. Goodwill impairment". In respect of goodwill, no write-backs are allowed.

## Part A - Accounting policies

Please see Explanatory notes - Part B - Section 10 Intangible Assets - 10.3 Other information for further information on intangibles, goodwill, the CGUs and impairment testing for these.

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

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the related liabilities, as required by IFRS5.

Individual assets (or groups of assets held for sale) are recognised in item "120. Non-current assets and disposal groups classified as held for sale" and item "70. Liabilities associated with assets classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to non-current assets classified as held for sale, which are recorded as a contra item to changes in value relevant for this purpose, are reported separately in the Statement of Other Comprehensive Income (see Explanatory notes - Part D - Consolidated Other Comprehensive Income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to discontinued operations are recognised in the income statement under item "320. Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets or disposal groups, that do not constitute discontinued operations, held for disposal are recognised in the income statement under the appropriate item.

### 9 - Current and deferred tax

Tax assets and tax liabilities are recognised in the Consolidated Balance Sheet respectively in item "110. Tax assets" and item "60. Tax liabilities".

In compliance with the "balance sheet method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with local tax regulations;
- current tax liabilities, i.e. amount of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses; and
  - the carryforward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

Current and deferred tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognised in profit or loss on an accrual basis.

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

In addition, under the tax consolidation system adopted by the Bank deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be generated by the entity. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognised in profit and loss item "300. Tax expense (income) for the period from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on financial assets at fair value through other comprehensive income and those relating to changes in the fair value of cash flow hedging instruments, whose changes in value are recognised, net of tax, directly in the Statement of Other Comprehensive Income - Revaluation reserves.

Current tax assets and liabilities are presented on the Balance Sheet net of the related current tax liabilities if the following requirements are met:

- existence of a legally enforceable right to offset the amounts recognised; and
- the intention to extinguish for the remaining net, or realise the asset and at the same time extinguish the liability.

## Part A - Accounting policies

Deferred tax assets are presented on the Balance Sheet net of the related deferred tax liabilities if the following requirements are met:

- existence of an enforceable right to offset current tax assets with current tax liabilities; and
- the deferred tax assets and liabilities must relate to income taxes applied to the same tax authority on the same taxable entity or on different taxable entities that intend to settle the current tax liabilities and assets on a net basis.

### 10 - Provisions for risks and charges

#### Commitments and guarantees given

Provisions for risks and charges for commitments and guarantees given are recognised against all revocable and irrevocable commitments and guarantees whether they are in scope of IFRS9 or IAS37.

The item hosts the estimates of expected loss calculated on these instruments resulting from valuation process as described in Section 16 - Other Information - Impairment.

The provision of the period is accounted under item "200. Net provisions for risks and charges: a) commitments and financial guarantees given".

Please note that all contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument are considered financial guarantees.

#### Retirement payments and similar obligations

Retirement provisions, i.e. provisions for employee benefits payable after the completion of employment, are defined as contribution plans or defined-benefit plans according to the nature of the plan.

In detail:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company;
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefits to all employees.

Defined-benefit plans are present-valued by an external actuary using the Unit Credit Projection method.

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

More specifically, the amount recognised according to IAS19 Revised as a net liability/asset in item "100. Provisions for risks and charges: b) post-retirement benefit obligations" is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses are recorded in the Statement of Other Comprehensive Income and disclosed in item "120. Valuation reserves".

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds (HQCB: High quality corporate bonds) with an average life in keeping with that of the relevant liability.

#### Other provisions

Provisions for risks and charges are recognised when:

- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

## Part A - Accounting policies

In particular, where the effect of the time value of money is significant, the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised. Allocations made in the year are recognised in profit and loss item "200. Net provisions for risks and charges: b) other net provisions" and include increases due to the passage of time; they are also net of any reversals.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the Unit Credit Projection method (see previous paragraph Retirement Payments and Similar Obligations).

### 11 - Financial liabilities measured at amortised cost

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

These financial liabilities are recognised at settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method. Such interest is recognised in item "20. Interest expenses and similar charges" if negative or in item "10. Interest income and similar revenues" if positive.

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

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

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

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

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

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

### 12 - Financial liabilities held for trading

Financial liabilities held for trading include:

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

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial liability is recognised in profit or loss in item "80. Net gains (losses) on trading".

## Part A - Accounting policies

### 13 - Financial liabilities designated at fair value

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

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

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

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

The changes in fair value are recognised in the income statement in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss - a) financial assets/liabilities designated at fair value" except for any changes in fair value arising from changes in their creditworthiness, which are shown under item "120. Valuation reserves" of shareholders' equity unless such accounting results in an inconsistency that arises from the application of different methods of measuring assets and liabilities and related gains or losses, in which case also the changes in fair value deriving from changes in creditworthiness are recorded in the income statement. In case of redemption the balance of cumulated changes in fair value due to own credit risk booked in item "120. Valuation reserves" is reclassified in line "150. Reserves".

### 14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item "80. Net gains (losses) on trading".

Exchange rate differences arising on a monetary item that is part of an entity's net investment in a foreign operation whose activities are based or conducted in a country or currency other than those of the reporting entity are initially recognised in the entity's equity, and recognised in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. In this case the exchange differences are recognised:

- in profit and loss if the financial asset is classified in a portfolio measured at fair value through profit or loss; or
- in the Statement of Other Comprehensive Income, and disclosed in the Revaluation reserves, if the financial asset is classified in "Financial assets at fair value through other comprehensive income".

Hedges of a net investment in a foreign operation are recognised similarly to cash flow hedges.

The assets and liabilities of fully consolidated foreign entities are translated at the closing exchange rate of each period. Gains and losses are translated at the average exchange rate for the period. Differences arising from the use of closing exchange rates and from the average exchange rates and from the remeasurement of the initial net amount of the assets of a foreign company at the closing rate are classified directly in item "120. Valuation reserves".

Any goodwill arising on the acquisition of a foreign operation realised after IAS First Time Adoption (i.e., 1 January 2004) whose assets are located or managed in a currency other than the euro, and any fair value adjustments of the carrying amounts of assets and liabilities are treated as assets and liabilities of the foreign operation, expressed in the functional currency of the foreign operation and translated at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences, classified in an Equity reserve, is reclassified in profit or loss.

All exchange differences recorded under revaluation reserves in Shareholders' Equity are also reported in the Statement of Other Comprehensive Income.

### 15 - Insurance assets and liabilities

Please note that the Group does not conduct such business.



## Part A - Accounting policies

### 16 - Other information

#### Impairment

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

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

- Stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption);
- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- Stage 3: includes impaired credit exposures.

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.

For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

The allocation of credit exposures in one of the abovementioned stages is done at initial recognition, when the exposures is classified at stage 1 and it is periodically reviewed based on "stage allocation" rules as specified in Part E - Section 1 - Credit risk (Company Financial Statements). Same information is provided in Part E - Section 2 - 2.1 Credit risk.

In order to calculate the expected loss and the related loan loss provision, the Bank uses Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") parameters, used for regulatory purposes and adjusted in order to ensure that impairment measurement represents values which are "point in time", "forward looking" and inclusive of multiple scenarios. In this respect see Part E - Section 1 - Credit risk (Company Financial Statements) for further information on expected loss calculation methodologies. Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk.

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

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

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

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

- Bad loans: cash and off-balance exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation. The assessment is generally carried out on an analytical basis (also through the comparison with coverage levels statistically defined for credit portfolios below a predefined threshold) or, in case of non-significant individually amounts, on a flat-rate basis for homogeneous types of exposures;
- Unlikely to pay: cash and off-balance exposures for which conditions for evaluating the debt as bad loan are not met and for which it is unlikely that without recurring to enforcement of collaterals the debtor is able to pay in full (capital and/or interests) his credit obligations. Such assessment is made independently of any past due and unpaid amount/instalments. The classification among unlikely to pay is not necessarily linked to anomalies (non-repayment), rather it is linked to factors that indicate a situation of risk of default of the debtor. Unlikely to pay are generally accounted analytically (also through the comparison with coverage levels statistically defined for credit portfolios below a predefined threshold) or on a flat-rate basis for homogeneous types of exposures. The exposures classified among unlikely to pay and qualified as so-called forbore can be reclassified among non-impaired receivables only after at least one year has elapsed from the time of granting and the conditions indicated in paragraph 157 of EBA Implementing Technical Standards . With reference to their evaluation:
  - they are generally analytically evaluated and may include the discounted charge deriving from the possible renegotiation of the rate at conditions

## Part A - Accounting policies

below the original contractual rate;

the renegotiations of loans that require their derecognition in exchange of shares through “debt-to-equity swap” transactions requires the assessment, before executing the swap, of the credit exposures in accordance with stipulated agreements at the date of preparation of the financial statements. Any differences between the value of receivables and the value at initial recognition of equity instruments is accounted in income statement in the impairment losses;

- Past due exposures: cash exposures different from those classified as non-performing loans and unlikely to pay that at the reporting date are past due. Past due exposures can be determined referring alternatively to individual debtor or individual transaction. In particular they represent an entire exposure to counterparties different from those classified as unlikely to pay and bad loans that at the reporting date show past due receivables from more than 90 days as well as requirements established by local prudential regulation for the inclusion of these credits into “past due” (standardised banks) or “default exposures” (IRB banks).

Past due exposures are evaluated on a on a flat-rate basis on historical/statistical basis, applying, if available, the riskiness identified by the risk factor used for the purposes of EU Regulation No.575/2013 (CRR) relating to prudential requirements for credit institutions and investment firms (LGD - Loss Given Default).

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

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

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

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

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

Also the impairment on impaired exposures was calculated as required by the new accounting standard to include (i) the adjustments necessary to reach the calculation of a point-in-time and forward-looking loss; and (ii) multiple scenarios applicable to this type of exposure including any sale scenarios in case the Bank’s NPL strategy foresees the recovery through sale on the market according to what is specified in Part E - Section 1 - Credit risk (Company Financial Statements). Same information is provided in Part E - Section 2 - 2.1 Credit risk.

If there are no reasonable expectations to recover a financial assets in its entirety or a portion thereof, the gross exposure is subject to write-off. Write-off, that may involve either a full or a part of a financial asset, might be accounted for before that the legal actions, activated to recover the credit exposure, are closed and doesn’t imply the forfeiture of the legal right to recover. In this context the Group has developed a specific guideline that assess the need to recognize a write-off. For further information see Part E - Section 1 - Credit risk (Company Financial Statements). Same information is also provided in Part E - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk.

### Modification

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

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

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

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

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

## Part A - Accounting policies

### Business combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree is a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:

- identifying an acquirer;
- measuring the cost of the business combination, and;
- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired.

This involves the revaluation at fair value, with the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value.

Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

Positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and recognise immediately any excess remaining after that reassessment in profit or loss.

If the acquisition concerns a percentage less than 100% of the assets of the acquired company, minorities are recognised.

At the acquisition date, minorities are valued:

- at fair value, or
- as a proportion of minority interests in the assets, liabilities and identifiable contingent liabilities of the acquired company.

### Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity's balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset, or a group of assets, (e.g. interest cash flows from an asset);
- the part comprises a clearly identified percentage of the cash flows from a financial asset, (e.g. a 90% share of all cash flows from an asset);
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, (e.g. 90% share of interest cash flows from an asset).

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a non-Group counterparty.

## Part A - Accounting policies

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Group is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset and expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitisations, repurchase (sell and buy-backs) and stock lending transactions.

In the case of securitisations the Group does not derecognise the financial asset on purchase of the equity tranche or provision of other types of support of the structure which result in the Group retaining the credit risk of the securitised portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Finally, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

### Repo transactions and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks among Financial assets at amortised cost, or as an asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers among Financial liabilities at amortised cost, or as an held for trading financial liability. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The P&L items connected with these transactions are booked respectively:

- in item Interest, with respect to the positive item (borrower) and the negative item (lender) relating to the return on cash paid to the lender;
- in item Fees and commissions, with respect to the negative item (borrower) and the positive item (lender) relating to the service provided by the lender by making the security available.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role, lender or borrower, respectively, played in the transaction.

Counterparty risk relating to the latter securities lending or borrowing transactions is shown under the off-balance sheet exposures in the tables of Explanatory notes - Part E - Section 2 - 2.1 Credit risk - Quantitative information - A. Credit quality.

### Equity instruments

Equity instruments are instruments that represent a residual interest in Group's assets net of its liabilities.

Classification of an issued instrument as equity is possible only if there are no contractual obligation to make payments in form of capital redemptions, interest or other kinds of returns.

In particular instruments having the following features are classified as equity instruments:

- the instrument is perpetual or has a maturity equal to duration of the entity;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

## Part A - Accounting policies

Additional Tier 1 instruments are included in this category, in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, if, additionally to the characteristics described above:

- maintain within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- do not incorporate outlook that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Equity instruments, different from common or saving shares, are presented in item "140. Equity instruments" for the consideration received including transaction costs directly attributable to the instruments.

Any coupon paid, net of related taxes, reduces item "150. Reserves".

Any difference between the amounts paid for the redemption or repurchase of these instruments and their carrying value is recognised in item "150. Reserves".

### Treasury shares

Changes in treasury shares are reported as a direct contra item to Shareholders' Equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds.

This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax repurchase cost is recognised entirely as a contra item to Shareholders' Equity.

### Finance leases

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee; ownership of the asset is transferred to the lessee, however not necessarily at contractual maturity.

The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

See previous paragraphs 6 - Property, Plant and Equipment and 7 - Intangible Assets below for treatment of the lessee's assets.

### Factoring

Loans acquired in factoring transactions with recourse are recognised to the extent of the advances granted to customers on their consideration.

Loans acquired without recourse are recognised as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

### Share-based payment

Equity-settled payments made to employees or other staff in consideration of goods received or services rendered, using equity instruments comprise:

- Stock options;
- Performance shares (i.e. awarded on attainment of certain objectives);
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services rendered against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

This fair value is recognised as cost in profit and loss item "190. Administrative expenses: a) staff costs" offsetting the Shareholders' Equity item "150. Reserves", on an accruals basis over the period in which the services are rendered.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in item "80. Other liabilities". The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognised in profit and loss item "190. Administrative expenses: a) staff costs".

## Part A - Accounting policies

### Other long-term employee benefits

Long-term employee benefits - e.g. long-service bonuses, paid on reaching a predefined number of years' service - are recognised in item "80. Other liabilities" on the basis of the measurement of the liability at the balance sheet date, also in this case determined by an external actuary using the unit credit projection method (see previous paragraph 10 - Provisions for risks and charges). Actuarial gains (losses) on this type of benefit are recognised immediately in the income statement.

### Guarantees and credit derivatives in the same class

Guarantees and credit derivatives in the same class measured under IFRS9 (i.e. contracts under which the issuer make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument) are initially and subsequently (on remeasurement following impairment losses) recognised in item "100. Provisions for risks and charges: a) commitments and guarantees given".

On initial recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued.

After the initial recognition, guarantees given are recognised at the higher of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation.

The effects of valuation, relating to any impairment of the underlying, are recognised in the same balance-sheet item contra item "200. Net provisions for risks and charges: a) commitments and financial guarantees given" in the income statement.

### Offsetting financial assets and financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS32, assessing the fulfillment of the following requirements:

- current legally enforceable right to set off the recognised amounts;
- intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS7, further information have been included in the table of Note to the Consolidated Accounts, in Part B - Other information.

In these tables, in particular the following information have to be reported:

- balance-sheet values, before and after the accounting offsetting effects, relating to the assets and liabilities which meet the criteria for applying those effects;
- values of the exposures which do not meet the above-mentioned criteria, but are included in Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances (e.g. default events);
- amounts of related collaterals.

### Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at the initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include financing costs or internal administrative or holding costs.

## Part A - Accounting policies

### Recognition of income and expenses

#### **Interest income and expenses**

Interest income and expenses and similar income and expense items relate to monetary items, i.e. liquidity and debt financial instruments (i) held for trading, (ii) designated at fair value (iii) mandatorily at fair value (iv) at fair value through other comprehensive income (v) at amortised cost and financial liabilities at amortised cost.

Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:

- hedging interest-bearing assets and liabilities;
- HFT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HFT assets and liabilities paying differentials or margins on different maturities.

#### **Fees and commissions income and other operating income**

Fees and commissions income and other operating income are accounted for in P&L as the entity satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognized in P&L when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in P&L in order to reflect the progress of satisfaction of such obligation.

Due to the above mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognized during the term of the contract (input method).

For this second type of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Group expects to receive.

Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

Please note, nevertheless, that for the services provided by the Group such a variability is not usually foreseen.

Finally, if a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in P&L on the basis of the timing of satisfaction of each obligation.

This circumstance, which is not significant, might happen in case of customer loyalty programs that require to provide goods or services for free, or by cashing-in a price not at market condition, if the client reaches a specific volume of fees, or in case of programs to acquire new customers that assign a bonus to the target (in the form of a product or a service) when it becomes a new client.

#### **Dividends**

Dividends are recognised in profit and loss in the financial year in which their distribution has been approved.

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

There were no transfers between portfolios of financial assets in 2018.



## Part A - Accounting policies

### A.4 - Information on fair value

#### Qualitative information

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

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

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

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

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

If the observable prices in active market or other observable inputs, such as the quoted price of a similar instrument in an active market, the Group may use another valuation techniques, such as:

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

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

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

As a further guarantee of the objectivity of valuations derived from valuation models, the Group employs:

- independent price verifications (IPVs);
- fair value adjustments (FVAs).

Independent price verification requires that the prices are verified at least monthly by Risk Management units that are independent from the units that assume the risk exposure.

This verification calls for comparing and adjusting the price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued.

This valuation can include the executability of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the info provider to obtain the information.

## Part A - Accounting policies

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

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

#### Assets and Liabilities measured at fair value on a recurring basis

##### *Fixed-Income Securities*

Fixed-Income Securities are priced in a two tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1<sup>18</sup>. In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account: the number of executable bid/ask quotes, their relative sizes and spreads. Such indicator is tracked over a 20 business days time window in order to obtain a stable monthly indicator.

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

In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

##### *Structured Financial Products*

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

##### *Asset Backed Securities*

UniCredit valuation process relies on internal policies centered on:

- extension and implementation across all the Group's Legal Entities of an independent Price Verification (IPV) process suited to the changed market conditions for Structured Credit Bonds;
- integration of current Fair Value Adjustments Policy.

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

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

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

##### *Derivatives*

Fair value of derivatives not traded in an active market is determined using a mark-to-model valuation technique. In such cases, where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts.

Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use significant unobservable inputs are referred to as Level 3 valuations.

##### *Equity instruments*

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

For equity instruments measured at cost an impairment is given, if the carrying amount exceeds the recoverable amount significantly and/or over a prolonged period of time.

<sup>18</sup> As far as Italian Government bonds are concerned, it is worth stressing they are typically exchanged on the MTS market which is largely acknowledged as the main liquid platform for this kind of asset.

## Part A - Accounting policies

### *Investment funds*

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

### *Real Estate Funds*

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

### *Other funds*

The Group holds investments also in mutual funds, hedge funds and private equity funds.

Funds are usually assigned to Level 1 when a quoted price is available on an active market.

Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues relating to position write-off.

### *Property, plant and equipment measured at fair value*

The Group owns property, plant and equipment held for investment purposes, which are valued according to the fair value model for Real Estate investments linked to liabilities that generate a return on investments themselves.

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. Given the current portfolio composition, most of the positions are at level 3.

### **Fair Value Adjustments (FVA)**

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

Below a list of adjustments:

- Credit/Debit valuation adjustment (CVA/DVA);
- model Risk;
- close-out Costs;
- other Adjustments.

### *Credit/Debit valuation adjustment (CVA/DVA)*

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

UniCredit CVA/DVA methodology is based on the following inputs:

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

As of 31 December 2018, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €125 million negative. The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €82 million negative.

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

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

UniCredit FVA methodology is based on the following inputs:

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

As of 31 December 2018 the Fair Value Adjustment component (FundVA) reflect into P&L amounts to €120.75 million negative.

## Part A - Accounting policies

### *Model Risk*

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

### *Close-out Costs*

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

### *Other adjustments*

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

### **Assets and Liabilities not measured at fair value or measured at fair value on a non-recurring basis**

Financial instrument not carried at fair value, for example retail loans and deposit, and credit facilities extended to corporate clients are not managed on a fair value basis.

For these instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS13.

### *Cash and cash balances*

Cash and cash balances are not carried at fair value on the Consolidated Balance Sheets, but they are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk.

### *Financial assets at amortised cost*

For the assets that are composed by securities, fair value is determined according to what explained in section "Assets and Liabilities measured at fair value on a recurring basis - Fixed Income Securities".

On the other hands, fair value for performing Loans and Receivables to banks and customers is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

### *Property, plant and equipment held for investment purposes*

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

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique.

### *Financial liabilities at amortised cost*

Fair value for debt securities in issue is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves.

On the other hands, Fair value for other financial liabilities is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's senior and subordinated risk curves.

### **Description of the valuation techniques**

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

## Part A - Accounting policies

### *Option Pricing Model*

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

### *Discounted cash flow*

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

### *Hazard Rate Model*

The valuation of CDS instruments requires the knowledge of the entity's survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk free curve and the expected recovery rate.

The hazard rate is part of the described process and it indicates the instantaneous probability of default at different future instants.

### *Market Approach*

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

### *Gordon Growth Model*

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

### *Dividend Discount Model*

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

### *Adjusted NAV*

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

### **Description of the inputs used to measure the fair value of items categorized in Level 2 and 3**

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

#### *Volatility*

Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.

There are different types of volatility:

- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices.

#### *Correlation*

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

## Part A - Accounting policies

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

### *Dividends*

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

### *Interest rate curve*

The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency, which turns interest rates in zero-coupon.

Less liquid currencies interest curve refer to the rates in currencies for which a market liquidity doesn't exist in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

### *Inflation Swap rate*

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

### *Credit spreads*

Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name.

The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either U.S. Treasury or LIBOR/EURIBOR and is generally expressed in terms of basis points.

The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

### *Loss Given Default (LGD)/Recovery Rate*

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

### *Price*

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

### *Prepayment Rate (PR)*

The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security.

In general as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

### *Probability of Default (PD)*

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

### *Early conversion*

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

### *EBITDA*

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

## Part A - Accounting policies

### Ke

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

### Growth rate

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

### Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorised as Level 3

The following table shows, for each product category, the amount of Assets and Liabilities measured at fair value and the range of variation of unobservable parameters, across the whole portfolio, as monitored by Group Risk Management functions.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	RANGE		
<b>Derivatives</b>	Financial	Equity & Commodities	398.27	329.96	Option Pricing Model	Volatility	1%	107%
						Correlation	-98%	98%
					Option Pricing Model/ Discounted Cash Flows	Dividends Yield	0%	17%
		Foreign Exchange	104.41	41.61	Option Pricing Model	Volatility	1%	40%
						Discounted Cash Flows	Interest rate	-60%
		Interest Rate	837.13	693.88	Discounted Cash Flows	Swap Rate (bps)	-40 bps	1000 bps
						Inflation Swap Rate	0 bps	230 bps
					Option Pricing Model	Inflation Volatility	1%	10%
						Interest Rate Volatility	1%	100%
						Correlation	0%	100%
		Hybrid	-	-	Option Pricing Model	Volatility	0%	0%
						Correlation	0%	0%
		Credit	2.94	9.52	Hazard Rate Model	Credit Spread	100%	28%
						Recovery rate	0%	54%
					Option Pricing Model	Correlation	0%	0%
Volatility	0%					0%		
<b>Debt Securities and Loans</b>	Corporate/ Government/Other	1,322.50	536.70	Market Approach	Price (% of used value)	0%	199%	
	Mortgage & Asset Backed Securities	236.93	-	Discounted Cash Flows	Credit Spread (bps)	7bps	1190bps	
					LGD	20%	100%	
					Default Rate	0%	8%	
					Prepayment Rate	0%	30%	
<b>Equity Securities</b>	Unlisted Equity & Holdings	1,173.62	-	Market Approach	Price (% of used value)	0%	100%	
				Gordon Growth Model	Ke	8.0%	16.0%	
					Growth Rate	2.0%	3.0%	
<b>Units in Investment Funds</b>	Real Estate & Other Funds	949.96	-	Adjusted Nav	PD	1%	30%	
					LGD	35%	60%	



## Part A - Accounting policies

### A.4.2 Valuations processes and sensitivities

The Group verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as *discounted cash flow* and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.

When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and *benchmarking*. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the *bid/ask* spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily *mark-to-market* or *mark-to-model* valuation, the *Independent Price Verification* (IPV) is applied by from *Market Risk* function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.

#### **Fair value sensitivity to variations in unobservable input used in the fair value computation for instruments categorised as Level 3**

The direction of sensitivity for instruments categorised at level 3 of fair value hierarchy to variations in significant unobservable inputs is supplied in the following table. For fair value computations where significant unobservable input are employed (Level 3), the sensitivity analysis is performed using a range of reasonable alternatives for the unobservable parameters.

The Group takes into account that the impact of unobservable inputs in the fair value computation of level 3 financial instruments, depends on the correlation among different inputs used in the valuation technique. In addition, the effect of unobservable input variation has an impact on the amount and the direction of fair value measurement, also according to the instrument nature and sign.

(€ million)

PRODUCT CATEGORIES	FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES		
Derivatives	Financial	Equity	+/- 84.44
		Foreign Exchange	+/- 28.99
		Interest Rate	+/- 31.60
		Hybrid	+/- -
	Credit	+/- 14.43	
Debt Securities and Loans	Corporate/Government/Other	+/- 3.45	
	Mortgage & Asset Backed Securities	+/- 10.34	
Equity Securities	Unlisted Equity & Holdings	+/- 52.15	
	Real Estate & Other Funds	+/- 12.70	

Within the unlisted Level 3 Units in Investment Funds, measured using a model, the shares in Atlante and Italian Recovery Fund, former Atlante II, (€355 million at 31 December 2018) are classified and, within Equity Securities, the investments in the Voluntary Scheme (as at 31 December 2018 equal to €47,6 million). For further information, please refer to Part B - Section 2 - Financial assets at fair value through profit or loss: c) other financial assets mandatorily at fair value.

## Part A - Accounting policies

### A.4.3 Fair value hierarchy

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

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used.

A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.

In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

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

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

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

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

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

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

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

#### **Transfers between hierarchy levels**

The main drivers to transfers in and out the FV levels (both between L1 and L2 and in/out L3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.

Quantitative and qualitative details about transfers between FV levels occurred in the period is presented in Part A.4.5 - Fair Value Hierarchy.

### A.4.4 Other information

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

## Part A - Accounting policies

### Quantitative information

#### A.4.5 Fair value hierarchy

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

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

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	32,822,586	48,509,976	4,805,193
a) Financial assets held for trading	25,214,655	37,940,593	2,076,226
b) Financial assets designated at fair value	3	103	-
c) Financial assets mandatorily at fair value	7,607,928	10,569,280	2,728,967
2. Financial assets at fair value through other comprehensive income	76,843,736	10,392,587	1,043,834
3. Hedging derivatives	98,986	4,578,280	4,251
4. Property, plant and equipment	-	-	47,147
5. Intangible assets	-	-	-
<b>Total</b>	<b>109,765,308</b>	<b>63,480,843</b>	<b>5,900,425</b>
1. Financial liabilities held for trading	13,514,689	28,235,890	1,360,657
2. Financial liabilities designated at fair value	427,415	8,663,748	226,568
3. Hedging derivatives	100,445	5,906,926	24,658
<b>Total</b>	<b>14,042,549</b>	<b>42,806,564</b>	<b>1,611,883</b>

The item "1. c) Financial assets mandatorily at fair value" at level 3 as at 31 December 2018 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €355 million) and in "Schema Volontario" (carrying value €47,6 million).

Since no market valuations or prices of comparable securities are available for "Schema Volontario", at 31 December 2018 the fair value of such instrument was determined using internal models (Discounted Cash Flow and Market Multiples) also having as reference the valuation of the financial assets of the "Schema Volontario" (supported by the advisor in charge) contained in the Rendiconto 2018 of the "Schema Volontario" itself, while concerning Atlante and Italian Recovery Fund, former Atlante II, the Fair Value was determined having as reference the valuation of the financial assets provided from the fund itself, supplemented, if appropriate, using internal models (Discounted Cash Flow and Market Multiples). See Part B - Section 2.5 - Financial assets mandatorily at fair value income for further information.

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

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

- from level 1 to level 2 owing to a worsening of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through profit & loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €176 million;
  - of financial liabilities measured at fair value through profit & loss (financial liabilities held for trading and designed at fair value) for approximately €4 million;
- from level 2 to level 1 owing to an improvement of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through profit & loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €1,969 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for approximately €340 million;
  - of financial liabilities measured at fair value through profit & loss (financial liabilities held for trading and designed at fair value) for approximately €47 million.

## Part A - Accounting policies

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

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

(€ '000)

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

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

(€ '000)

	CHANGES IN 2018							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
<b>1. Opening balances</b>	<b>3,702,074</b>	<b>1,421,686</b>	-	<b>2,280,388</b>	<b>1,065,570</b>	<b>2,394</b>	<b>47,375</b>	-
<b>2. Increases</b>	<b>2,887,933</b>	<b>1,787,222</b>	-	<b>1,100,711</b>	<b>806,940</b>	<b>14,489</b>	<b>1,526</b>	-
2.1 Purchases	1,667,449	1,187,738	-	479,711	28,661	-	-	-
2.2 Profits recognised in	663,977	510,847	-	153,130	41,652	4,186	1,526	-
2.2.1 Income statement	663,977	510,847	-	153,130	3,681	4,186	1,526	-
- of which unrealised gains	339,641	231,520	-	108,121	-	-	1,526	-
2.2.2 Equity	X	X	X	X	37,971	-	-	-
2.3 Transfers from other levels	206,098	23,913	-	182,185	433,457	-	-	-
2.4 Other increases	350,409	64,724	-	285,685	303,170	10,303	-	-
<b>3. Decreases</b>	<b>1,784,814</b>	<b>1,132,682</b>	-	<b>652,132</b>	<b>828,676</b>	<b>12,632</b>	<b>1,754</b>	-
3.1 Sales	855,311	671,081	-	184,230	373,187	-	-	-
3.2 Redemptions	24,187	101	-	24,086	58,041	-	-	-
3.3 Losses recognised in	420,978	323,517	-	97,461	122,450	2,018	623	-
3.3.1 Income statement	420,978	323,517	-	97,461	2,853	269	623	-
- of which unrealised losses	167,683	112,998	-	54,685	-	-	623	-
3.3.2 Equity	X	X	X	X	119,597	1,749	-	-
3.4 Transfers to other levels	128,572	78,059	-	50,513	5,793	-	-	-
3.5 Other decreases	355,766	59,924	-	295,842	269,205	10,614	1,131	-
- of which: business combinations	-	-	-	-	-	-	-	-
<b>4. Closing balances</b>	<b>4,805,193</b>	<b>2,076,226</b>	-	<b>2,728,967</b>	<b>1,043,834</b>	<b>4,251</b>	<b>47,147</b>	-

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

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

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

## Part A - Accounting policies

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

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

(€ '000)

	CHANGES IN 2018		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>1,371,167</b>	<b>581,280</b>	<b>58,546</b>
<b>2. Increases</b>	<b>1,407,530</b>	<b>122,114</b>	<b>5,267</b>
2.1 Issuance	846,689	105,771	-
2.2 Losses recognised in	542,324	5,710	3,155
2.2.1 Income statement	542,324	5,300	658
- of which unrealised losses	232,683	1,552	-
2.2.2 Equity	X	410	2,497
2.3 Transfers from other levels	12,543	756	-
2.4 Other increases	5,974	9,877	2,112
<b>3. Decreases</b>	<b>1,418,040</b>	<b>476,826</b>	<b>39,155</b>
3.1 Redemptions	665,590	16,396	-
3.2 Purchases	-	209,601	-
3.3 Profits recognised in	477,506	19,923	29,462
3.3.1 Income statement	477,506	19,923	29,462
- of which unrealised gains	377,187	19,198	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	223,140	217,882	-
3.5 Other decreases	51,804	13,024	9,693
of which: business combinations	-	-	-
<b>4. Closing balances</b>	<b>1,360,657</b>	<b>226,568</b>	<b>24,658</b>

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

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

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

### A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

(€ '000)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at amortised cost	579,310,842	30,468,419	204,525,199	350,139,974
2. Property, plant and equipment held for investment	1,517,593	-	88,561	2,133,818
3. Non-current assets and disposal groups classified as held for sale	1,799,936	7,554	57,275	122,678
<b>Total</b>	<b>582,628,371</b>	<b>30,475,973</b>	<b>204,671,035</b>	<b>352,396,470</b>
1. Financial liabilities at amortised cost	686,036,242	39,645,119	269,213,794	379,395,468
2. Liabilities associated with assets classified as held for sale	539,987	-	-	35,657
<b>Total</b>	<b>686,576,229</b>	<b>39,645,119</b>	<b>269,213,794</b>	<b>379,431,125</b>

## Part A - Accounting policies

The changes occurred between 31 December 2017 and 31 December 2018 in the ratio between fair value and book value for financial assets at amortised cost reflect the enhancement of the methodology and the parameters adopted for the fair value calculation for disclosure and the evolution in the benchmark interest rate, in the risk premium and in the probability of default depending on or deriving from markets trend. These events together with the evolution of the approach to identify the significance of non-observable inputs have been reflected in fair value hierarchy level distribution.

The book value of items "3. Non-current assets and disposal groups classified as held for sale" (Assets) and "2. Liabilities associated with assets classified as held for sale" (Liabilities) includes amounts referred to assets and liabilities measured on Balance Sheet on the basis of their cost, respectively for €1,612 million and €504 million. For further details on these two sub-items see Part B - Section 12 - table 12.1.

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

### A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(€ '000)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	BOOK VALUE	AMOUNTS AS AT 12.31.2017		
		LEVEL 1	LEVEL 2	LEVEL 3
1. Held-to-maturity investments	6,277,022	5,096,861	1,189,062	60,735
2. Loans and receivables with banks	70,982,743	526,248	47,955,776	22,869,184
3. Loans and receivables with customers	447,726,913	1,115,810	142,196,033	311,225,039
4. Property, plant and equipment held for investment	2,132,168	14,821	97,488	2,469,292
5. Non-current assets and disposal groups classified as held for sale	1,110,960	-	79,305	195,941
<b>Total</b>	<b>528,229,806</b>	<b>6,753,740</b>	<b>191,517,664</b>	<b>336,820,191</b>
1. Deposits from banks	123,244,080	-	56,419,195	66,675,209
2. Deposits from customers	462,895,261	-	162,598,619	301,045,127
3. Debt securities in issue	98,602,632	43,856,076	36,978,706	22,893,916
4. Liabilities included in disposal groups classified as held for sale	184,829	-	-	78,884
<b>Total</b>	<b>684,926,802</b>	<b>43,856,076</b>	<b>255,996,520</b>	<b>390,693,136</b>

## A.5 - Information on "day one profit/loss"

The value at which financial instruments are recognised is equal to their fair value on the same date.

The fair value of financial instruments, different from those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading (see Sections 1 and 14 of Part A.2 above) and instruments designated at fair value (see Sections 5 and 15 of Part A.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

The use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk ensure that the amount recognised in the income statement is not derived from the use of valuation parameters that cannot be observed.

More specifically, the calculation of fair value adjustments to reflect model risk ensures that the fair value portion of these instruments relating to the use of subjective parameters is not recognised in the profit and loss account, but changes the balance sheet value of these instruments. The presence of further "day one profit" leads to the recognition of a distinct asset component that is the object of linear competition. Recognition of these portions in the profit and loss account is then made only when objective parameters are applied and therefore the adjustments are derecognised.

The overall fair value adjustments to reflect these adjustments (amount not recognised in the Income Statement) amounts to +€44,581 thousand at 31 December 2018 (+€25,200 thousand in 2017).

## Part B - Consolidated balance sheet - Assets

### Assets

#### Section 1 - Cash and cash balances - Item 10

##### 1.1 Cash and cash balances: breakdown

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
a) Cash	9,005,671	8,848,377
b) Demand deposits with Central banks	21,985,690	55,645,034
<b>Total</b>	<b>30,991,361</b>	<b>64,493,411</b>

(€ '000)

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

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

ITEMS/VALUES	AMOUNTS AS AT		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial assets (non-derivatives)</b>			
<b>1. Debt securities</b>	<b>12,375,516</b>	<b>2,552,712</b>	<b>650,741</b>
1.1 Structured securities	85,277	1,585,116	1,141
1.2 Other debt securities	12,290,239	967,596	649,600
<b>2. Equity instruments</b>	<b>7,489,505</b>	<b>27,269</b>	<b>590</b>
<b>3. Units in investment funds</b>	<b>1,339,859</b>	<b>485,508</b>	<b>47,250</b>
<b>4. Loans</b>	<b>1,758,521</b>	<b>6,310,659</b>	<b>39,143</b>
4.1 Reverse Repos	-	2,659,085	-
4.2 Other	1,758,521	3,651,574	39,143
<b>Total (A)</b>	<b>22,963,401</b>	<b>9,376,148</b>	<b>737,724</b>
<b>B. Derivative instruments</b>			
<b>1. Financial derivatives</b>	<b>2,236,981</b>	<b>28,379,121</b>	<b>1,328,571</b>
1.1 Trading	2,236,981	27,018,532	1,326,776
1.2 Linked to fair value option	-	35,204	-
1.3 Other	-	1,325,385	1,795
<b>2. Credit derivatives</b>	<b>14,273</b>	<b>185,324</b>	<b>9,931</b>
2.1 Trading	14,273	183,604	9,931
2.2 Linked to fair value option	-	-	-
2.3 Other	-	1,720	-
<b>Total (B)</b>	<b>2,251,254</b>	<b>28,564,445</b>	<b>1,338,502</b>
<b>Total (A+B)</b>	<b>25,214,655</b>	<b>37,940,593</b>	<b>2,076,226</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>65,231,474</b>

(€ '000)

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

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

The offset effect as at 31 December 2018, already included in the net presentation of these transactions, totaled €13,533,439 thousand (€14,314,420 thousand as at 31 December 2017).



## Part B - Consolidated balance sheet - Assets

Item "1. Debt securities" includes securities related to securitisation transactions shown in the following table.

### Exposures to securities related to Securitisation transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2018
Senior	40,533
Mezzanine	-
Junior	-
<b>Total</b>	<b>40,533</b>

### 2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT
	12.31.2018
<b>A. Financial assets (non-derivatives)</b>	
<b>1. Debt securities</b>	<b>15,578,969</b>
a) Central Banks	-
b) Governments and other Public Sector Entities	9,841,185
c) Banks	3,200,929
d) Other financial companies	1,512,328
<i>of which: insurance companies</i>	11,234
e) Non-financial companies	1,024,527
<b>2. Equity instruments</b>	<b>7,517,364</b>
a) Banks	707,007
b) Other financial companies	507,236
<i>of which: insurance companies</i>	279,379
c) Non-financial companies	6,303,121
d) Other issuers	-
<b>3. Units in investment funds</b>	<b>1,872,617</b>
<b>4. Loans</b>	<b>8,108,323</b>
a) Central Banks	590,300
b) Governments and other Public Sector Entities	1,484,807
c) Banks	536,359
d) Other financial companies	1,504,985
<i>of which: insurance companies</i>	-
e) Non-financial companies	3,991,872
f) Households	-
<b>Total A</b>	<b>33,077,273</b>
<b>B. Derivative instruments</b>	
a) Central counterparties	2,219,685
d) Other	29,934,516
<b>Total B</b>	<b>32,154,201</b>
<b>Total (A+B)</b>	<b>65,231,474</b>

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

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>3</b>	<b>103</b>	<b>-</b>
1.1 Structured securities	3	-	-
1.2 Other debt securities	-	103	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Structured	-	-	-
2.2 Other	-	-	-
<b>Total</b>	<b>3</b>	<b>103</b>	<b>-</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>106</b>

## Part B - Consolidated balance sheet - Assets

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

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

### 2.4 Financial assets designated at fair value: breakdown by borrowers/issuers

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	
<b>1. Debt securities</b>	<b>106</b>	
a) Central Banks	-	
b) Governments and other Public Sector Entities	3	
c) Banks	103	
d) Other financial companies	-	
<i>of which: insurance companies</i>	-	
e) Non-financial companies	-	
<b>2. Loans</b>	<b>-</b>	
a) Central Banks	-	
b) Governments and other Public Sector Entities	-	
c) Banks	-	
d) Other financial companies	-	
<i>of which: insurance companies</i>	-	
e) Non-financial companies	-	
f) Households	-	
<b>Total</b>	<b>106</b>	

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

ITEMS/VALUES	AMOUNTS AS AT		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>7,153,722</b>	<b>8,761,726</b>	<b>640,370</b>
1.1 Structured securities	-	4,694	29,042
1.2 Other debt securities	7,153,722	8,757,032	611,328
<b>2. Equity instruments</b>	<b>416,819</b>	<b>44,476</b>	<b>397,541</b>
<b>3. Units in investment funds</b>	<b>37,387</b>	<b>29,872</b>	<b>902,841</b>
<b>4. Loans</b>	<b>-</b>	<b>1,733,206</b>	<b>788,215</b>
4.1 Structured	-	-	-
4.2 Other	-	1,733,206	788,215
<b>Total</b>	<b>7,607,928</b>	<b>10,569,280</b>	<b>2,728,967</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>20,906,175</b>		

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

The item "1. Debt securities" includes investments in FINO Project's Mezzanine and Junior Notes with a value of €60 million.

The item "2. Equity instruments" includes the investment in a "Schema Volontario" (presented among level 3 instruments) with a value of about €47.6 million and the residual shares of Bank Pekao S.A. with a value of €416 million at 31 December 2018, reclassified into such category after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. (with subsequent loss of control) occurred in first half of 2017 and the IFRS9 adoption starting from 2018. This classification is consistent with the recognition of the "Secured mandatorily exchangeable equity-linked certificate" certificate into financial liabilities at fair value.

The item "3. Unit in investment funds" includes the investments in Atlante and Italian Recovery Fund, former Atlante II, presented among level 3 instruments, with a value of €355 million.

## Part B - Consolidated balance sheet - Assets

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

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

### Exposures to securities related to Securitisation transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2018
Senior	20,664
Mezzanine	75,866
Junior	58,169
<b>Total</b>	<b>154,699</b>

### Information about the units of Atlante Fund and Italian Recovery Fund

refer to Part B Balance sheet – Section 2 Financial assets at fair value through profit and loss - item 20 - Information about the units of Atlante Fund and Italian Recovery Fund of individual financial statements notes that here are intended as completely reported.

### Information about the investments in the “Schema Volontario” (Voluntary Scheme)

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

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

The “Schema Volontario”, as a private entity, has provided in April 2016 the restructuring of the support of the action that FITD had operated in July 2014 in favor of Bank Tercas, operation that generated no further charges for participating banks. Subsequently, the participating size of the “Schema Volontario” was increased up to €700 million (of which €127 million of UniCredit group, of which €110 million referred to UniCredit S.p.A.). In this context, on June 2016 the “Schema Volontario” approved an action in support of Cassa di Risparmio di Cesena (CariCesena), in relation to a capital increase approved by the same bank on 8 June 2016 for €280 million (commitment relating to UniCredit group amounted to €51 million, of which €44 million referred to UniCredit S.p.A.).

On 30 September 2016 this commitment has been converted into a monetary payment which has led to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as “available for sale” for €51 million for the Group and €44 million for UniCredit S.p.A. (consistent with the monetary payment). Update of evaluation of the instruments as at December 2016, according to an internal evaluation model based on multiples of a banking basket integrated with estimates on Cassa di Risparmio di Cesena’s credit portfolio and related equity/capital needs, has brought to full impairment of the position.

In September 2017, to face Credit Agricole CariParma intervention in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) (based on a capital increase for €464 million and subscription of bonds from NPL securitisation of these banks for €170 million), the Fund has increased its capital endowment till to €795 million (share of total investments attributable to UniCredit group equal to approximately €146 million, of which €125 million referred to UniCredit S.p.A.). Further in the same month, UniCredit group has paid €10 million (of which €9 million UniCredit S.p.A.) to the Fund in respect of the part of the intervention related to the capital increase of Carim and Carismi. During December 2017, UniCredit group has paid the remaining €85 million (€52 million referred to capital increase of the banks and €33 million referred to the subscription of securitisation’s notes; for UniCredit S.p.A. €72 million, of which €45 million referred to capital increase and €27 million to securitization). Following these events, UniCredit group’s residual commitment towards “Schema Volontario” substantially nil.

All payments referred to capital increase of the banks have brought to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as “available for sale” for the amount of €63 million (€54 million for UniCredit S.p.A.), entirely cancelled in 2017 Financial Statements due to the sale of the banks to Credit Agricole CariParma at a symbolic price.

Regarding the portion of investment referred to subscription of “Schema Volontario” of Junior and Mezzanine quotes of the securitisation, initial value (€33 million for the Group, €27 million for UniCredit S.p.A.) has been rectified in 2017 to reflect fair value valuation declared by the “Schema Volontario” (€5 million for the Group, €4.4 million for UniCredit S.p.A.), as resulting from analysis conducted by the advisors in charge for the underlying credits evaluation, conducted according to a Discounted Cash Flow model based on recovery plans elaborated by SPV’s special servicer. Following the update of the assessment received from “Schema Volontario” (supported by the analysis of the appointed advisor), at 31 December 2018 a further impairment of €1.4 million for the Group (of which €1.2 million for UniCredit S.p.A.) has been recognised.

On 30 November 2018, the Shareholders’ Meeting of the “Schema Volontario” decided to intervene in favor of Banca Carige S.p.A. by subscribing a Tier 2 subordinated loan (for a maximum amount of €320 million) issued by Banca Carige S.p.A. and intended for conversion into capital to the extent necessary to allow an expected capital increase of €400 million.

## Part B - Consolidated balance sheet - Assets

On the same date, within the framework of the agreement stipulated with the "Schema Volontario", Banca Carige S.p.A. has placed bonds for €320 million, of which €318.2 million subscribed directly through the same "Schema Volontario". The bonds were issued at par (100% of the nominal value), with a fixed rate coupon of 13% and a maturity of 10 years (maturity 30 November 2028).

Given the failure to provide, by 22 December 2018, by the Extraordinary Shareholders' Meeting of Banca Carige S.p.A. of the delegation to the Board of Directors, also pursuant to art.2443 of the Civil Code, to increase by payment the share capital for a maximum total amount, including share premium, of €400 million, with retroactive effect, starting from the date of issue, interests on the principal amount of outstanding bonds from time to time, mature at a nominal fixed rate of 16%.

With reference to the intervention in favor of Banca Carige S.p.A., UniCredit group contribution to the "Schema Volontario" amounts to approximately €62.5 million (of which approximately €53 million attributable to UniCredit S.p.A. and €9.5 million to Fineco Bank S.p.A.), and it has been identified as a financial instrument classified, on the basis of the existing accounting standard IFRS9, under item "20.c) Financial assets mandatorily at fair value through profit or loss".

Since no market valuations or prices of comparable securities are available, at 31 December 2018 the fair value of the instrument, equal to nearly €44 million (of which nearly €37.3 million for UniCredit S.p.A. and €6.7 million for Fineco Bank S.p.A.) was determined using internal models (Discounted Cash Flow and Market Multiples) also having as reference the valuation of the financial assets of the "Schema Volontario" (supported by the advisor in charge) contained in the "Rendiconto 2018" of the "Schema Volontario" itself.

## 2.6 Other Financial assets mandatorily at fair value:breakdown by borrowers/issuers

ITEMS/VALUES	(€ '000)
	AMOUNTS AS AT 12.31.2018
<b>1. Equity instruments</b>	<b>858,836</b>
<i>of which: banks</i>	439,609
<i>of which: other financial companies</i>	317,352
<i>of which: non-financial companies</i>	101,875
<b>2. Debt securities</b>	<b>16,555,818</b>
a) Central banks	-
b) Governments and other Public Sector Entities	10,547,136
c) Banks	4,861,551
d) Other financial companies	1,017,960
<i>of which: insurance companies</i>	418,745
e) Non-financial companies	129,171
<b>3. Units in investment funds</b>	<b>970,100</b>
<b>4. Loans and advances</b>	<b>2,521,421</b>
a) Central banks	-
b) Governments and other Public Sector Entities	994,460
c) Banks	46,730
d) Other financial companies	3,159
<i>of which: insurance companies</i>	-
e) Non-financial companies	1,039,546
f) Households	437,526
<b>Total</b>	<b>20,906,175</b>

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

## Part B - Consolidated balance sheet - Assets

## 2.1 Financial assets held for trading: product breakdown

(€ '000)

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

## 2.2 Financial assets held for trading: breakdown by issuer/borrower

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017
<b>A. Financial assets (non-derivatives)</b>	
<b>1. Debt securities</b>	<b>18,355,399</b>
a) Governments and Central Banks	13,043,476
b) Other public-sector entities	478,353
c) Banks	2,557,314
d) Other issuers	2,276,256
<b>2. Equity instruments</b>	<b>12,631,091</b>
a) Banks	1,057,605
b) Other issuers	11,573,486
- insurance companies	703,398
- financial companies	549,364
- non-financial companies	10,320,724
- other	-
<b>3. Units in investment funds</b>	<b>2,677,274</b>
<b>4. Loans</b>	<b>6,252,792</b>
a) Governments and Central Banks	1,233,166
b) Other public-sector entities	3,498
c) Banks	1,944,471
d) Other issuers	3,071,657
<b>Total A</b>	<b>39,916,556</b>
<b>B. Derivative instruments</b>	
a) Banks	15,831,862
- fair value	15,831,862
b) Customers	18,937,472
- fair value	18,937,472
<b>Total B</b>	<b>34,769,334</b>
<b>Total (A+B)</b>	<b>74,685,890</b>

## Part B - Consolidated balance sheet - Assets

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

(€ '000)

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

Total Level 1, Level 2 and Level 3

22,073,343

### 3.2 Financial assets at fair value through profit or loss: breakdown by issuer/borrower

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT
	12.31.2017
<b>1. Debt securities</b>	<b>20,432,111</b>
a) Governments and central banks	1,072,882
b) Other public-sector entities	14,162,209
c) Banks	4,526,376
d) Other issuers	670,644
<b>2. Equity instruments</b>	<b>509,382</b>
a) Banks	509,381
b) Other issuers:	1
- insurance companies	-
- financial companies	-
- non-financial companies	1
- other	-
<b>3. Units in investment funds</b>	<b>22,359</b>
<b>4. Loans</b>	<b>1,109,491</b>
a) Governments and central banks	326,061
b) Other public-sector entities	737,600
c) Banks	45,830
d) Other entities	-
<b>Total</b>	<b>22,073,343</b>

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

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

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>76,843,053</b>	<b>9,337,631</b>	<b>268,340</b>
1.1 Structured securities	-	-	-
1.2 Other	76,843,053	9,337,631	268,340
<b>2. Equity instruments</b>	<b>683</b>	<b>1,054,956</b>	<b>775,494</b>
<b>3. Loans</b>	-	-	-
<b>Total</b>	<b>76,843,736</b>	<b>10,392,587</b>	<b>1,043,834</b>

Total Level 1, Level 2 and Level 3

88,280,157

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

## Part B - Consolidated balance sheet - Assets

The Item "1. Debt Securities" includes investments FINO Project's in instrument Senior and in one part of instrument Mezzanine notes with a value of €230 million as at 31 December 2018.

The Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among level 2 instruments), with a value of €1,008 million and (ii) ABH Holding SA investments (presented among level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsoibank to Alfa Group, with a value at 31 December 2018 of €334 million.

## Exposures to securities related to Securitisation transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2018
Senior	205,211
Mezzanine	24,317
Junior	-
<b>Total</b>	<b>229,528</b>

## Information about the shareholding in Banca d'Italia

Reference is made to the paragraph "Information about the shareholding in Banca d'Italia" - Part B - Balance sheet - Assets - Section 3 - Financial assets at fair value through other comprehensive income of the parent company UniCredit S.p.A.'s Notes to the accounts, which is herewith quoted entirely.

## 3.2 Financial assets at fair value through other comprehensive income: breakdown by borrowers/issuers

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018
<b>1. Debt securities</b>	<b>86,449,024</b>
a) Central Banks	-
b) Governments and other Public Sector Entities	78,170,426
c) Banks	5,830,011
d) Other financial companies	791,845
<i>of which: insurance companies</i>	-
e) Non-financial companies	1,656,742
<b>2. Equity instruments</b>	<b>1,831,133</b>
a) Banks	1,116,415
b) Other issuers	714,718
- Other financial companies	518,783
<i>of which: insurance companies</i>	19,821
- Non-financial companies	193,744
- Other	2,191
<b>3. Loans and advances</b>	<b>-</b>
a) Central Banks	-
b) Governments and other Public Sector Entities	-
c) Banks	-
d) Other financial companies	-
<i>of which: insurance companies</i>	-
e) Non-financial companies	-
f) Households	-
<b>Total</b>	<b>88,280,157</b>



## Part B - Consolidated balance sheet - Assets

## 3.3 Financial assets at fair value through other comprehensive income: gross value and total accumulated impairments

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1		STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION						
Debt securities	86,053,335	66,030,763	436,001	69	32,657	7,696	28	-
Loans and advances	-	-	-	-	-	-	-	-
<b>Total 12.31.2018</b>	<b>86,053,335</b>	<b>66,030,763</b>	<b>436,001</b>	<b>69</b>	<b>32,657</b>	<b>7,696</b>	<b>28</b>	<b>-</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	-	-	-	-	-	-	-	-

Note:  
(\*) value shown for information purposes

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

## 4.1 Available for sale financial assets: breakdown by product

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

## 4.2 Available-for-sale financial assets: breakdown by issuer/borrower

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017
<b>1. Debt securities</b>	<b>101,101,315</b>
a) Governments and central banks	90,171,824
b) Other public-sector entities	1,360,460
c) Banks	6,807,698
d) Other issuers	2,761,333
<b>2. Equity instruments</b>	<b>2,254,426</b>
a) Banks	1,216,836
b) Other issuers:	1,037,590
- insurance companies	36,585
- financial companies	645,185
- non-financial companies	354,942
- other	878
<b>3. Units in investment funds</b>	<b>726,245</b>
<b>4. Loans</b>	<b>19,045</b>
a) Governments and central banks	-
b) Other public-sector entities	19,044
c) Banks	1
d) Other entities	-
<b>Total</b>	<b>104,101,031</b>

## Part B - Consolidated balance sheet - Assets

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

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

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2018					
	BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans and advances to Central Banks</b>	<b>19,274,444</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>803,858</b>	<b>18,490,070</b>
1. Time deposits	120,425	-	-	X	X	X
2. Compulsory reserves	10,876,895	6	-	X	X	X
3. Reverse repos	7,741,306	-	-	X	X	X
4. Other	535,818	-	-	X	X	X
<b>B. Loans and advances to banks</b>	<b>54,368,034</b>	<b>343</b>	<b>-</b>	<b>1,982,902</b>	<b>42,752,464</b>	<b>10,011,657</b>
1. Loans	50,528,340	343	-	123,223	40,588,267	10,002,908
1.1 Current accounts and demand deposits	11,667,875	-	-	X	X	X
1.2 Time deposits	8,741,372	343	-	X	X	X
1.3 Other loans	30,119,093	-	-	X	X	X
- Reverse repos	22,869,038	-	-	X	X	X
- Finance leases	917	-	-	X	X	X
- Other	7,249,138	-	-	X	X	X
2. Debt securities	3,839,694	-	-	1,859,679	2,164,197	8,749
2.1 Structured	1,792	-	-	-	-	-
2.2 Other	3,837,902	-	-	1,859,679	2,164,197	8,749
<b>Total</b>	<b>73,642,478</b>	<b>349</b>	<b>-</b>	<b>1,982,902</b>	<b>43,556,322</b>	<b>28,501,727</b>
<b>Total Level 1, Level 2 and Level 3</b>						<b>74,040,951</b>

Loans and advances to banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurements. For further information see Part A - Accounting Policies - A.4 Information on fair value.

It should be noted that securities lending transactions collateralised by other securities or not collateralised are shown under "off-balance sheet" exposures in table A.1.4 of Part E - Section 1 - Credit Risk, in accordance with current Banca d'Italia regulations. See also the Part B of paragraph "Other information".

## Part B - Consolidated balance sheet - Assets

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

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2018					
	BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Loans</b>	<b>454,500,313</b>	<b>14,864,032</b>	<b>17,395</b>	<b>182,209</b>	<b>152,256,437</b>	<b>320,589,764</b>
1.1 Current accounts	32,762,516	1,554,529	7,954	X	X	X
1.2 Reverse repos	38,263,258	29	-	X	X	X
1.3 Mortgages	162,154,684	5,889,703	7,380	X	X	X
1.4 Credit cards and personal loans, including wage assignment	17,653,340	281,058	1	X	X	X
1.5 Finance leases	18,453,434	2,274,906	-	X	X	X
1.6 Factoring	14,001,246	187,709	-	X	X	X
1.7 Other loans	171,211,835	4,676,098	2,060	X	X	X
<b>2. Debt securities</b>	<b>36,258,362</b>	<b>45,308</b>	<b>-</b>	<b>28,303,308</b>	<b>8,712,440</b>	<b>1,048,483</b>
2.1 Structured securities	21,344	-	-	13,408	-	8,999
2.2 Other debt securities	36,237,018	45,308	-	28,289,900	8,712,440	1,039,484
<b>Total</b>	<b>490,758,675</b>	<b>14,909,340</b>	<b>17,395</b>	<b>28,485,517</b>	<b>160,968,877</b>	<b>321,638,247</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>511,092,641</b>		

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

The sub-items "1.2. Reverse repos" and "1.7. Other loans" do not include the type of securities lending transactions collateralised by securities or not collateralised. These transactions were classified under "off-balance sheet" exposures of table A.1.5 of Part E - Section 1 - Credit Risk. See also the section "Other Information" of Part B.

The sub-item "7. Other loans" includes:

- €7,381 million for trade receivables;
- €33,502 million for other non-current account loans;
- €9,657 million for pooled transactions;
- €5,834 million advances to customers for import/export;
- €10,722 million for advances to ordinary customers.

Loans and advances to customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurements. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as level 3 in the fair value hierarchy.

The fair value of impaired loans was estimated by considering that the analytical realizable value represents by their net book value being the best estimate of the future expected cash flows discounted at the valuation date, further adjusted to incorporate, when available, a premium derived from significant market's transaction for similar instruments. According to this assumption, impaired loans were classified as level 3 in the fair value hierarchy.

For further details see the Consolidated report on operations and in Part E - Information on risks and hedging policies - Credit quality.

## Part B - Consolidated balance sheet - Assets

The item "2.2. Other debt securities" include securities related to securitisation transactions shown in the following table.

### Exposures to securities related to Securitisation transactions

(€ '000)

<b>TRANCHING</b>	<b>AMOUNTS AS AT 12.31.2018</b>
Senior	6,571,332
Mezzanine	101,553
Junior	-
<b>Total</b>	<b>6,672,885</b>

### 4.3 Financial leases

(€ '000)

	AMOUNTS AS AT 12.31.2018			
	LOANS AND ADVANCES TO BANKS		LOANS AND ADVANCES TO CUSTOMERS	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
<b>Amounts receivable under finance leases</b>				
Up to 12 months	172	152	4,662,348	4,102,392
1 to 5 years	360	301	11,666,234	10,202,020
over 5 years	489	464	7,356,507	6,423,928
<b>Total gross/net investment value</b>	<b>1,021</b>	<b>917</b>	<b>23,685,089</b>	<b>20,728,340</b>
<i>of which: unguaranteed residual values of assets leased</i>	27	27	2,536,179	2,509,346
<b>Less: unearned finance income (by remaining maturity)</b>	<b>(104)</b>	<b>X</b>	<b>(2,805,631)</b>	<b>X</b>
<b>Present value of minim lease payments receivable (net investment in the lease)</b>	<b>917</b>	<b>917</b>	<b>20,879,458</b>	<b>20,728,340</b>

### 4.4 Financial assets at amortised cost: breakdown by borrowers/issuers of loans and advances to customers

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2018			OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS
	STAGE 1 OR STAGE 2	STAGE 3		
<b>1. Debt securities</b>	<b>36,258,362</b>	<b>45,308</b>	<b>-</b>	
a) Governments and other Public Sector Entities	27,619,802	7,076	-	
b) Other financial companies	7,452,473	38,140	-	
<i>of which: insurance companies</i>	51,866	-	-	
c) Non-financial companies	1,186,087	92	-	
<b>2. Loans</b>	<b>454,500,313</b>	<b>14,864,032</b>	<b>17,395</b>	
a) Governments and other Public Sector Entities	21,771,414	259,688	-	
b) Other financial companies	70,572,682	769,488	-	
<i>of which: insurance companies</i>	3,131,457	5,909	-	
c) Non-financial companies	239,662,382	10,203,984	12,197	
d) Households	122,493,835	3,630,872	5,198	
<b>Total</b>	<b>490,758,675</b>	<b>14,909,340</b>	<b>17,395</b>	

## Part B - Consolidated balance sheet - Assets

## 4.5 Financial assets at amortised cost: gross value and total accumulated impairments

(€ '000)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1		STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION						
1. Debt securities	39,691,604	25,833,349	450,081	58,352	11,977	31,652	13,044	-
2. Loans	481,938,860	-	44,924,184	38,104,820	1,016,732	1,543,215	23,240,439	2,767,990
<b>Total 12.31.2018</b>	<b>521,630,464</b>	<b>25,833,349</b>	<b>45,374,265</b>	<b>38,163,172</b>	<b>1,028,709</b>	<b>1,574,867</b>	<b>23,253,483</b>	<b>2,767,990</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	X	X	22,307	43,535	X	-	26,140	25,476
<b>Total 12.31.2017</b>	-	-	-	-	-	-	-	-
<i>of which: purchased or originated credit-impaired financial assets</i>	X	X	-	-	X	-	-	-

## Note:

(\*) value shown for information purposes

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

## 5.1 Held-to-maturity investments: breakdown by product

(€ '000)

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

## 5.2 Held-to-maturity investments: breakdown by issuer/borrower

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT
	12.31.2017
<b>1. Debt securities</b>	<b>6,277,022</b>
a) Governments and central banks	5,936,561
b) Other public-sector entities	204,589
c) Banks	1,396
d) Other issuers	134,476
<b>2. Loans</b>	-
a) Governments and central banks	-
b) Other public-sector entities	-
c) Banks	-
d) Other entities	-
<b>Total</b>	<b>6,277,022</b>
<b>Total fair value</b>	<b>6,346,658</b>

## Part B - Consolidated balance sheet - Assets

## 6.1 Loans and receivables with banks: breakdown by product

(€ '000)

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

Total impaired assets

5,186

## 6.2 Loans and receivables with banks subject to micro-hedging

There were no loans and receivables with banks subject to micro-hedging.

## 6.3 Finance leases

(€ '000)

LESSOR INFORMATION	AMOUNTS AS AT 12.31.2017	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
<b>Amounts receivable under finance leases:</b>		
Up to 12 months	1,063	1,037
From 1 to 5 years	348	281
Later than 5 years	594	558
<b>Total gross/net investment value</b>	<b>2,005</b>	<b>1,876</b>
<i>of which: - Unguaranteed residual values of assets leased</i>	232	233
<b>Less: Unearned finance income (by remaining maturity)</b>	<b>(129)</b>	<b>X</b>
<b>Present value of minimum lease payments receivable (net investment in the lease)</b>	<b>1,876</b>	<b>1,876</b>

## 7.1 Loans and receivables with customers: breakdown by product

(€ '000)

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

 Total carrying amount  
Performing and Non-  
Performing

447,726,913

## Part B - Consolidated balance sheet - Assets

## 7.2 Loans and receivables with customers: breakdown by issuer/borrower

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT		
	12.31.2017		
	PERFORMING	NON-PERFORMING <sup>(*)</sup>	
PURCHASED		OTHERS	
<b>1. Debt securities:</b>	<b>8,753,167</b>	<b>-</b>	<b>79,153</b>
a) Governments	60,918	-	-
b) Other public-sector entities	1,133,241	-	-
c) Other issuers	7,559,008	-	79,153
- non-financial companies	95,163	-	31,952
- financial companies	7,057,488	-	47,201
- insurance companies	406,357	-	-
- other	-	-	-
<b>2. Loans to:</b>	<b>417,782,135</b>	<b>10,383</b>	<b>21,102,075</b>
a) Governments	9,372,438	-	163,813
b) Other public-sector entities	10,975,173	-	99,723
c) Other entities	397,434,524	10,383	20,838,539
- non-financial companies	233,886,322	5,532	14,434,821
- financial companies	52,340,530	-	596,579
- insurance companies	1,200,908	-	5,265
- other	110,006,764	4,851	5,801,874
<b>Total</b>	<b>426,535,302</b>	<b>10,383</b>	<b>21,181,228</b>
<b>Total Performing and Non-Performing</b>			<b>447,726,913</b>

Note:

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

## 7.4 Finance leases

(€ '000)

LESSOR INFORMATION	AMOUNTS AS AT 12.31.2017	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
<b>Amounts receivable under finance leases</b>		
Up to 12 months	4,300,048	3,689,573
From 1 to 5 years	12,458,613	10,839,008
Later than 5 years	8,243,588	7,129,497
<b>Total gross/net investment value</b>	<b>25,002,249</b>	<b>21,658,078</b>
<i>of which: Unguaranteed residual assets due to the lessor</i>	2,785,945	2,739,456
<b>Less: Unearned finance income (by remaining maturity)</b>	<b>(3,344,171)</b>	<b>X</b>
<b>Present value of minimum lease payments receivable (net investment in the lease)</b>	<b>21,658,078</b>	<b>21,658,078</b>

## Section 5 - Hedging derivatives - Item 50

## 5.1 Hedging derivatives: breakdown by hedged risk and fair value hierarchy

(€ '000)

	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	<b>98,986</b>	<b>4,578,280</b>	<b>4,251</b>	<b>199,826,000</b>	<b>1</b>	<b>3,428,674</b>	<b>2,395</b>	<b>192,313,287</b>
1) Fair value	98,986	4,432,071	4,186	191,898,211	1	2,942,405	309	182,441,587
2) Cash flows	-	146,209	65	7,927,789	-	486,269	2,086	9,871,700
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>98,986</b>	<b>4,578,280</b>	<b>4,251</b>	<b>199,826,000</b>	<b>1</b>	<b>3,428,674</b>	<b>2,395</b>	<b>192,313,287</b>
<b>Total Level 1, Level 2 and Level 3</b>		<b>4,681,517</b>				<b>3,431,070</b>		



## Part B - Consolidated balance sheet - Assets

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies.

### 5.2 Hedging derivatives: composition for covered portfolios and by type of hedging

(€ '000)

TRANSACTIONS/TYPE OF HEDGES	AMOUNTS AS AT 12.31.2018								CASH FLOW		
	FAIR VALUE								MICRO-HEDGE	MACRO-HEDGE	FOREIGN INVESTMENTS
	MICRO-HEDGE										
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHERS	MACRO-HEDGE				
1. Financial assets at fair value through other comprehensive income	10,653	-	-	-	X	X	X	-	X	X	
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X	
3. Portfolio	X	X	X	X	X	X	23,084	X	138,711	X	
4. Other transactions	-	-	-	-	-	-	X	-	X	-	
<b>Total assets</b>	<b>10,653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,084</b>	<b>-</b>	<b>138,711</b>	<b>-</b>	
1. Financial liabilities	2,240,510	X	3,364	-	-	-	X	6,740	X	X	
2. Portfolio	X	X	X	X	X	X	107,103	X	758	X	
<b>Total liabilities</b>	<b>2,240,510</b>	<b>-</b>	<b>3,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,103</b>	<b>6,740</b>	<b>758</b>	<b>-</b>	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	2,150,529	X	65	-	

## Section 6 - Changes in fair value of portfolio hedged items - Item 60

### 6.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

(€ '000)

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>1. Positive changes</b>	<b>4,303,297</b>	<b>3,695,007</b>
1.1 Of specific portfolios	1,395,694	516,886
a) Financial assets at amortised cost	1,395,694	
<i>Loans and receivables</i>		516,886
b) Financial assets at fair value through other comprehensive income	-	
<i>Available-for-sale financial assets</i>		-
1.2 Overall	2,907,603	3,178,121
<b>2. Negative changes</b>	<b>1,864,699</b>	<b>1,450,322</b>
2.1 Of specific portfolios	644,954	75,912
a) Financial assets at amortised cost	644,954	
<i>Loans and receivables</i>		75,912
b) Financial assets at fair value through other comprehensive income	-	
<i>Available-for-sale financial assets</i>		-
2.2 Overall	1,219,745	1,374,410
<b>Total</b>	<b>2,438,598</b>	<b>2,244,685</b>

## Part B - Consolidated balance sheet - Assets

## Section 7 - Equity investments - Item 70

## 7.1 Equity investments: information on shareholders' equity

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (2)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (3)
					HELD BY	HOLDING %	
<b>VALUED AT EQUITY METHOD</b>							
<b>A.2 INVESTMENTS IN JOINT VENTURES</b>							
1	FIDES LEASING GMBH Issued capital EUR 36.000	VIENNA	VIENNA	7	2	CALG ANLAGEN LEASING GMBH	50.00
2	HETA BA LEASING SUED GMBH Issued capital EUR 36.500	KLAGENFURT	KLAGENFURT	7	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00
3	KOC FINANSAL HIZMETLER AS Issued capital TRY 6.483.066.144	ISTANBUL	ISTANBUL	7	2	UNICREDIT SPA	50.00
4	PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36.336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00
5	PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. IN LIQ. Issued capital EUR 36.336	VIENNA	VIENNA	7	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	50.00
6	STICHTING CUSTODY SERVICES YKB Issued capital EUR 125.000	AMSTERDAM	AMSTERDAM	7	2	YAPI KREDI BANK NEDERLAND N.V.	40.95
7	YAPI KREDI BANK MALTA LTD. Issued capital EUR 60.000.000	ST. JULIAN'S	ST. JULIAN'S	7	1	KOC FINANSAL HIZMETLER AS YAPI KREDI HOLDING BV	.. 40.95
8	YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY Issued capital AZN 55.895.904	BAKU	BAKU	7	1	YAPI KREDI FINANSAL KIRALAMA AO YAPI KREDI YATIRIM MENKUL DEGERLER AS YAPI VE KREDI BANKASI AS	0.04 0.04 40.86
9	YAPI KREDI BANK NEDERLAND N.V. Issued capital EUR 48.589.110	AMSTERDAM	AMSTERDAM	7	1	YAPI KREDI HOLDING BV YAPI VE KREDI BANKASI AS	13.42 27.53
10	YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY Issued capital USD 1.000	GEORGE TOWN	GEORGE TOWN	7	2	YAPI VE KREDI BANKASI AS	40.95 (4)
11	YAPI KREDI FAKTORING AS Issued capital TRY 75.183.837	ISTANBUL	ISTANBUL	7	2	ENTERNASYONAL TURIZM YATIRIM A.S. YAPI KREDI FINANSAL KIRALAMA AO YAPI VE KREDI BANKASI AS	.. .. 40.93
12	YAPI KREDI FINANSAL KIRALAMA AO Issued capital TRY 389.927.705	ISTANBUL	ISTANBUL	7	2	YAPI VE KREDI BANKASI AS	40.94
13	YAPI KREDI HOLDING BV Issued capital EUR 102.000.000	AMSTERDAM	AMSTERDAM	7	2	YAPI VE KREDI BANKASI AS	40.95
14	YAPI KREDI PORTFOEY YOENETIMI AS Issued capital TRY 5.860.131	ISTANBUL	ISTANBUL	7	2	YAPI KREDI YATIRIM MENKUL DEGERLER AS YAPI VE KREDI BANKASI AS	37.76 5.18
15	YAPI KREDI YATIRIM MENKUL DEGERLER AS Issued capital TRY 197.682.787	ISTANBUL	ISTANBUL	7	2	YAPI KREDI FINANSAL KIRALAMA AO YAPI VE KREDI BANKASI AS	.. 40.94
16	YAPI VE KREDI BANKASI AS Issued capital TRY 8.398.165.828	ISTANBUL	ISTANBUL	7	1	KOC FINANSAL HIZMETLER AS	40.95
<b>A.3 COMPANIES UNDER SIGNIFICANT INFLUENCE</b>							
17	ADLER FUNDING LLC Issued capital USD 2.142.857	DOVER	NEW YORK	8	5	UNICREDIT BANK AG	32.81
18	ALLIANZ YASAM VE EMEKLILIK AS Issued capital TRY 139.037.203	ISTANBUL	ISTANBUL	8	2	YAPI KREDI FAKTORING AS YAPI KREDI FINANSAL KIRALAMA AO YAPI KREDI YATIRIM MENKUL DEGERLER AS YAPI VE KREDI BANKASI AS	0.04 19.93 0.04 ..

## Part B - Consolidated balance sheet - Assets

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (2)	OWNERSHIP RELATIONSHIP		
					HELD BY	HOLDING %	VOTING RIGHTS % (3)
19 ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM MIROVINSKIM FONDOM Issued capital HRK 105.000.000	ZAGABRIA	ZAGABRIA	8	5	ZAGREBACKA BANKA D.D.	49.00	
20 ARWAG HOLDING-AKTIENGESELLSCHAFT Issued capital EUR 3.000.000	VIENNA	VIENNA	8	5	IMMOBILIEN HOLDING GMBH	34.38	
21 ASSET BANCARI II Issued capital EUR 25.050.203	MILAN	MILAN	8	2	UNICREDIT SPA	21.55	
22 AVIVA SPA Issued capital EUR 247.000.000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
23 BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 68.062.500	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.53	40.51
					UNICREDIT BANK AUSTRIA AG	9.85	6.34
24 BANQUE DE COMMERCE ET DE PLACEMENTS SA Issued capital CHF 75.000.000	GENEVA	GENEVA	8	1	YAPI VE KREDI BANKASI AS	30.67	
25 BARN BV Issued capital EUR 237.890.000	AMSTERDAM	AMSTERDAM	8	2	AO UNICREDIT BANK	40.00	
26 BKS BANK AG Issued capital EUR 85.886.000	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.15	24.16
					UNICREDIT BANK AUSTRIA AG	6.63	6.14
27 CAMFIN S.P.A. Issued capital EUR 1.000.000	MILAN	MILAN	8	5	UNICREDIT SPA	13.64	22.22
28 CASH SERVICE COMPANY AD Issued capital BGN 12.500.000	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	20.00	
29 CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100.500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
30 CNP UNICREDIT VITA S.P.A. Issued capital EUR 381.698.529	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
31 COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 352.940	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	36.59	
32 COMTRADE GROUP B.V. Issued capital EUR 4.522.000	ROTTERDAM	AMSTERDAM	8	5	HVB CAPITAL PARTNERS AG	21.05	
33 CREDITRAS ASSICURAZIONI SPA Issued capital EUR 52.000.000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
34 CREDITRAS VITA SPA Issued capital EUR 112.200.000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
35 DA VINCI S.R.L. Issued capital EUR 100.000	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	37.50	
36 EUROPROGETTI & FINANZA S.R.L. IN LIQUIDAZIONE Issued capital EUR 5.636.400	ROME	ROME	8	2	UNICREDIT SPA	39.79	
37 INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5.200.000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
38 MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA Issued capital EUR 443.521.470	MILAN	MILAN	8	1	UNICREDIT SPA	8.40	
39 MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5.000.000	ZAGREB	ZAGREB	8	2	ZAGREB NEKRETNINE DOO	75.00	25.00

## Part B - Consolidated balance sheet - Assets

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (2)	OWNERSHIP RELATIONSHIP		
					HELD BY	HOLDING %	VOTING RIGHTS % (3)
40 NAUTILUS TANKERS LIMITED Issued capital USD 2.000	LA VALLETTA	LA VALLETTA	8	5	HVB CAPITAL PARTNERS AG	45.00	
41 NOTARTREUHANDBANK AG Issued capital EUR 8.030.000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
42 OBERBANK AG Issued capital EUR 105.820.000	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	23.76 3.41	25.97 1.32
43 OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H. Issued capital EUR 11.628.000	VIENNA	VIENNA	8	1	UNICREDIT BANK AUSTRIA AG	50.00	
44 OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130.000.000	VIENNA	VIENNA	8	1	CABET-HOLDING GMBH SCHOELLERBANK AKTIENGESELLSCHAFT UNICREDIT BANK AUSTRIA AG	24.75 8.26 16.14	
45 OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 100.000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
46 PAYDIREKT BETEILIGUNGSGESELLSCHAFT PRIVATER BANKEN MBH Issued capital EUR 104.082	BERLIN	MUNICH	8	5	UNICREDIT BANK AG	24.02	
47 PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285.000	VIENNA	VIENNA	8	2	SCHOELLERBANK AKTIENGESELLSCHAFT UNICREDIT BANK AUSTRIA AG	4.52 19.48	
48 RCI FINANCIAL SERVICES S.R.O. Issued capital CZK 70.000.000	PRAGUE	PRAGUE	8	2	UNICREDIT LEASING CZ. A.S.	50.00	49.86
49 RISANAMENTO SPA Issued capital EUR 197.951.784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	
50 SWANCAP PARTNERS GMBH Issued capital EUR 1.010.000	MUNICH	MUNICH	8	2	UNICREDIT BANK AG	75.25	49.00
51 TORRE SGR S.P.A. Issued capital EUR 3.200.000	ROME	ROME	8	2	UNICREDIT SPA	37.50	
52 UNI GEBAEUEDEMANAGEMENT GMBH Issued capital EUR 18.168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
53 WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15.550.309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
54 YAPI KREDI KORAY GAYRIMENKUL YATIRIM ORTAKLIGI AS Issued capital TRY 40.000.000	ISTANBUL	ISTANBUL	8	2	YAPI VE KREDI BANKASI AS	30.45	

**Notes to the table 7.1 - Equity investments in joint ventures (valued at equity) and in companies under significant influence:**

(1) Type of relationship:

7 = joint control;

8 = associates.

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

(3) Company owned by an entity fully consolidated under IFRS10;

(4) SPV consolidated IFRS11;

(5) Nature of relationship:

1= Banks;

2= Financial entities

3= Ancillary banking entities services;

4= Insurance enterprises;

5= Non-financial enterprises;

6= Other equity investments.

## Part B - Consolidated balance sheet - Assets

See Section 3 of Part A - Accounting Policies for a description of the consolidation procedures and scope.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, decreased from 66 as at 31 December 2017 to 54 as at 31 December 2018 due to 12 disposals, changes of the consolidation method and mergers.

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

The following table shows changes in equity investments in Joint Ventures and in companies under significant influence (consolidated at Net Equity).

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

	NUMBER OF COMPANIES
<b>A. Opening balance (from previous year)</b>	<b>66</b>
<b>B. Increased by</b>	-
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
<b>C. Reduced by</b>	<b>12</b>
C.1 Disposal/Liquidation	7
C.2 Change of the consolidation method	4
C.3 Absorption by other entities	1
C.4 Other changes	-
<b>D. Closing balance</b>	<b>54</b>

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

### Increases

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

### Reductions

#### Disposal/ Liquidation

COMPANY NAME	MAIN OFFICE
OBJEKT-LEASE	VIENNA
GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	
MARINA CITY ENTWICKLUNGS GMBH	VIENNA
MEGAPARK OOD	SOFIA
SVILUPPO GLOBALE GEIE (IN LIQUIDAZIONE)	ROME

COMPANY NAME	MAIN OFFICE
CREDIFARMA SPA	ROME
MARINA TOWER HOLDING GMBH	VIENNA
MUTHGASSE ALPHA HOLDING GMBH IN LIQUIDATION	VIENNA

#### Change of the consolidation method

COMPANY NAME	MAIN OFFICE
ES SHARED SERVICE CENTER SOCIETA' PER AZIONI	CERNUSCO SUL NAVIGLIO
FENICE HOLDING S.P.A. IN LIQUIDAZIONE	CALENZANO

COMPANY NAME	MAIN OFFICE
MACCORP ITALIANA SPA	MILAN
FOCUS INVESTMENTS SPA	MILAN

#### Absorption by other entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM	ZAGREB

>>>

COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM	ZAGREB

## Part B - Consolidated balance sheet - Assets

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

COMPANY NAME	MAIN OFFICE
MUTHGASSE ALPHA HOLDING GMBH IN LIQUIDATION (ex. MUTHGASSE ALPHA HOLDING GMBH)	VIENNA
PURGE GRUNDSTUECKSVRWALTUNGS-GESELLSCHAFT M.B.H. IN LIQ. (ex. PURGE GRUNDSTUECKSVRWALTUNGS-GESELLSCHAFT M.B.H.)	VIENNA

COMPANY NAME	MAIN OFFICE
EUROPROGETTI & FINANZA S.R.L. IN LIQUIDAZIONE (ex. EUROPROGETTI & FINANZA S.P.A. IN LIQUIDAZIONE)	ROME

The following table shows the breakdown of item "70.Equity investments", reporting the adopted accounting method, held either directly or through consolidated subsidiaries.

	NUMBER OF ENTITY	CARRYING VALUE
Joint ventures accounted for under equity method	16	1,342,026
Associates accounted for under equity method	35	4,071,427
Entities controlled either directly or through consolidated subsidiaries held at cost	216	82,545
Joint Venture held either directly or through consolidated subsidiaries at cost	9	25
Associates held either directly or through consolidated subsidiaries at cost	14	5,510
<b>Total</b>	<b>290</b>	<b>5,501,533</b>

### 7.2 Significant shareholdings: book value, fair value and dividends received

(€ '000)

COMPANY NAME	BALANCE SHEET VALUE	FAIR VALUE <sup>(*)</sup>	DIVIDENDS RECEIVED <sup>(**)</sup>	NOTE <sup>(***)</sup>
<b>A. Companies under joint control</b>				
KOC FINANSAL HIZMETLER AS	1,340,272		-	(1)
<b>B. Companies subject to significant influence</b>				
AVIVA S.P.A.	180,270		33,819	(2)
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	694,769	381,623	4,398	(1)
BKS BANK AG	339,217	214,915	2,715	(1)
CNP UNICREDIT VITA S.P.A.	326,815		9,683	(2)
CREDITRAS VITA S.P.A.	365,943		31,000	(2)
MEDIOBANCA BANCA DI CREDITO FINANZIARIO S.P.A.	737,196	549,746	35,030	(1)
OBERBANK AG	736,332	856,278	8,635	(1)
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	388,436		16,082	(2)
<b>Total</b>	<b>5,109,250</b>	<b>2,002,562</b>	<b>141,362</b>	

#### Notes:

(\*) It should be noted that all investments in listed associates show a fair value at Level 1 (L1).

(\*\*) Dividends received by the investor company.

(\*\*\*) In the present table and in the following relating to significant shareholdings the values of Koc Finansal Hizmetler AS are referred to 2018 financial statements approved; for the other companies the values are in line with IAS28 requirements.

(1) It should be noted that on the basis of the international accounting standards, equity investments in associates listed on regulated markets with a fair value (quotation) lower than consolidated book value are impairment tested by calculating recoverable value, stated as the greater of fair value net of costs to sell and value in use, and an impairment loss is recognised when the recoverable value is lower than the book value.

As at 31 December 2018 the recoverable value of the equity investments in associates listed on regulated markets was higher than the book value after impairment test and for Bks Bank AG it was recognised a write-back; for Bank Fuer Tirol und Vorarlberg Aktiengesellschaft for which the recoverable value was lower a write-down was recognised (for further details see the information provided in Part C - Section 17). For remaining companies listed on regulated markets no additional write-downs were recognised.

Regarding Koc Finansal Hizmetler AS it should be noted that the shareholding in the subsidiary Yapi Ve Kredi Bankasi AS (its main asset) has a fair value (quotation) pro rata equal to €913,466 thousand. As at 31 December 2018 the recoverable amount of Koc Finansal Hizmetler AS, stated as the greater between the fair value net of cost to sell and the value in use, was less than the consolidated book value and, therefore, a write-down was recognised (for more details see Part C - Section 17). It is highlighted that the Book value of the investment at 31 December 2017 amounted to €2,313 million; the change with respect to the €1,340 million at 31 December 2018 is mainly due to the abovementioned impairment loss amounted to €851 million, recorded mainly in the third quarter of 2018 (for more information about value in use determination, reference is made to the paragraph of Part B - Section 10 - Intangible assets - 10.3 Intangible assets: other information - Estimating cash flows to determine the value in use of the CGUs of this Notes to the consolidated accounts).

(2) Please note that on the basis of the international accounting standards, equity investments in associates for which there is clear evidence of occurrence of events that may reduce their value, are impairment tested by calculating recoverable value, stated as the greater of fair value net of costs to sell and value in use, and an impairment loss is recognised when the said recoverable value is lower than the book value. Please note that none additional write-downs were recognised for these companies.

Financial information of the investee companies used for the purposes of measurement with the net equity method is presented below. These figures include any adjustments made on measuring the equity investment. As regards the Koc Finansal Hizmetler AS equity investment the figures refer to the data of the related sub-group for the stake held in the equity.

## Part B - Consolidated balance sheet - Assets

## 7.3 Significant Shareholdings: accounting information

(€ '000)

COMPANY NAME	CASH AND LIQUID ASSETS	FINANCIAL ASSET	NON-FINANCIAL ASSET	FINANCIAL LIABILITIES	NON-FINANCIAL LIABILITIES	TOTAL REVENUES	THE INTEREST MARGIN
<b>A. Companies under joint control</b>							
KOC FINANSAL HIZMETLER AS	357,604	23,792,516	910,167	21,030,001	1,587,078	3,068,960	974,499
<b>B. Companies subject to significant influence</b>							
AVIVA S.P.A.	X	11,202,200	475,900	-	11,415,701	2,994,200	X
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	X	10,136,296	468,107	9,334,425	321,344	337,453	X
BKS BANK AG	X	7,732,774	143,577	6,797,581	234,416	263,750	X
CNP UNICREDIT VITA S.P.A.	X	13,882,698	988,467	658,906	13,369,926	3,583,057	X
CREDITRAS VITA S.P.A.	X	27,617,335	1,577,913	19,350,923	9,253,263	750,706	X
MEDIOBANCA BANCA DI CREDITO FINANZIARIO S.P.A.	X	70,582,100	2,597,600	63,328,500	2,687,338	2,471,200	X
OBERBANK AG	X	20,499,179	607,912	17,729,662	902,204	693,925	X
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	X	27,469,278	130,656	25,472,831	1,734,553	381,023	X

continued: 7.3 Significant Shareholdings: accounting information

COMPANY NAME	ADJUSTMENTS TO THE BACKS ON TANGIBLE AND INTAGIBLE ASSETS	PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	PROFIT (LOSS) FROM CONTINUING OPERATIONS NET OF TAX	PROFIT (LOSS) FROM GROUP OF ASSETS HELD FOR SALE NET OF TAX	NET PROFIT (LOSS) (1)	OTHER COMPREHENSIVE INCOME, NET OF TAX (2)	OTHER COMPREHENSIVE INCOME (3) = (1) + (2)
<b>A. Companies under joint control</b>							
KOC FINANSAL HIZMETLER AS	(15,986)	387,947	298,892	-	298,892	(57,316)	241,576
<b>B. Companies subject to significant influence</b>							
AVIVA S.P.A.	X	63,674	36,874	-	36,874	-	36,874
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	X	108,932	92,874	-	92,874	6,968	99,842
BKS BANK AG	X	80,708	69,895	-	69,895	30,152	100,047
CNP UNICREDIT VITA S.P.A.	X	36,271	26,415	-	26,415	(12,221)	14,194
CREDITRAS VITA S.P.A.	X	123,205	84,205	-	84,205	(52,255)	31,950
MEDIOBANCA BANCA DI CREDITO FINANZIARIO S.P.A.	X	1,036,300	808,400	-	808,400	(240,992)	567,408
OBERBANK AG	X	265,770	223,560	-	223,560	(34,927)	188,633
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	X	51,781	40,064	-	40,064	(3,902)	36,162



## Part B - Consolidated balance sheet - Assets

For each significant equity investments the reconciliation between the book value of the equity investment and summarised financial information of the companies is reported below.

(€ '000)

COMPANY NAME	BALANCE SHEET VALUE	EQUITY PROQUOTA	GOODWILL ON CONSOLIDATION
<b>A. Companies under joint control</b>			
KOC FINANSAL HIZMETLER AS	1,340,272	2,443,197	-
<b>B. Companies subject to significant influence</b>			
AVIVA S.P.A.	180,270	180,270	-
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	694,769	747,532	-
BKS BANK AG	339,217	343,186	-
CNP UNICREDIT VITA S.P.A.	326,815	326,815	-
CREDITRAS VITA S.P.A.	365,943	365,943	-
MEDIOBANCA BANCA DI CREDITO FINANZIARIO S.P.A.	737,196	737,196	-
OBERBANK AG	736,332	736,332	-
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	388,436	388,436	-

With reference to the nature of the relationships see Section 7.1.

The carrying amount of the investments in Koc Finansal Hizmetler AS, in Bank Fuer Tirol und Vorarlberg Aktiengesellschaft and in Bks Bank AG is affected by write-downs made in previous years and by the exchange rate effect recorded on value adjustments booked in previous and current years.

Summarised financial information are disclosed for the related stake in the equity held. These figures include any adjustments made on measuring the equity investment.

### 7.4 Non-significant equity investments: accounting information

(€ '000)

	BALANCE SHEET VALUE OF SHAREHOLDING	TOTAL ASSET	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM CONTINUING OPERATIONS NET OF TAX	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	NET PROFIT (LOSS) (1)	OTHER COMPREHENSIVE INCOME, NET OF TAX (2)	OTHER COMPREHENSIVE INCOME (3) = (1) + (2)
Companies under joint control	1,754	22,349	20,593	219	8	-	8	-	8
Companies subject to significant influence	302,449	3,378,122	3,108,685	1,157,363	1,318	-	1,318	(23,558)	(22,240)

#### Notes:

(1) For the following companies, Compagnia Aerea Italiana S.p.A. and Risanamento S.p.A. the book value in the consolidated financial statements reflects the results of a valuation at individual level made by Unicredit S.p.A.

(2) Please note that on the basis of the international accounting standards, equity investments in associates for which there is objective evidence of occurrence of events that may reduce their value, are impairment tested by calculating recoverable value, understood as the greater of fair value net of costs to sell and value in use, and an impairment loss is recognised when the said recoverable value is lower than the book value. Please note that a write-down was recognised for Risanamento S.p.A. (for more details see Part C - Section 17).

## Part B - Consolidated balance sheet - Assets

## 7.5 Equity investments: annual changes

	CHANGES IN	
	2018	2017
	(€ '000)	
<b>A. Opening balance</b>	<b>6,211,911</b>	<b>6,158,551</b>
<b>B. Increases</b>	<b>1,324,325</b>	<b>730,817</b>
<i>of which: business combinations</i>	544	-
B.1 Purchases	484,934	57,322
B.2 Write-backs	27,099	10,646
B.3 Revaluation	-	-
B.4 Other changes	812,292	662,849
<b>C. Decreases</b>	<b>2,034,703</b>	<b>677,226</b>
<i>of which: business combinations</i>	339	-
C.1 Sales	1,564	9,886
C.2 Write-downs	896,637	8,328
C.3 Impairment	-	-
C.4 Other changes	1,136,502	659,012
<b>D. Closing balance</b>	<b>5,501,533</b>	<b>6,212,142</b>
<b>E. Total revaluation</b>	<b>-</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>2,204,625</b>	<b>1,453,643</b>

## 7.6 Valuation and significant assumptions to establish the existence of joint control or significant influence

The Group has classified among associates the entities governed through voting rights with reference to which it can participate in defining the operating or financial policies through possession of at least 20% of the voting rights or the possibility of appointing members of the governing body. In particular, as shown in Table "7.1 Equity investments: information on shareholding relationships", it should be noted that the investee Mediobanca is classified among associates, see the information provided in Consolidated report on operations - Other information as regards the maintenance of significant influence following the termination of the Mediobanca shareholders agreement on 31 December 2018 and the signing of a new "consultation agreement" between Mediobanca S.p.A. and shareholders, although the Group does not have more than 20% of the voting rights. Note that, in light of the signature of the "Consultation agreement between shareholders of Mediobanca", the investment in Mediobanca remains classified as investment in associates as a result of the continuing existence of an adequate representation by UniCredit in Mediobanca's Board of Directors.

The Group has classified its investees among jointly-controlled equity investments in the presence of agreements that state that decisions on significant activities are taken with the unanimous consent of all parties that share control. These agreements, in particular, attribute to the Group rights related only to the net assets and not rights to the assets and obligations on the liabilities of the investee.

As at 31 December 2018 the following were carried at cost:

- 14 equity investments (all held either directly or through consolidated subsidiaries) in associates;
- 9 equity investments (of which 3 held either directly or through consolidated subsidiaries) in jointly-controlled companies.

Based on available information, it should be considered that their consolidation at equity would not have impacted significantly the Group Shareholders' Equity.

## 7.7 Commitments related to equity investments in jointly-controlled companies

There are no commitments related to jointly-controlled companies.

## 7.8 Commitments related to equity investments in companies subject to significant influence

There are no commitments related to companies subject to significant influence.

## 7.9 Significant restrictions

As at 31 December 2018, we note, with reference to Value Transformation Services S.p.A., the existence of a shareholders' agreement which limits the Group's possibility to participate in the profits, in the form of dividend distribution, and in the losses to a maximum amount of €300,000.

Even though not directly concluded by UniCredit S.p.A. or one of its subsidiaries, we disclose the existence of contractual agreements between Compagnia Area Italiana (CAI) and its subsidiary Alitalia SAI, company that is into special administration, that limit the ability of the latter to distribute dividends to the achievement of certain parameters in terms of liquidity and income margins.

## Part B - Consolidated balance sheet - Assets

Finally the ability to receive dividends or capital distributions from associates is subordinated to the majority, also qualified, or unanimous decision of the relevant corporate body as provided by the law or by specific shareholder agreements.

### 7.10 Other information

With reference to significant equity investments in associates and jointly-controlled companies, the net equity method was applied starting from the 2018 draft financial statements approved by the competent corporate bodies or from the reports approved in the three previous months.

With reference to non-significant equity investments in associates and jointly-controlled companies, in limited cases financial statements or reports with a date prior to 3 months from 31 December 2018 were used, if no more up-to-date reports were available.

However, if financial statements or reports with a date other than 31 December 2018 were used, no subsequent transactions or events emerged such as to require an adjustment of the results contained therein.

It should be noted that for the associated companies Risanamento S.p.A. and Compagnia Aerea Italiana S.p.A., the book value in the consolidated financial statements reflects the valuation of the investments, carried out by UniCredit S.p.A. at individual level.

### Section 8 - Insurance reserves charged to reinsurers - Item 80

No data to be disclosed.

### Section 9 - Property, plant and equipment - Item 90

Property, plant and equipment, which include land, buildings used in the business, real estate investments, technical furniture and fittings, inventories of tangibles assets ruled by IAS2 amount to €8,408 million at the end of 2018, compared to €8,449 million at the end of 2017. The inventories pursuant to IAS2 are classified in this item starting from 2018 following the application of 5<sup>th</sup> update of the Banca d'Italia Circular 262.

#### 9.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>1. Owned assets</b>	<b>6,183,998</b>	<b>6,220,238</b>
a) Land	1,224,207	1,201,374
b) Buildings	2,151,588	2,147,528
c) Office furniture and fitting	231,930	287,159
d) Electronic systems	464,082	475,361
e) Other	2,112,191	2,108,816
<b>2. Leased assets</b>	<b>5</b>	<b>49,502</b>
a) Land	-	14,916
b) Buildings	5	31,850
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	-	2,736
<b>Total</b>	<b>6,184,003</b>	<b>6,269,740</b>
<i>of which: obtained by the enforcement of collateral</i>	723	-

As at 31 December 2018 the item "1. Owned assets e) Other" include €1.2 billion related to a windmill park owned by Ocean Breeze Energy GmbH & Co. KG, for more qualitative and quantitative information please refer to the Part E.

The decrease in item "2. Leased assets e) Other", in comparison with previous year, is mainly due an asset acquisition (consisting of land and building), previously leased.

## Part B - Consolidated balance sheet - Assets

### 9.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

ASSETS/VALUES	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	<b>1,471,311</b>	-	<b>88,561</b>	<b>2,077,418</b>	<b>2,121,656</b>	<b>14,821</b>	<b>97,488</b>	<b>2,458,780</b>
a) Land	820,940	-	25,836	1,080,285	1,006,961	6,114	21,446	1,157,906
b) Buildings	650,371	-	62,725	997,133	1,114,695	8,707	76,042	1,300,874
<b>2. Leased assets</b>	<b>46,282</b>	-	-	<b>56,400</b>	<b>10,512</b>	-	-	<b>10,512</b>
a) Land	14,551	-	-	22,336	10,000	-	-	10,000
b) Buildings	31,731	-	-	34,064	512	-	-	512
<b>Total</b>	<b>1,517,593</b>	-	<b>88,561</b>	<b>2,133,818</b>	<b>2,132,168</b>	<b>14,821</b>	<b>97,488</b>	<b>2,469,292</b>
<i>of which: obtained by the enforcement of collateral</i>	17,697	-	-	14,925	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>				<b>2,222,379</b>				<b>2,581,601</b>

Fair value measurements solely for the purpose of fulfilling disclosure requirements were classified according to a hierarchy of levels reflecting the significance of the valuation inputs. For further information see Part A - Accounting Policies - A.4 Information on fair value. The decrease of property, plant and equipment carried at cost held for investments compared to 31 December 2017 is mainly due to reclassification of some real estate investments of Germany in the item "Non-current assets and disposal groups classified as held for sale" in accordance with IFRS5.

### 9.3 Property, plant and equipment used in the business: breakdown of revalued assets

There are no revalued property, plant and equipment used in the business.

### 9.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

ASSETS/VALUES	AMOUNTS AS AT 12.31.2018			AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>47,147</b>	-	-	<b>47,380</b>
a) Land	-	-	274	-	-	272
b) Buildings	-	-	46,873	-	-	47,108
<b>2. Leased assets</b>	-	-	-	-	-	-
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
<b>Total</b>	-	-	<b>47,147</b>	-	-	<b>47,380</b>
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>			<b>47,147</b>			<b>47,380</b>

Under IAS40.32A the Group uses the revaluation model (fair value) to measure investment properties linked with liabilities which pay a return linked to the fair value of the relevant investments.

## Part B - Consolidated balance sheet - Assets

## 9.5 Inventories of property, plant and equipment regulated by IAS2: breakdown

ASSETS/VALUES	(€ '000)
	AMOUNTS AS AT 12.31.2018
<b>1. Inventories of property, plant and equipment obtained through the enforcement of guarantees received</b>	<b>333,414</b>
a) Land	42,599
b) Buildings	272,454
c) Office furniture and fitting	32
d) Electronic systems	4
e) Other	18,325
<b>2. Other inventories of property, plant and equipment</b>	<b>326,199</b>
<b>Total</b>	<b>659,613</b>
<i>of which: measured at fair value less costs to sell</i>	<i>11,822</i>

Note that the 5<sup>th</sup> update of the Circular 262 has required the reclassification in tangible assets of the inventories of property plant and equipment obtained through the enforcement of guarantees, that were reported until 31. December 2017 in "other assets".

## 9.6 Property, plant and equipment used in the business: annual changes

	CHANGES IN 2018					TOTAL
	LANDS	BUILDINGS	OFFICE FURNITURE	ELECTRONIC SYSTEMS	OTHER	
<b>A. Gross opening balance</b>	<b>1,216,290</b>	<b>4,505,589</b>	<b>1,345,587</b>	<b>2,721,808</b>	<b>3,441,015</b>	<b>13,230,289</b>
A.1 Total net reduction in value	-	(2,326,211)	(1,058,428)	(2,246,447)	(1,329,463)	(6,960,549)
A.2 Net opening balance	1,216,290	2,179,378	287,159	475,361	2,111,552	6,269,740
<b>B. Increases</b>	<b>36,008</b>	<b>204,785</b>	<b>44,593</b>	<b>184,803</b>	<b>538,547</b>	<b>1,008,736</b>
B.1 Purchases	32,792	117,007	39,614	155,252	461,899	806,564
<i>of which: business combinations</i>	-	3	-	29	114	146
B.2 Capitalised expenditure on improvements	67	31,521	-	1	-	31,589
B.3 Write-backs	2,011	19,767	-	-	817	22,595
B.4 Increases in fair value	-	-	-	-	-	-
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	19	533	73	98	410	1,133
B.6 Transfer from properties held for investment	-	307	X	X	X	307
B.7 Other changes	1,119	35,650	4,906	29,452	75,421	146,548
<b>C. Reductions</b>	<b>28,091</b>	<b>232,570</b>	<b>99,822</b>	<b>196,082</b>	<b>537,908</b>	<b>1,094,473</b>
C.1 Disposals	1,778	6,349	57,317	22,571	145,337	233,352
<i>of which: business combinations</i>	-	-	95	334	-	429
C.2 Depreciation	1,957	109,310	39,638	155,400	296,408	602,713
C.3 Impairment losses	148	20,913	2,212	5,049	5,456	33,778
a) In equity	-	-	-	-	-	-
b) Through profit or loss	148	20,913	2,212	5,049	5,456	33,778
C.4 Reduction of fair value	-	-	-	-	-	-
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	804	10,345	67	1,419	2,756	15,391
C.6 Transfer to	22,679	48,410	193	10,373	2,744	84,399
a) Property, plant and equipment held for investment	10,800	12,471	X	X	X	23,271
b) Non-current assets and disposal groups classified as held for sale	11,879	35,939	193	10,373	2,744	61,128
C.7 Other changes	725	37,243	395	1,270	85,207	124,840
<b>D. Net final balance</b>	<b>1,224,207</b>	<b>2,151,593</b>	<b>231,930</b>	<b>464,082</b>	<b>2,112,191</b>	<b>6,184,003</b>
D.1 Total net reduction in value	-	(2,258,142)	(1,062,933)	(2,249,250)	(1,309,503)	(6,879,828)
D.2 Gross closing balance	1,224,207	4,409,735	1,294,863	2,713,332	3,421,694	13,063,831
<b>E. Carried at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part B - Consolidated balance sheet - Assets

## 9.7 Property, plant and equipment held for investment: annual changes

	CHANGES IN 2018		
	LANDS	BUILDINGS	TOTAL
<b>A. Opening balances</b>	<b>1,017,233</b>	<b>1,162,315</b>	<b>2,179,548</b>
<b>B. Increases</b>	<b>54,782</b>	<b>250,524</b>	<b>305,306</b>
B.1 Purchases	10,661	42,505	53,166
B.2 Capitalised expenditure on improvements	73	68,230	68,303
B.3 Increases in fair value	12	609	621
B.4 Write-backs	12,890	99,412	112,302
B.5 Positive exchange differences	82	1,072	1,154
B.6 Transfer from properties used in the business	10,800	12,471	23,271
B.7 Other changes	20,264	26,225	46,489
<i>of which: business combinations</i>	52	5,730	5,782
<b>C. Reductions</b>	<b>236,250</b>	<b>683,864</b>	<b>920,114</b>
C.1 Disposals	9,871	44,760	54,631
C.2 Depreciation	-	44,767	44,767
C.3 Reductions in fair value	-	623	623
C.4 Impairment losses	8,256	28,402	36,658
C.5 Negative exchange differences	403	3,231	3,634
C.6 Transfer to	190,868	515,157	706,025
a) Properties used in the business	-	307	307
b) Non-current assets and disposal groups classified as held for sale	190,868	514,850	705,718
C.7 Other changes	26,852	46,924	73,776
<i>of which: business combinations</i>	290	7,028	7,318
<b>D. Closing balances</b>	<b>835,765</b>	<b>728,975</b>	<b>1,564,740</b>
<b>E. Measured at fair value</b>	<b>1,128,457</b>	<b>1,093,922</b>	<b>2,222,379</b>

## 9.8 Inventories of property, plant and equipment regulated by IAS2: annual changes

	CHANGES IN 2018							
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL						OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	TOTAL
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER			
<b>A. Opening balances</b>	<b>23,670</b>	<b>134,193</b>	<b>3</b>	<b>4</b>	<b>3,843</b>	<b>12,777</b>	<b>174,490</b>	
<b>B. Increases</b>	<b>81,803</b>	<b>192,014</b>	<b>37</b>	<b>-</b>	<b>22,615</b>	<b>322,917</b>	<b>619,386</b>	
B.1 Purchases	1,859	11,957	10	-	247	33,833	47,906	
B.2 Write-backs	-	75	-	-	-	328	403	
B.3 Positive exchange differences	-	-	-	-	-	-	-	
B.4 Other changes	79,944	179,982	27	-	22,368	288,756	571,077	
<i>of which: business combinations</i>	-	-	-	-	-	-	-	
<b>C. Reductions</b>	<b>62,874</b>	<b>53,753</b>	<b>8</b>	<b>-</b>	<b>8,133</b>	<b>9,495</b>	<b>134,263</b>	
C.1 Disposals	52,742	26,059	-	-	7,151	4,372	90,324	
C.2 Impairment losses	8,671	15,346	-	-	50	1,058	25,125	
C.3 Negative exchange differences	17	773	-	-	1	84	875	
C.4 Other changes	1,444	11,575	8	-	931	3,981	17,939	
<i>of which: business combinations</i>	-	-	-	-	-	-	-	
<b>D. Closing balances</b>	<b>42,599</b>	<b>272,454</b>	<b>32</b>	<b>4</b>	<b>18,325</b>	<b>326,199</b>	<b>659,613</b>	

## 9.9 Commitments to purchase property, plant and equipment

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
A. Contractual commitments	2,674	2,480

Outstanding commitments refer to the purchase of property, plant and equipment.

## Part B - Consolidated balance sheet - Assets

## Section 10 - Intangible assets - Item 100

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

Intangible assets include goodwill and, among "other intangible assets", brands, customer relationships and software.

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

As at 31 December 2018 intangible assets amounted to €3,507 million, increased in comparison to €3,385 million as at 31 December 2017.

The increase is mainly related to software both generated internally and purchased partially offset by amortisation of the period.

## 10.1 Intangible assets: breakdown by asset type

(€'000)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2018		AMOUNTS AS AT 12.31.2017	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	X	1,483,721	X	1,483,721
A.1.1 Attributable to the Group	X	1,483,721	X	1,483,721
A.1.2 Attributable to minorities	X	-	X	-
<b>A.2 Other intangible assets</b>	1,930,568	92,957	1,808,632	92,957
A.2.1 Assets carried at cost	1,930,568	92,957	1,808,632	92,957
a) Intangible assets generated internally	1,499,598	-	1,358,851	-
b) Other assets	430,970	92,957	449,781	92,957
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	1,930,568	1,576,678	1,808,632	1,576,678
<b>Total finite and indefinite life</b>		3,507,246		3,385,310

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

Other intangible assets - Indefinite life include trademarks (brands) referred to FinecoBank S.p.A. while the Other intangible assets - Definite life, valued at cost are essentially Software.



## Part B - Consolidated balance sheet - Assets

## 10.2 Intangible assets: annual changes

(€ '000)

	CHANGES IN 2018					TOTAL
	OTHER INTANGIBLE ASSETS					
	GENERATED INTERNALLY			OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
<b>A. Gross opening balance</b>	<b>16,835,308</b>	<b>3,247,120</b>	-	<b>5,565,786</b>	<b>994,734</b>	<b>26,642,948</b>
A.1 Total net reduction in value	(15,351,587)	(1,888,269)	-	(5,116,005)	(901,777)	(23,257,638)
<b>A.2 Net opening balance</b>	<b>1,483,721</b>	<b>1,358,851</b>	-	<b>449,781</b>	<b>92,957</b>	<b>3,385,310</b>
<b>B. Increases</b>	-	<b>447,330</b>	-	<b>152,814</b>	-	<b>600,144</b>
B.1 Purchases	-	31,773	-	138,494	-	170,267
B.2 Increases in intangible assets generated	X	398,775	-	-	-	398,775
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	101	-	5,460	-	5,561
B.6 Other changes	-	16,681	-	8,860	-	25,541
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>C. Reduction</b>	-	<b>306,583</b>	-	<b>171,625</b>	-	<b>478,208</b>
C.1 Disposals	-	-	-	6,225	-	6,225
C.2 Write-downs	-	298,924	-	126,293	-	425,217
- Amortisation	X	288,782	-	123,059	-	411,841
- Write-downs	-	10,142	-	3,234	-	13,376
+ In equity	X	-	-	-	-	-
+ Through profit or loss	-	10,142	-	3,234	-	13,376
C.3 Reduction in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	6,682	-	6,682
C.5 Negative exchange differences	-	6,021	-	14,538	-	20,559
C.6 Other changes	-	1,638	-	17,887	-	19,525
<i>of which: business combinations</i>	-	-	-	458	-	458
<b>D. Net closing balance</b>	<b>1,483,721</b>	<b>1,499,598</b>	-	<b>430,970</b>	<b>92,957</b>	<b>3,507,246</b>
D.1 Total net write-down	(15,307,380)	(2,179,269)	-	(4,683,533)	(901,777)	(23,071,959)
<b>E. Gross closing balance</b>	<b>16,791,101</b>	<b>3,678,867</b>	-	<b>5,114,503</b>	<b>994,734</b>	<b>26,579,205</b>
<b>F. Carried at cost</b>	-	-	-	-	-	-

The book value of goodwill as at 31 December 2018 (€1,484 million) remained unchanged in comparison to the value as at 31 December 2017 since it refers to subsidiaries belonging to the Euro area. Instead the annual changes in gross closing balance and total net write-down, are due to goodwill of legal entities which reporting currency is different to Euro, completely impaired in the previous periods.

For further details of impairment test on goodwill and other intangible assets with definite and indefinite life, recognised during business combinations, refer to the following pages.

## Part B - Consolidated balance sheet - Assets

### 10.3 Intangible assets: other information

#### Information on intangible assets noted during business combinations

The application of IFRS3 to the accounting for business combinations revealed in the course of time significant amounts of intangible assets and goodwill. The following table shows the change in the values posted for the various intangible assets identified during the period, including the valuation effects described below.

(€ million)

INTANGIBLE ASSETS (EXCEPT SOFTWARE)	TOTAL 12.31.2017	AMORTIZATION	IMPAIRMENT	OTHER CHANGES	TOTAL 12.31.2018
Trademarks	93	-	-	-	93
Core deposits and customer relationships	1	-	-	-	1
Goodwill	1,484	-	-	-	1,484
<b>TOTAL</b>	<b>1,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,578</b>

Trademarks and goodwill are considered indefinite-life intangible assets. They are expected to contribute indefinitely to income flows.

The other intangible assets have finite useful lives, originally valued by discounting the financial flows over the residual lifetime of the relationships in place on the date of the business combination from which they derive. Finite-life intangible assets are subject to amortisation based on the associated useful life.

The types of intangible assets noted as a result of business combinations still present at 31 December 2018 and the methods used to determine their associated fair value on the acquisition date are indicated below.

#### Trademarks

The fair value of initial recognition of trademarks is determined using the "relief from royalty" method, which estimates their value based on the payments received for granting their use to third parties. Royalties are calculated by applying the royalty rate to the income flows (operating income adjusted for the items not associated with the trademarks themselves).

In summary, the method consists of three stages:

- determination of the royalty rate (based on a comparison with similar cases or calculated analytically);
- application of the royalty rate to income flows;
- determination of the present value of royalties after tax, calculated by applying a discount rate that takes into account the risk context of the trademark being valued.

The residual gross amount as at 31 December 2018 of intangible assets with an indefinite useful life (trademarks) refers only to FinecoBank as to €93 million.

#### Customer Relationships

Following the fully write off as of 31 December 2013 of the Customer Relationship related to Assets under Management (AuM), Assets under Custody (AuC), Life Insurance and Products the remaining Customer Relationship as of 31 December 2018 refers solely to Romania and its average residual useful life is 1 year. This intangible asset includes all other types of so-called customer relationships, including by way of example those deriving from the ability of the company to obtain placement fees on third-party bonds and from securities auctions.

The Group does not hold intangible assets acquired through public grants or intangible assets pledged against liabilities.

#### Impairment test of intangible assets noted during business combinations

In accordance with IAS36, impairment testing of all indefinite-useful-life intangible assets, including goodwill must be performed at least annually and, in any case, whenever there is objective evidence of the occurrence of events that may have reduced their value (trigger events). For UniCredit the trigger event is a market capitalisation lower than Shareholders' Equity.

Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, less costs to sell.

The recoverable value of intangible assets subject to impairment testing must be determined for the individual assets, unless both the following conditions exist:

- the value in use of the asset is not estimated to be close to the fair value, net of sales costs;
- the asset does not generate incoming cash flows largely independent of those coming from other assets.

## Part B - Consolidated balance sheet - Assets

If these conditions exist, the impairment test is conducted at the level of the Cash Generating Unit (CGU), as required by the cited accounting principle.

It should be noted that the impairment testing performed by the UniCredit group by way of the determination of the value in use of the Cash Generating Units (CGU), as described below, includes both indefinite-useful-life intangible assets (goodwill and trademarks) and finite-useful-life intangible assets (core deposits and customer relationships), whenever the loss indicators provided for by the accounting principle occur. We believe that core deposits and customer relationships cannot be subjected to separate impairment testing, because these assets do not generate cash flows independent of the cash flows from other assets.

It should be noted that intangible assets and Cash Generating Units are subjected to impairment testing with reference to their current state, without taking account of the effects of restructuring plans/programmes not yet approved by the competent bodies.

For the purposes of the impairment testing, the value in use of the so-called Cash Generating Units (CGUs) to which these intangible assets are allocated must be calculated taking into account the cash flows for all assets and liabilities included in the CGUs and not only those for which goodwill and/or the intangible asset were recorded when applying IFRS3.

Finally, please note that the impairment test performed by the UniCredit group consists of two stages:

- the first stage compares the recoverable amount and the carrying amount of each CGU;
- the second stage compares the recoverable amount and the carrying amount of the Group as a whole in order to include in the analysis the negative income flows and the positive carrying amount of assets that cannot be allocated ("corporate centre") in accordance with IAS36.

### Definition of Cash Generating Units (CGU)

Estimating the value in use for the purposes of any impairment testing of intangible assets, including goodwill, which does not generate cash flows except in conjunction with other business assets, requires that these assets are first attributed to operating units that are relatively autonomous in the business context (from the points of view of independent cash flows generated and of internal planning and reporting). These operating units are defined as Cash Generating Units (CGU).

In accordance with the provisions of IFRS3 and IAS36, for the purposes of impairment testing, goodwill has been allocated to the following operational Divisions of the Group, identified as CGUs.

The CGU is the lowest level at which goodwill is monitored at Group level. The CGUs identified correspond to the organisational business units through which the Group develops its activity.

For a detailed description of the Group's CGU refer to Part L - Segment Reporting of this Notes to the Consolidated Accounts.

### The book value of the CGUs

The book value of the CGUs is determined in accordance with the criterion used to determine their recoverable value. The recoverable value of the CGUs includes flows from their respective financial assets and liabilities, so the book value must also include the financial assets and liabilities generating those flows.

Since it would be excessively complex to determine the carrying amount of the CGUs on the basis of book values, it was necessary to use operational factors to break them down correctly. Specifically, the operational driver that is used is allocated capital, which is based on the Risk-Weighted Assets absorption of the single CGU. In any case, intangible assets are attributed to the CGUs in accordance with the available accounting information.

The carrying amounts of the CGUs as at 31 December 2018, determined as described above, and the portions of goodwill and other intangible assets allocated to each of them are shown below.

(€ million)

CASH GENERATING UNIT (CGU)	VALUE AS AT 12.31.2018	OF WHICH GOODWILL (GROUP SHARE)	OF WHICH OTHER INTANGIBLE ASSET (*)
Commercial Banking Italy	11,873	8	-
Commercial Banking Germany	4,602	-	-
Commercial Banking Austria	2,832	-	-
CIB	11,585	879	-
Fineco	981	597	62
CEE	10,253	-	-
Group Corporate Centre	4,127	-	-
Non Core	1,529	-	-
<b>Totale</b>	<b>47,782</b>	<b>1,484</b>	<b>62</b>

Note:

(\*) Stated amounts are net of deferred taxes.

## Part B - Consolidated balance sheet - Assets

### Estimating cash flows to determine the value in use of the CGUs

In accordance with IAS36, the impairment test for indefinite-life intangible assets must be performed at least annually and whenever there is any indication that their value may be impaired. The referenced accounting principle requires that the impairment test is carried out by comparing the book value of each CGU with its recoverable value. When the latter proves to be lower than the book value, a write-down must be recorded in the financial statement. The recoverable amount of the CGU is the greater of its fair value (net of costs to sell) and the related value in use.

#### Projections

The impairment test at 31 December 2018 was performed on the basis of the financial projections (Net Profit and RWA) included in the Budget 2019 approved by the Board of Directors on 13 December 2018. The contribution of Turkey to the Recoverable Amount of CEE CGU, consistently with the valuation of KoC Finansal Hizmetler AS shareholding, was determined considering i) normalized 2018 and 2019 Net Profit streams excluding the impacts of any extraordinary loan loss provisions and ii) the application of a conservative haircut to 2019 Net Profit in order to take into account the recent volatility of Turkish market.

With regard to the scope for the purposes of the impairment test, it should be noted that the organisational structure of the Cash Generating Units reflects the organisational structure of the Group as of 31 December 2018.

#### Macroeconomic scenario

The following tables show the forecasts concerning the main macroeconomic indicators, related to the markets in which the Group operates, which are underlying to the update of the projections used for December 2018 Impairment Test purposes.

y/y % changes		
ITALY	2018F	2019F
GDP	1.2	1.2
Inflation (CPI)	1.3	1.3
Unemployment rate	10.9	10.7

y/y % changes		
GERMANY	2018F	2019F
GDP	2.0	1.9
Inflation (CPI)	1.8	1.7
Unemployment rate	5.3	5.2

y/y % changes		
AUSTRIA	2018F	2019F
GDP	2.8	2.0
Inflation (CPI)	2.2	2.0
Unemployment rate	4.8	4.7

FINANCIAL INDICATORS	2018F	2019F
Euribor 3m eop (%)	(0.32)	(0.14)
BTP - Bund spread (10y, eop, bp)	300	300

## Part B - Consolidated balance sheet - Assets

## CENTRAL EASTERN EUROPE (CEE) COUNTRIES

	REAL GDP (y/y growth, %)		INFLATION (CPI) y/y, avg (%)	
	2018F	2019F	2018F	2019F
Hungary	4.5	3.6	3.2	3.4
Czech Rep.	3.5	2.8	2.2	2.3
Slovenia	4.3	3.0	2.0	2.1
Bulgaria	4.0	3.9	2.7	2.7
Romania	3.9	3.5	5.0	3.6
Croatia	2.8	2.8	1.6	1.8
Bosnia-H.	3.1	3.4	1.8	1.7
Serbia	3.3	3.0	2.1	3.0
Turkey	3.3	0.5	17.2	22.9
Russia	1.6	1.3	2.9	4.6

	INTERBANK RATES (3M, %) <sup>1)</sup>		EXCHANGE RATES / €, AVG	
	2018F	2019F	2017	2019
Hungary	0.3	0.6	320.8	320.3
Czech Rep.	1.1	1.7	25.4	24.9
Slovenia	EUR	EUR	EUR	EUR
Bulgaria	-0.5	-0.4	1.96	1.96
Romania	2.6	3.0	4.7	4.7
Croatia	0.5	0.5	7.4	7.4
Bosnia-H.	EUR	EUR	1.96	1.96
Serbia	3.0	3.4	118.5	118.7
Turkey	20.1	22.4	5.9	8.1
Russia	7.8	7.4	74.8	80.6

## Note:

(1) Annual average; Benchmark bond rate for Turkey; 1M Interbank rate for Romania.

*Impairment test model*

The calculation of the value in use for impairment testing purposes was conducted using a Discounted Cash Flow model (DCF). The cash flows were determined by subtracting from net profit (gross of minority interests) the annual capital requirement generated by changes in risk-weighted assets. The capital requirement is defined as the level of capitalisation that the Group aims to achieve in the long term, also in light of the minimum regulatory capital requirements.

The Discounted Cash Flow model used by the Group is based on three stages:

- first explicit year 2019, which relies on the Budget 2019 approved by the Board of Directors on 13 December 2018;
- intermediate period from 2020 to 2024, for which the cash-flow projections are extrapolated by applying, from the explicit forecast period (2019), growth rates decreasing to those of the "Terminal Value";
- "Terminal Value" determined with nominal growth rates of 2%. The average growth rate of real GDP in the Eurozone from 1996 to 2017 was 1.5%. The nominal rate of 2%, corresponding to approximately 0% in real terms, was chosen for prudential reasons.

The application of an intermediate period is aimed to allow a normalisation in parameters used (i.e. cost of equity and nominal growth rate) before the convergence to the Terminal Value, since the Group operates in different regions and business segments characterised by different risk profiles and growth prospects. The growth rates for the intermediated period are defined in such a way that the weighted average of the intermediate period and the Terminal Value are not higher than a cap, defined by applying a haircut to the historical average of long-term growth of the respective areas or business segments.

Group assets or shared assets (corporate assets) are allocated to the CGUs to which they refer, where applicable. For the portion not allocable of these assets, the recoverable amount is assessed at overall Group level (so-called "corporate centre").

**Strategic Plan "Transform 2019"**

The Strategic Plan "Transform 2019", presented to the financial community on 13 December 2016, has been subsequently re-confirmed on 12 December 2017. It was prepared with the aim of maintaining a sustainable level of profitability over time, leveraging on a simple commercial bank business model, strengthening cross-selling activities and offering customers access to an extensive network. The implementation of Transform 2019 is fully on track, delivering tangible results supporting the successful execution of the five pillars of the plan. Below, the confirmed five pillars are briefly presented:

- transform the operating model, in order to reduce the cost to serve customers, whilst at the same time increasing customer focus and the quality of products and services, leveraging on IT investments; the 2019 cost target is confirmed with FTE reductions and branch closures progressing ahead of Plan and with Group's IT systems significantly simplified;

## Part B - Consolidated balance sheet - Assets

- maximise commercial bank value, capitalising the potential of the retail customer base and exploiting the position of “go to” bank status for corporate customers in Western Europe, further strengthening the leadership position in Central and Eastern Europe (“CEE”) and the generation of synergies across divisions and countries, taking advantage of Corporate and Investment Banking Division (CIB) being fully plugged into commercial bank activities; the ongoing transformation has resulted in higher productivity, with increased fees and commissions across all divisions;
- strengthen and optimise capital; as a result of the Group’s actions to strengthen its capital position taking also into account the current challenging macroeconomic environment and considering management estimates on new regulatory guidelines impact, CET1 ratio target has been updated in a range between 12.0% and 12.5%;
- improve asset quality, both in terms of resolution of the issues associated with the Italian loans portfolio (legacy of the underwriting activities mainly going back to the years before the financial crisis that affected the Italian and European banking system), through a proactive de-risking of balance sheet assets and increasing the coverage ratio of non-performing loans and in parallel strengthening risk management policies to enhance new loans underwriting; in addition the full accelerated rundown of the Non-core Division is expected by the end of 2021 and will be entirely self-funded by the Group;
- adopt lean but steering Group Corporate Centre, with the implementation of key performance indicators cascaded to the divisions and networks, streamlining of support functions and the transparent allocation of costs between divisions. The Group has taken decisive actions to strengthen its corporate governance and align it to international best practices.

### UCGs’ Strategic Directions

#### **Commercial Banking Italy**

Commercial Banking Italy will be focused on the transformation of the operating model through sales channels redesign, the improvement of interaction with customers through a simplification of the product range and the digitalisation of key processes, the enhancement of the attention on lower cost structure customers, the reduction of “in-branch transactions” and low value added functions through self-service leveraging on a multichannel client approach. The innovative redesign of branches will include full service branch, smart branch (partially automated), cash-less branch (fully automated) with the main goal to offer to individual clients a full range of products and services to fulfil transactional, investment and credit needs as well as Business Centre fully dedicated to Small Business customer needs. All this will also permit a further streamlining of the Italian headquarter. In addition the Group will further strengthen the new origination discipline by centralising underwriting for selected portfolios, focusing on investment grade customers, increasing the share of small business clients eligible for automatic lending, as well as setting up a pre-approved decision process for personal loans. The tight monitoring of the exposures will be further developed through the use of advanced early warning signals and KPIs and automatic triggering of classification to worst status as well as the faster deleveraging on riskier customers vs. competitors in order to further improve risk adjusted profitability.

#### **Commercial Banking Germany**

The Commercial Bank in Germany aims to:

- further enhance the position in Corporate Banking given the wide number of German SMEs and large corporates and the relevance of their import and export volumes. This will be achieved also through a comprehensive restructuring of the SME customer service model, already launched, and the digital services;
- increase cross-selling revenues thanks to strong cooperation between CIB and commercial banking;
- continue the growth in AUM;
- enhance focus on Retail lending, and renew focus on Bank-assurance.

The streamlining and simplification of the organisational structure will lead to more efficient decision making processes.

#### **Commercial Banking Austria**

Commercial Banking Austria aims to streamline the organisation and renew focus on premium advisory. The new service model for retail has been developing the business in a sustainable way, resulting in an improvement in the cost-income ratio, new loans production and client satisfaction enhancement while maintaining the portfolio asset quality. Revenues will also be sustained by AUM volumes growth, new clients acquisition and commercial synergies with Corporate and CEE Divisions. Further progress in digital transformation are also expected.

#### **Corporate & Investment Banking (“CIB”)**

CIB Division is fully plugged in to Commercial Banking with the aim of maximising synergies. The Group intends to maintain the client focused approach of the Division and the strict cost discipline, benefiting also from the ongoing streamline and fine-tune of business and operating model, while maintaining a constant focus on risk culture and RWA optimisation. On the cross-selling side, CIB is fully at work with dedicated commercial actions in key geographies, leveraging on internal joint ventures with Commercial Banking. The Group aims to confirm and improve market leadership in debt finance and GTB, leveraging on international network and clients and intensifying capabilities and services for corporate and financial institutions.

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### Central and Eastern Europe ("CEE")

CEE Division continue to be an important growth engine for the Group. Relevant transformation programmes have been launched, in particular related to innovation and digitalisation, resulting in a strong growth of CEE digital customer base. A further strengthening of Big Data and analytics capabilities support relationship managers in their day-to-day activity and client targeting with the aim to increase market penetration and cross-selling. Remain the focus on maximising synergies with the Group from Cross-border activity, thanks to increasing number of international customers, and on best practices sharing. The ongoing network optimisation will further support the lean cost structure.

### Fineco

Fineco will keep a strong focus on high quality lending and will grow in investment services supported by the boost of productivity of the PFA network that, taking a more aggressively Robo & cyborg advisory approach (more structured asset allocation based on algorithmic/quantitative approach) that drove a better asset mix and leave more time to private banking client relationship that needs tailor-made solutions and portfolio analysis.

### Non Core

Confirmed Transform 2019 is still very focused on the improvement of the asset quality of the Group through: a proactive review of NPEs evaluation, the disposal of a substantial amount of bad loans via securitisation vehicles, the increase of coverage ratios and additional decisive actions on workout and UTP portfolios in the Non-core segment that will enable a full and self-funded rundown accelerated of the portfolio by 2021. In addition to these actions a more disciplined risk management strategy and underwriting processes have been further developed and are still in place.

### Discount rates of cash flows and regulatory capital targets

The following main discount rates were used in the calculation of the CGUs' recoverable amount:

CGU	INITIAL DISCOUNT RATE NET OF TAX (KE)	FINAL DISCOUNT RATE NET OF TAX (KE)	NOMINAL GROWTH RATE USED TO CALCULATE TERMINAL VALUE
Commercial Banking Italy	9.9%	9.9%	2.0%
Commercial Banking Germany	8.1%	8.1%	2.0%
Commercial Banking Austria	8.4%	8.4%	2.0%
CIB	8.8%	8.8%	2.0%
Fineco	8.1%	8.1%	2.0%
CEE <sup>(1)</sup>	14.8%	11.4%	2.0%
Group Corporate Center	9.3%	9.3%	0.0%
Non Core	9.9%	9.9%	2.0%

#### Note:

(1) The discount rate presented for CEE CGUs are the weighted average of the discount rates in local currency used for individual countries.

As shown in the above table, future financial flows were discounted using a conservative estimate of the discount rate, incorporating the various risk factors linked to the business sector into the cost of equity (Ke). The discount rate is a nominal rate, net of taxes.

In particular, the cost of equity for the CGUs is the sum of the following:

- Country rate:
  - CIB and Fineco: Country rate is the sum of:
    - Risk-free rate: the last six years' average of the 10-year Bund. The six-year horizon was adopted in line with the average economic cycle in the Eurozone;
    - Debt risk premium: the last six years' average of the Credit Default Swap of UniCredit;
  - Commercial Banking: due to the high regional specificity, rather than the risk-free rate and the debt risk premium, the Country rate is set equal to the rate of benchmark government bonds of the Country and, in particular:
    - for Commercial Banking Italy the last six years' average of the 10-year BTP;
    - for Commercial Banking Germany the last six years' average of the 10-year Bund;
    - for Commercial Banking Austria the last six years' average of the 10-year Austrian government bond rate;
- Equity Risk Premium: calculated using the Option Price Based Model, based on the volatility of UniCredit's share price over the last six years. For CIB and Fineco, the last six years' average volatility of selected peers operating in the same sector was used.

The cost of equity for CEE is differentiated for each single country and it is the sum of the following:

- Risk-free rate: the last six years' average of the five-year local currency swap rate. If no swap rate was available, the most liquid and representative interbank rate was taken;
- Country risk premium: the last six years' average Credit Default Swap of the country;
- Equity Risk Premium: calculated using the Option Price Based Model, based on the volatility of UniCredit's share price over the last six years.



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Prudentially, the cost of equity for Fineco was floored for the entire valuation period, at the lowest level of the cost of equity of Commercial Banking CGUs and for CIB it was prudentially floored for the entire valuation period at the weighted average (by geographical distribution of CIB RWA) of the cost of equity of the Commercial Banking CGUs

Another parameter used in the model to determine the initial allocated capital and its evolution over time is the Common Equity Tier 1 ratio target. For all the CGUs the target Common Equity Tier 1 ratio is 12.5% in 2018 consistently with the updated CET 1 ratio target range. The contribution of Turkey to the Recoverable Amount of the CEE CGU was estimated considering a CET 1 ratio target of 10.50% in line with Yapi Kredi target.

### Results of the impairment test

The impairment test as at 31 December 2018 confirms the sustainability of the goodwill with no need for an impairment on the consolidated accounts of the UniCredit group.

It must be underlined that the parameters and information used to verify the recoverability of goodwill (in particular the expected cash flows for the various CGU, and the discount rates applied) are significantly influenced by the macroeconomic and market situation, which may be subject to changes currently unpredictable. In the coming reporting periods, the effect of these changes, and of changes in the corporate strategies, could therefore lead to a review of the estimated cash flows of the various CGUs and of the assumptions about the main financial variables (discount rates, expected growth rates, Common Equity Tier 1 ratio, etc.) that could impact the results of the future impairment tests.

### Sensitivity analysis

Since the valuation exercise is affected by the macroeconomic and market environment and given the intrinsic complexity of forecasting future long-term profitability, sensitivity analyses were conducted, assuming changes to the main parameters used in the impairment test.

The table below summarises for the CGUs which still have goodwill, the percentage deviations of the initial assumptions (cost of equity, capital ratio, long-term growth rate and streams of income used for the estimation of cash flows) adopted for the different CGUs, that drive the recoverable amount of each CGU equal to its book value:

CGUs €/MN	INCREASE IN THE DISCOUNT RATE AFTER TAX (KE) <sup>(1)</sup>	INCREASE IN THE CET 1 RATIO TARGET <sup>(2)</sup>	DECREASE IN THE NOMINAL GROWTH RATE FOR THE CALCULATION OF TERMINAL VALUE <sup>(2)</sup>	DECREASE IN ANNUAL EARNINGS <sup>(3)</sup>
CIB	2.1%	1.7%	-16.1%	-19.0%
Fineco	22.4%	n.m.	n.m.	n.m.
Commercial Banking Italy	0.8%	3.6%	-5.5%	-7.6%

#### Notes:

(1) The increase of 1% in the discount rate is applied to the whole stream from 2018 to Terminal Value.

(2) Delta expressed in absolute amount.

(3) Delta expressed in percentage terms.

The table below shows the change of the total value in use of the Group resulting from a variation of the main parameters used in the valuation model.

GROUP LEVEL €/MN	INCREASE IN THE DISCOUNT RATE AFTER TAX (KE) <sup>(1)</sup>	INCREASE IN THE CET 1 RATIO TARGET <sup>(2)</sup>	DECREASE IN THE NOMINAL GROWTH RATE FOR THE CALCULATION OF TERMINAL VALUE <sup>(2)</sup>	DECREASE IN ANNUAL EARNINGS <sup>(3)</sup>
SENSITIVITY FACTOR [%]	1%	1%	-1%	-5%
Change of Group value in use	-13%	-9%	-4%	-7%

#### Notes:

(1) The increase of 1% in the discount rate is applied to the whole stream from 2019 to Terminal Value.

(2) Delta expressed in absolute amount.

(3) Delta expressed in percentage terms.

The parameters and information used to verify the sustainability of goodwill (in particular the financial projections used) are significantly influenced by the macroeconomic environment and the market conditions. Should the macroeconomic environment deteriorate in the future, the results of the next sustainability tests on goodwill could show a recoverable amount lower than the carrying value and therefore highlight the need to perform a goodwill impairment.

### Comparison with market capitalisation

The Group's total value in use resulting from the impairment test is higher than the current market capitalisation of the Parent Company.

The difference could be largely explained by: i) the upside potential embedded in Analysts' consensus; ii) the cost of equity used in the impairment test and iii) market expectations on long term return and its distribution.

## Part B - Consolidated balance sheet - Assets

## Section 11 - Tax assets and tax liabilities - Item 110 (Assets) and Item 60 (Liabilities)

## 11.1 Deferred tax assets: breakdown

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>Deferred tax assets arising from Italian law 214/2011</b>	<b>8,309,594</b>	<b>8,315,432</b>
<b>Deferred tax assets arising from tax losses</b>	<b>386,737</b>	<b>733,421</b>
<b>Deferred tax assets arising from temporary differences</b>	<b>4,668,339</b>	<b>3,212,029</b>
Financial assets and liabilities (different from loans and deposits)	536,456	453,934
Loans and deposits to/from banks and customers	1,070,913	181,989
Hedging and hedged item revaluation	511,266	299,111
Property, plant and equipment and intangible assets different from goodwill	195,921	191,958
Goodwill and equity investments	1,232	10,597
Current assets and liabilities held for sale	-	1,003
Other assets and Other liabilities	362,944	291,019
Provisions, pension funds and similar	1,989,607	1,782,288
Other	-	130
<b>Accounting offsetting</b>	<b>(1,318,862)</b>	<b>(1,642,299)</b>
<b>Total</b>	<b>12,045,808</b>	<b>10,618,583</b>

## 11.2 Deferred tax liabilities: breakdown

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>Deferred tax liabilities arising from temporary differences</b>	<b>1,741,054</b>	<b>2,076,325</b>
Financial assets and liabilities (different from loans and deposits)	545,458	693,103
Loans and deposits to/from banks and customers	135,716	140,795
Hedging and hedged item revaluation	461,171	525,417
Property, plant and equipment and intangible assets different from goodwill	353,385	355,657
Goodwill and equity investments	24,078	23,744
Assets and liabilities held for sale	-	282
Other assets and Other liabilities	185,837	295,200
Other	35,409	42,127
<b>Accounting offsetting</b>	<b>(1,318,031)</b>	<b>(1,634,683)</b>
<b>Total</b>	<b>423,023</b>	<b>441,642</b>

Deferred Tax Assets (DTAs) totally amount to €12,046 million (compared with €10,619 million as of 31 December 2017), of which €8,310 million (compared with €8,315 million as of 31 December 2017) can be, under certain circumstances, converted into tax credits pursuant to Law No.214 of 22 December 2011 (i.e., DTA convertible into tax credits). The remaining DTAs (i.e., DTAs non-convertible into tax credits) are related to costs and write-offs deductible in future years, for €3,349 million (net of related deferred tax liabilities), and to tax losses for €387 million. DTAs on tax losses carried forward are mainly referred to the German subsidiary UniCredit Bank AG (€274 million).

The above mentioned amounts are the ones resulting upon the application of the accounting impairment according to which DTAs undergo the sustainability test provided for by IAS12, that takes into account the economic projections foreseeable for future years and the peculiarities of the fiscal legislations of each country, in order to check whether there are future taxable incomes against which DTAs can be offset. With particular reference to UniCredit S.p.A., to which most of the Group's deferred tax assets are attributable, the recoverability test takes into account, besides the economic projections, the forecasts for conversion of DTAs into tax credits under the terms of Italian Law No.214/2011.

At Group level, the DTAs out of balance on tax losses carried forward are mainly referred to UniCredit S.p.A. for € 3,272 million, to UniCredit Leasing S.p.A. for €234 million and to UniCredit Bank Austria for €445 million.

For deferred tax assets and liabilities of the Parent company refer to paragraph of Part B - Notes to the accounts of UniCredit S.p.A. - Section 10 Tax assets and liabilities - Item 100 (Assets) and Item 60 (Liabilities) which is herewith quoted entirely.

## Part B - Consolidated balance sheet - Assets

## 11.3 Deferred tax assets: annual changes (balancing P&amp;L)

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>9,628,985</b>	<b>12,989,425</b>
<b>2. Increases</b>	<b>3,566,117</b>	<b>2,988,892</b>
2.1 Deferred tax assets arisen during the year	2,206,570	1,510,534
a) Relating to previous years	83,409	69,839
b) Due to change in accounting criteria	381	-
c) Write-backs	560,919	721,193
d) Other	1,561,861	719,502
2.2 New taxes or increases in tax rates	1,270	-
2.3 Other increases	1,358,277	1,478,358
<b>3. Decreases</b>	<b>2,575,043</b>	<b>6,530,348</b>
3.1 Deferred tax assets derecognised during the year	1,245,203	1,842,649
a) Reversals of temporary differences	979,129	1,186,469
b) Write-downs of non-recoverable items	62,416	397,239
c) Change in accounting criteria	247	3,004
d) Other	203,411	255,937
3.2 Reduction in tax rates	-	16,255
3.3 Other decreases	1,329,840	4,671,444
a) Conversion into tax credit under Italian Law 214/2011	-	3,019,022
b) Other	1,329,840	1,652,422
<b>4. Closing balance</b>	<b>10,620,059</b>	<b>9,447,969</b>

Sub-item "2.1 Deferred tax assets arisen during the year d) Other" reflects the recognition of DTAs related to the first time adoption of IFRS9 against P&L for an amount of €871 million.

## 11.4 Deferred tax assets (Italian Law 214/2011): annual changes

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>8,315,432</b>	<b>11,339,783</b>
<b>2. Increases</b>	<b>267</b>	<b>7</b>
<b>3. Decreases</b>	<b>6,105</b>	<b>3,024,358</b>
3.1 Reversals of temporary differences	-	4,099
3.2 Conversion into tax credits	-	3,019,022
a) Due to loss positions arisen from P&L	-	3,019,022
b) Due to tax losses	-	-
3.3 Other decreases	6,105	1,237
<b>4. Closing balance</b>	<b>8,309,594</b>	<b>8,315,432</b>

Following the 5th update of Banca d'Italia Circular 262, starting from 31 December 2018, the table shows the deferred tax asset annual changes of which L.214/2011 both equity balancing and P&L balancing. According to this new approach the values at 31 December 2017 have been restated.

## Part B - Consolidated balance sheet - Assets

## 11.5 Deferred tax liabilities: annual changes (balancing P&amp;L)

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>446,888</b>	<b>482,756</b>
<b>2. Increases</b>	<b>1,446,749</b>	<b>1,459,860</b>
2.1 Deferred tax liabilities arisen during the year	266,406	83,355
a) Relating to previous years	2,369	375
b) Due to change in accounting criteria	1,460	350
c) Other	262,577	82,630
2.2 New taxes or increases in tax rates	448	-
2.3 Other increases	1,179,895	1,376,505
<b>3. Decreases</b>	<b>1,481,356</b>	<b>1,520,721</b>
3.1 Deferred tax liabilities derecognised during the year	321,672	427,096
a) Reversals of temporary differences	303,626	379,785
b) Due to change in accounting criteria	-	1,665
c) Other	18,046	45,646
3.2 Reduction in tax rates	-	4,994
3.3 Other decreases	1,159,684	1,088,631
<b>4. Closing balance</b>	<b>412,281</b>	<b>421,895</b>

## 11.6 Deferred tax assets: annual changes (balancing Net Equity)

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>1,177,474</b>	<b>1,028,829</b>
<b>2. Increases</b>	<b>811,789</b>	<b>753,709</b>
2.1 Deferred tax assets arisen during the year	436,391	432,422
a) Relating to previous years	79	-
b) Due to change in accounting criteria	1,608	-
c) Other	434,704	432,422
2.2 New taxes or increase in tax rates	29,363	-
2.3 Other increases	346,035	321,287
<b>3. Decreases</b>	<b>563,514</b>	<b>611,924</b>
3.1 Deferred tax assets derecognised during the year	345,503	351,577
a) Reversals of temporary differences	151,640	274,786
b) Write-downs of non-recoverable items	169,000	800
c) Due to change in accounting criteria	-	-
d) Other	24,863	75,991
3.2 Reduction in tax rates	-	6,140
3.3 Other decreases	218,011	254,207
<b>4. Closing balance</b>	<b>1,425,749</b>	<b>1,170,614</b>

## Part B - Consolidated balance sheet - Assets

## 11.7 Deferred tax liabilities: annual changes (balancing Net Equity)

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>16,735</b>	<b>18,868</b>
<b>2. Increases</b>	<b>683,852</b>	<b>1,120,385</b>
2.1 Deferred tax liabilities arisen during the year	129,347	371,544
a) Relating to previous years	-	-
b) Due to change in accounting criteria	-	-
c) Other	129,347	371,544
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	554,505	748,841
<b>3. Decreases</b>	<b>689,845</b>	<b>1,119,506</b>
3.1 Deferred tax liabilities derecognised during the year	384,368	537,491
a) Reversal of temporary differences	144,244	203,445
b) Due to change in accounting criteria	3,551	-
c) Other	236,573	334,046
3.2 Reduction in tax rates	-	160
3.3 Other decreases	305,477	581,855
<b>4. Closing balance</b>	<b>10,742</b>	<b>19,747</b>

## 11.8 Other informations

In respect of financial year 2017, the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits (pursuant to Art.2, paragraph 55, of Decree Law No.225 of 29 December 2010), were not verified, since the Group legal entities having a stock of Convertible DTAs registered a net profit in their separate financial statements.

## Part B - Consolidated balance sheet - Assets

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

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

In the balance sheet as at 31 December 2018, compared with 31 December 2017, the companies Mobility Concept GmbH, i-Faber S.p.A., BA Betriebsobjekte Praha - Spol.S.R.O and the remaining companies of the Pioneer Group (Baroda Pioneer Asset Management Company Ltd. and Baroda Pioneer Trustee Company PVT Ltd.) have been sold and the following has been attributed to the non-current assets and asset disposal groups pursuant to IFRS5: the subsidiary General Logistic Solutions LLC, the companies of the Card Complete Service Bank AG group and the associated companies Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H. and Swancap Partners GmbH, the non-performing loans related to sale initiatives of portfolios.

As at 31 December 2018 in the same item are also included the tangible assets and real-estate properties held by some Group's companies, mainly in Germany.

As regards the data for asset related to discontinued operations, and associated liabilities, the figure at 31 December 2018 refers to the companies of the Immobilien Holding group.

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

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>A. Assets held for sale</b>		
A.1 Financial assets	710,800	302,990
A.2 Equity investments	24,921	387
A.3 Property, Plant and Equipment	940,484	672,503
<i>of which: obtained by taking possession of collateral</i>	741	
A.4 Intangible assets	6,682	12,464
A.5 Other non-current assets	78,011	20,503
<b>Total (A)</b>	<b>1,760,898</b>	<b>1,008,847</b>
<i>of which: carried at cost</i>	1,612,429	826,248
<i>of which: designated at fair value - level 1</i>	7,554	-
<i>of which: designated at fair value - level 2</i>	57,275	79,305
<i>of which: designated at fair value - level 3</i>	83,640	103,294
<b>B. Discontinued operations</b>	-	-
B.1 Financial assets at fair value through profit and loss	-	-
- Financial assets held for trading	-	-
- Financial assets designed at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
<i>Financial assets held for trading (ex IAS39)</i>	-	-
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>	-	-
B.2 Financial assets at fair value through other comprehensive income	6	
<i>Available for sale financial assets (ex IAS39)</i>		4,073
B.3 Financial assets at amortised cost	-	-
<i>Held to maturity investments (ex IAS39)</i>	-	-
<i>Loans and receivables with banks (ex IAS39)</i>	-	3,955
<i>Loans and receivables with customers (ex IAS39)</i>	-	-
B.4 Equity investments	22,655	22,624
B.5 Property, Plant and Equipment	-	19
<i>of which: obtained by taking possession of collateral</i>	-	-
B.6 Intangible assets	-	14
B.7 Other assets	16,377	71,428
<b>Total (B)</b>	<b>39,038</b>	<b>102,113</b>
<i>of which: carried at cost</i>	-	9,466
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	39,038	92,647

## Part B - Consolidated balance sheet - Assets

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

(€ '000)

<b>C. Liabilities associated with assets held for sale</b>		
C.1 Deposits	157,932	77,904
C.2 Securities	-	-
C.3 Other liabilities	346,723	51,822
<b>Total (C)</b>	<b>504,655</b>	<b>129,726</b>
<i>of which: carried at cost</i>	<i>504,330</i>	<i>104,478</i>
<i>of which: designated at fair value - level 1</i>	<i>-</i>	<i>-</i>
<i>of which: designated at fair value - level 2</i>	<i>-</i>	<i>-</i>
<i>of which: designated at fair value - level 3</i>	<i>325</i>	<i>25,248</i>
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities at amortised cost	-	-
<i>Deposits from banks (ex IAS39)</i>		-
<i>Deposits from customers (ex IAS39)</i>		-
<i>Debt securities in issue (ex IAS39)</i>		-
D.2 Financial liabilities held for trading	-	-
<i>Financial liabilities held for trading (ex IAS39)</i>		-
D.3 Financial liabilities designated at fair value	-	-
<i>Financial liabilities at fair value through profit or loss (ex IAS39)</i>		-
D.4 Provisions	-	297
D.5 Other liabilities	35,332	54,806
<b>Total (D)</b>	<b>35,332</b>	<b>55,103</b>
<i>of which: carried at cost</i>	<i>-</i>	<i>1,467</i>
<i>of which: designated at fair value - level 1</i>	<i>-</i>	<i>-</i>
<i>of which: designated at fair value - level 2</i>	<i>-</i>	<i>-</i>
<i>of which: designated at fair value - level 3</i>	<i>35,332</i>	<i>53,636</i>

Fair value measurements, made for disclosure purposes only, are classified into a fair value hierarchy that reflects the significance of inputs used in the valuations. For further information see Part A - Accounting policies - A.4 Information on fair value.

With reference to the fair value levels we must specify that the figures referred to companies of the Immobilien Holding group are presented at 31 December 2018 among level 3 assets and liabilities (the same as at 31 December 2017) reflecting their measurement using a valuation model.

### 12.2 Other information

There is no significant information to be reported.



## Part B - Consolidated balance sheet - Assets

## Section 13 - Other assets - Item 130

## 13.1 Other assets: breakdown

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Margin with derivatives clearers (non-interest bearing)	247	248
Gold, silver and precious metals	19,056	25,840
Accrued income and prepaid expenses other than capitalised income	544,610	424,187
Positive value of management agreements (so-called servicing assets)	3,669	
Cash and other valuables held by cashier	277,847	230,817
- Current account cheques being settled, drawn on third parties	277,517	230,330
- Current account cheques payable by group banks, cleared and in the process of being debited	296	343
- Money orders, bank drafts and equivalent securities	-	41
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	34	103
Interest and changes to be debited to	199,342	183,574
- Customers	170,437	178,280
- Banks	28,905	5,294
Items in transit between branches not yet allocated to destination accounts	2	26,558
Items in processing	461,787	857,551
Items deemed definitive but not-attributable to other items	2,670,301	2,752,803
- Securities and coupons to be settled	47,652	6,444
- Other transactions	2,622,649	2,746,359
Adjustments for unpaid bills and notes	40,298	280,161
Tax items other than those included in item 110	1,912,441	1,970,932
Commercial credits pursuant to IFRS15	14,533	
Other items	1,189,619	2,204,966
<b>Total</b>	<b>7,333,752</b>	<b>8,957,637</b>

As at 31 December 2017 "Other items" included the Property, Plant and Equipment, deriving from repossessing and lease, classified as inventories pursuant to IAS2; this inventories have been recognised, since 2018, to item Property, Plant and Equipment following the application of IFRS9 and Banca d'Italia 262 Circular 5<sup>th</sup> amendment.

Item "Accrued income and prepaid expenses other than capitalised income" includes the contract assets recognized in accordance with IFRS15. In this context accrued income represents the portion of the performance obligation already satisfied through the services provided by the Group and that will be settled in the future periods in accordance with contractual provisions.

The aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, and therefore not represented in the table above, is equal to €14.5 million. The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

## Part B - Consolidated balance sheet - Assets

The following table shows the changes of accrued income and prepaid expenses occurred in the period.

### Periodic change of accrued income/expenses and prepaid expenses/income

(€'000)

	AMOUNTS AS AT	12.31.2018
	ACCURRED INCOME AND PREPAID EXPENSES	ACCURRED INCOME AND DEFERRED EXPENSES
<b>Opening balance</b>	<b>424,187</b>	<b>468,269</b>
<b>Increases</b>	<b>219,373</b>	<b>204,466</b>
a) Changes due to business combinations	-	-
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par. 118.b)	-	-
c) Reversal of impairment of a contract asset (IFRS15 Par. 118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par. 118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability) (IFRS15 Par. 118.e)	-	-
f) Other	219,373	204,466
<b>Decreases</b>	<b>98,950</b>	<b>138,287</b>
a) Changes due to business combinations	-	4
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par. 118.b)	-	-
c) Impairment of a contract asset (IFRS15 Par. 118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par. 118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability) (IFRS15 Par. 118.e)	-	-
f) Other	98,950	138,283
<b>Closing balance</b>	<b>544,610</b>	<b>534,448</b>

## Part B - Consolidated balance sheet - Liabilities

### Liabilities

#### Section 1 - Financial liabilities at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	AMOUNTS AS AT 12.31.2018		
		FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
1. Deposits from central banks	56,677,941	X	X	X
2. Deposits from banks	69,217,302	X	X	X
2.1 Current accounts and demand deposits	11,597,328	X	X	X
2.2 Time deposits	14,757,085	X	X	X
2.3 Loans	41,863,611	X	X	X
2.3.1 Repos	25,773,660	X	X	X
2.3.2 Other	16,089,951	X	X	X
2.4 Liabilities relating to commitments to repurchase treasury shares	-	X	X	X
2.5 Other deposits	999,278	X	X	X
<b>Total</b>	<b>125,895,243</b>	<b>208,242</b>	<b>80,674,849</b>	<b>44,261,426</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>125,144,517</b>	

The sub-item "2.3 Loans" includes repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation; the same sub-item do not include the type of bond lending transactions collateralised by securities or not collateralised. Please also refer to section "Other information" of Part B for additional information.

Deposits from banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurements. For further information see Part A - Accounting Policies - A.4 Information on fair value.

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

TYPE OF TRANSACTION/VALUES	BOOK VALUE	AMOUNTS AS AT 12.31.2018		
		FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	350,492,185	X	X	X
2. Time deposits	63,266,997	X	X	X
3. Loans	60,168,545	X	X	X
3.1 Repos	56,963,626	X	X	X
3.2 Other	3,204,919	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X
5. Other deposits	5,059,982	X	X	X
<b>Total</b>	<b>478,987,709</b>	<b>145</b>	<b>162,544,564</b>	<b>316,733,707</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>479,278,416</b>	

The item "3. Loans" also include liabilities relating to repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation; the same sub-item do not include the type of bond lending transactions collateralised by securities or not collateralised. Please also refer to section "Other information" of Part B for additional information.

Deposits from customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurements. The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as level 3 in the fair value hierarchy.

## Part B - Consolidated Balance Sheet - Liabilities

For further information see Part A - Accounting Policies - A.4 Information on fair value.

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

(€ '000)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Debt securities</b>				
1. Bonds	73,353,162	39,436,732	24,152,719	12,441,182
1.1 Structured	1,672,960	178,231	1,450,281	-
1.2 Other	71,680,202	39,258,501	22,702,438	12,441,182
2. Other securities	7,800,128	-	1,841,662	5,959,153
2.1 Structured	109,800	-	113,767	-
2.2 Other	7,690,328	-	1,727,895	5,959,153
<b>Total</b>	<b>81,153,290</b>	<b>39,436,732</b>	<b>25,994,381</b>	<b>18,400,335</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>83,831,448</b>

Fair value measurements, solely for the purpose of fulfilling financial disclosure requirements, are classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4. Information on fair value.

The sum of the sub-items "1.1 Bonds - Structured" and "2.1 Other securities -structured" was equal to €1,782 million and accounted for 2% of total debt securities. They mainly refer to interest-rate linked instruments with closely related embedded derivatives identified according to the classification rules of Mifid.

The fair value of derivatives embedded in structured securities, presented in Line 20 of Assets and Line 20 of Liabilities and included in Trading derivatives - Others, amounted to a net balance of €34 million negative.

### 1.4 Breakdown of subordinated debts/securities

(€ '000)

	AMOUNTS AS AT
	12.31.2018
Deposits from banks	-
Deposits from customers	87,467
Debt securities	9,872,898
<b>Total</b>	<b>9,960,365</b>

### 1.5 Breakdown of structured debts

(€ '000)

	AMOUNTS AS AT
	12.31.2018
Deposits from banks	500
Deposits from customers	-
<b>Total</b>	<b>500</b>

## Part B - Consolidated balance sheet - Liabilities

### 1.6 Amounts payable under finance leases

	AMOUNTS AS AT 12.31.2018			
	DEBTS FROM BANKS		DEBTS FROM CUSTOMERS	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
<b>Amounts payable under finance lease</b>				
Up to 12 months	-	-	13,275	12,933
1 to 5 years	-	-	54,831	49,884
Over 5 years	-	-	118,475	109,654
<b>Current value of minimum gross/net payments</b>	-	-	<b>186,581</b>	<b>172,471</b>
<b>Time value effect</b>	-	X	<b>(14,109)</b>	<b>X</b>
<b>Current value of debts for minimum payments due for leasing</b>	-	-	<b>172,472</b>	<b>172,471</b>

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

### 1.1 Deposits from banks: product breakdown

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

### 1.2 Breakdown of item 10: "Deposits from banks": subordinated debts

There were no subordinated debts.

### 1.3 Breakdown of item 10 "Deposits from banks": structured debts

There were no structured debts.

### 1.5 Amounts payable under finance leases

There were no amounts payable to banks under finance leases.

## Part B - Consolidated Balance Sheet - Liabilities

### 2.1 Deposits from customers: breakdown by product

(€ '000)

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

### 2.2 Breakdown of item 20 "Deposits from customers": subordinated debts

(€ '000)

	AMOUNTS AS AT
	12.31.2017
Deposits from customers: subordinated debts	109,854

### 2.3 Breakdown of item 20 "Deposits from customers": structured debts

There were no structured debts from customers.

### 2.5 Amounts payable under finance leases

(€ '000)

	AMOUNTS AS AT 12.31.2017	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
<b>Amounts payable under finance leases:</b>		
Up to 12 months	13,285	12,946
From 1 to 5 years	54,793	49,851
Over 5 years	132,848	119,469
<b>Total value of minimum lease payments</b>	<b>200,926</b>	<b>182,266</b>
<b>Time value effect</b>	<b>(18,662)</b>	<b>X</b>
<b>Present value of minimum payment obligation</b>	<b>182,264</b>	<b>182,266</b>

### 3.1 Debt securities in issue: breakdown by product

(€ '000)

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

### 3.2 Breakdown of item 30 "Debt securities in issue": subordinated securities

(€'000)

	AMOUNTS AS AT
	12.31.2017
Debt securities in issue: subordinated securities	12,652,304

## Part B - Consolidated balance sheet - Liabilities

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

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

(€ '000)

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	AMOUNTS AS AT 12.31.2018			FAIR VALUE*
		FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Cash liabilities</b>					
1. Deposits from banks	48	1,623,799	1,517	-	1,625,316
2. Deposits from customers	1,400,265	9,637,200	1,546,717	105	11,184,082
3. Debt securities	3,374,990	-	2,524,467	310,198	2,840,198
3.1 Bonds	1,769,749	-	1,193,876	178,291	1,377,700
3.1.1 Structured	1,769,749	-	1,193,876	178,291	X
3.1.2 Other	-	-	-	-	X
3.2 Other securities	1,605,241	-	1,330,591	131,907	1,462,498
3.2.1 Structured	1,605,241	-	1,330,591	131,907	X
3.2.2 Other	-	-	-	-	X
<b>Total (A)</b>	<b>4,775,303</b>	<b>11,260,999</b>	<b>4,072,701</b>	<b>310,303</b>	<b>15,649,596</b>
<b>B. Derivatives instruments</b>					
1. Financial derivatives	X	2,242,626	23,965,866	929,550	X
1.1 Trading derivatives	X	2,242,495	23,775,969	894,368	X
1.2 Linked to fair value option	X	-	49,014	-	X
1.3 Other	X	131	140,883	35,182	X
2. Credit derivatives	X	11,064	197,323	120,804	X
2.1 Trading derivatives	X	11,064	188,805	120,804	X
2.2 Linked to fair value option	X	-	-	-	X
2.3 Other	X	-	8,518	-	X
<b>Total (B)</b>	<b>X</b>	<b>2,253,690</b>	<b>24,163,189</b>	<b>1,050,354</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>13,514,689</b>	<b>28,235,890</b>	<b>1,360,657</b>	<b>X</b>
<b>Total Level 1, Level 2 and Level 3</b>					<b>43,111,236</b>

**Note:**

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

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

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

The offset effect as at 31 December 2018, already included in the net presentation of these transactions, totaled €17,198,211 thousand (€15,009,452 thousand as at 31 December 2017).

The sub-item "Deposits from banks" and "Deposits from customers" include short selling totaling €11,416 million as at 31 December 2018 (€13,365 million as at 31 December 2017), in respect of which no nominal amount was attributed.

#### 2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

No data to be disclosed.



## Part B - Consolidated Balance Sheet - Liabilities

### 2.3 Breakdown of "Financial liabilities held for trading": structured debts

(€ '000)	
AMOUNTS AS AT	
12.31.2018	
Deposits from banks	22,350
Deposits from customers	-
Debt securities	3,374,990
<b>Total</b>	<b>3,397,340</b>

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

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

(€ '000)

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

Note:

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

### 4.2 Breakdown of item 40 "Financial liabilities held for trading": subordinated liabilities

(€ '000)

AMOUNTS AS AT	
12.31.2017	
Financial liabilities held for trading: subordinated liabilities	47,027

### 4.3 Breakdown of item 40 "Financial liabilities held for trading": structured debts

There were no amounts to be shown.

## Part B - Consolidated balance sheet - Liabilities

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

#### 3.1 Financial liabilities designated at fair value: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	AMOUNTS AS AT 12.31.2018			FAIR VALUE*
		FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	<b>5,152</b>	-	<b>4,226</b>	<b>1,152</b>	<b>5,359</b>
1.1 Structured	-	-	-	-	X
1.2 Other	5,152	-	4,226	1,152	X
of which:					
- loan commitments given	-	X	X	X	X
- financial guarantees given	-	X	X	X	X
<b>2. Deposits from customers</b>	<b>566,250</b>	-	<b>534,362</b>	<b>44,927</b>	<b>582,908</b>
2.1 Structured	-	-	-	-	X
2.2 Other	566,250	-	534,362	44,927	X
of which:					
- loan commitments given	-	X	X	X	X
- financial guarantees given	-	X	X	X	X
<b>3. Debt securities</b>	<b>9,099,541</b>	<b>427,415</b>	<b>8,125,160</b>	<b>180,489</b>	<b>8,780,630</b>
3.1 Structured	8,356,455	-	7,796,270	160,107	X
3.2 Other	743,086	427,415	328,890	20,382	X
<b>Total</b>	<b>9,670,943</b>	<b>427,415</b>	<b>8,663,748</b>	<b>226,568</b>	<b>9,368,897</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>9,317,731</b>	

**Note:**

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

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

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

The sub-item "3.1 Debt securities - Structured" includes "Certificates", structured debt securities, issued by UniCredit S.p.A. and by other Group's legal entities; further the item contains €396 million of "Secured mandatorily exchangeable equity-linked certificate" referred to the residual shares in Bank Pekao S.A., after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. occurred in June 2017. These securities are classified as measured at fair value not being separable their embedded derivative component.

#### 3.2 Breakdown of "Financial liabilities designated at fair value": subordinated liabilities

(€ '000)

	AMOUNTS AS AT
	12.31.2018
Deposits from banks	-
Deposits from customers	-
Debt securities	472,421
<b>Total</b>	<b>472,421</b>

## Part B - Consolidated Balance Sheet - Liabilities

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

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

(€ '000)

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

Note:

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

### 5.2 Breakdown of item 50 "Financial liabilities at fair value through profit or loss": subordinated liabilities

There were no subordinated liabilities.

## Section 4 - Hedging derivatives - Item 40

### 4.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ '000)

	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial derivatives</b>	<b>200,237,636</b>	<b>100,445</b>	<b>5,906,926</b>	<b>24,658</b>	<b>153,222,035</b>	<b>79</b>	<b>3,509,219</b>	<b>58,547</b>
1) Fair value	189,840,313	100,445	5,607,065	17,091	142,627,506	78	3,156,158	52,618
2) Cash flows	10,397,323	-	299,861	7,567	10,594,529	1	353,061	5,929
3) Net investment in foreign	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>200,237,636</b>	<b>100,445</b>	<b>5,906,926</b>	<b>24,658</b>	<b>153,222,035</b>	<b>79</b>	<b>3,509,219</b>	<b>58,547</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>6,032,029</b>				<b>3,567,845</b>

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies.

## Part B - Consolidated balance sheet - Liabilities

### 4.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

(€ '000)											
AMOUNTS AS AT 12.31.2018											
TRANSACTIONS/HEDGE TYPES	FAIR VALUE							CASH FLOW			FOREIGN INVESTMENTS
	MICRO-HEDGE							MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHER					
1. Financial assets at fair value through other comprehensive income	302,650	-	-	-	X	X	X	-	X	X	
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X	
3. Portfolio	X	X	X	X	X	X	9,154	X	85,999	X	
4. Other transactions	52,395	-	-	-	-	-	X	-	X	-	
<b>Total assets</b>	<b>355,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,154</b>	<b>-</b>	<b>85,999</b>	<b>-</b>	
1. Financial liabilities	3,106,002	X	1,007	-	-	-	X	89,904	X	X	
2. Portfolio	X	X	X	X	X	X	1,747,165	X	123,958	X	
<b>Total liabilities</b>	<b>3,106,002</b>	<b>-</b>	<b>1,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,747,165</b>	<b>89,904</b>	<b>123,958</b>	<b>-</b>	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	506,228	X	7,567	-	

## Section 5 - Value adjustment of hedged financial liabilities - Item 50

### 5.1 Changes to hedged financial liabilities

(€ '000)		
CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Positive changes to financial liabilities	5,847,663	4,439,009
2. Negative changes to financial liabilities	(2,617,867)	(1,397,019)
<b>Total</b>	<b>3,229,796</b>	<b>3,041,990</b>

## Section 6 - Tax liabilities - Item 60

See Section 11 of Assets.

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

See Section 12 of Assets.

## Part B - Consolidated Balance Sheet - Liabilities

## Section 8 - Other liabilities - Item 80

## 8.1 Other liabilities: breakdown

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Liabilities in respect of financial guarantees issued	5,219	5,669
Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds		789,458
Obligations for irrevocable commitments to distribute funds		-
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities	534,448	468,269
Negative value of management agreements (so-called servicing assets)	-	
Payment agreements based on the value of own capital instruments classified as deposits pursuant to IFRS2	3,269	2,918
Other liabilities due to employees	2,494,516	3,034,472
Other liabilities due to other staff	39,770	41,832
Other liabilities due to Directors and Statutory Auditors	13,534	5,053
Interest and amounts to be credited to	270,986	245,508
- Customers	220,599	198,161
- Banks	50,387	47,347
Items in transit between branches and not yet allocated to destination accounts	40,028	36,016
Available amounts to be paid to others	371,132	425,199
Items in processing	974,237	1,242,270
Entries relating to securities transactions	99,051	257,808
Items deemed definitive but not attributable to other lines	4,251,352	4,533,006
- Accounts payable - suppliers	1,126,714	1,121,692
- Provisions for tax withholding on accrued interest, bond coupon payments or dividends	3,253	3,115
- Other entries	3,121,385	3,408,199
Liabilities for miscellaneous entries related to tax collection service	10	105
Adjustments for unpaid portfolio entries	954,881	19,539
Tax items different from those included in item 60	1,167,407	1,207,632
Other entries	2,730,767	3,258,722
<b>Total</b>	<b>13,950,607</b>	<b>15,573,476</b>

Item "Accrued expenses and deferred income other than those to be capitalised for the financial liabilities" includes the contract liabilities recognized in accordance with IFRS15.

In this context, deferred income represents the portion of performance obligations not yet satisfied through the services provided by the Group but already settled during the period or in previous periods.

The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

Please refer to Section 13 – Other assets for information about the changes in deferred income and accrued expenses occurred in the period.

## Part B - Consolidated balance sheet - Liabilities

### Section 9 - Provision for employee severance pay - Item 90

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the "projected unit credit" method (see Part A.2 - Main Items of the Accounts).

#### 9.1 Provisions for employee severance pay: annual changes

	CHANGES IN	
	2018	2017
<b>A. Opening balance</b>	<b>917,284</b>	<b>1,125,758</b>
<b>B. Increases</b>	<b>15,991</b>	<b>17,652</b>
B.1 Provisions for the year	12,751	14,458
B.2 Other increases	3,240	3,194
<i>of which: business combinations</i>	-	-
<b>C. Reductions</b>	<b>235,683</b>	<b>226,126</b>
C.1 Severance payments	213,855	200,460
C.2 Other decreases	21,828	25,666
<i>of which: business combinations</i>	3,406	-
<b>D. Closing Balance</b>	<b>697,592</b>	<b>917,284</b>

(€ '000)

#### 9.2 Provisions for employee severance pay: other information

	CHANGES IN	
	2018	2017
<b>Cost Recognised in P&amp;L:</b>	<b>12,751</b>	<b>14,458</b>
- Current Service Cost	501	445
- Interest Cost on the DBO	12,255	14,013
- Settlement (gains)/losses	(5)	-
- Past Service Cost	-	-
<b>Remeasurement Effects (Gains) Losses Recognised in OCI</b>	<b>(16,077)</b>	<b>(22,492)</b>
<b>Annual weighted average assumptions</b>		
- Discount rate	1.60%	1.45%
- Price inflation	1.20%	1.40%

(€ '000)

Duration of defined benefit obligation equals to 8.6 years; Valuation Reserve negative balance (net of tax) move from -€138 million as at 31 December 2017 to -€126 million as at 31 December 2018.

A change of -25 basis points of Discount Rate would result in an increase of the liability of €15,192 thousand (+2.18%); a correspondent increase would result in a reduction in the liability of €14,830 thousand (-2.13%). A change of -25 basis points of Price Inflation rate would result in a reduction of the liability of €9,252 thousand (-1.33%); a correspondent increase would result in an increase of the liability of €9,363 thousand (+1.34%).

### Section 10 - Provisions for risks and charges - Item 100

#### 10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Provisions for credit risk on commitments and financial guarantees given	1,083,315	-
2. Provisions for other commitments and other guarantees given	56,742	-
3. Pensions and other post-retirement benefit obligations	4,767,399	4,522,188
4. Other provisions for risks and charges	5,053,527	4,128,280
4.1 Legal and tax disputes	2,475,757	1,427,647
4.2 Staff expenses	945,794	1,127,314
4.3 Other	1,631,976	1,573,319
<b>Total</b>	<b>10,960,983</b>	<b>8,650,468</b>

(€ '000)

The data of the previous period have been restated for the purpose of comparison.

## Part B - Consolidated Balance Sheet - Liabilities

As at 31 December 2018 Provision for risks and charges amounted to € 10,961 million, of which about € 1,140 million related to total impairment losses on off-balance sheet exposures recognised in this item following the application of IFRS9 and 5<sup>th</sup> update of the Banca d'Italia Circular 262.

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

- legal disputes: cases in which the Group is a defendant, and post-insolvency clawback petitions (more information on litigation is set out in Part E - section 2 "Risks of the prudential consolidated perimeter" - 1.5 Operational risks - B. Legal risks);
- staff expenses including also the expenses related to the implementation of the Strategic Plan 2016-2019;
- other: provisions for risks and charges not attributable to the above items, whose details are illustrated in the table 10.6 below.

### 10.2 Provisions for risks and charges: annual changes

	CHANGES IN 2018			(€ '000)
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
<b>A. Opening Balance</b>	<b>77,998</b>	<b>4,522,188</b>	<b>4,128,502</b>	<b>8,728,688</b>
<b>B. Increases</b>	<b>(12,156)</b>	<b>610,584</b>	<b>1,873,758</b>	<b>2,472,186</b>
B.1 Provisions for the year	(12,162)	95,151	1,757,205	1,840,194
B.2 Changes due to the passing time	-	81,487	3,023	84,510
B.3 Differences due to discount-rate changes	-	-	1,074	1,074
B.4 Other changes	6	433,946	112,456	546,408
<i>of which: business combinations</i>	-	1	-	1
<b>C. Decreases</b>	<b>9,100</b>	<b>365,373</b>	<b>948,733</b>	<b>1,323,206</b>
C.1 Use during the year	-	234,020	607,304	841,324
C.2 Differences due to discount-rate changes	-	-	809	809
C.3 Other changes	9,100	131,353	340,620	481,073
<i>of which: business combinations</i>	-	648	-	648
<b>D. Closing balance</b>	<b>56,742</b>	<b>4,767,399</b>	<b>5,053,527</b>	<b>9,877,668</b>

### 10.3 Provisions for credit risk on commitments and financial guarantees given

	AMOUNTS AS AT 12.31.2018				(€ '000)
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	TOTAL	
Loan commitments given	112,738	49,629	204,224	366,591	
Financial guarantees given	65,090	27,744	623,890	716,724	
<b>Total</b>	<b>177,828</b>	<b>77,373</b>	<b>828,114</b>	<b>1,083,315</b>	

### 10.4 Provisions on other commitments and other issued guarantees

	AMOUNTS AS AT	(€ '000)
	12.31.2018	
1. Other issued guarantees	56,656	
2. Other commitments	86	
<b>Total</b>	<b>56,742</b>	

### 10.5 Pensions and other post-retirement defined-benefit obligations

#### 1. Pensions and other post-retirement benefit obligations

There are several defined-benefit plans within the Group, i.e., plans whose benefit is linked to salary and employee length of service both in Italy and abroad. The Austrian, German and Italian plans account for over 90% of the Group's pension obligations.

The 50% of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, the "Direct Pension Plan" (i.e. an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG" - all created by UniCredit Bank AG (UCB AG), and (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and UniCredit S.p.A.



## Part B - Consolidated balance sheet - Liabilities

The Group's defined-benefit plans are mainly closed to new recruits (for example in Germany, Austria and Italy, where most new recruits join defined-contribution plans instead and the related contributions are charged to the income statement).

According to IAS19, obligations arising from defined-benefit plans are determined using the "projected unit credit" method, while segregated assets are measured at fair value. The balance sheet obligation is the result of the deficit/surplus (i.e., the difference between obligations and assets) net of any impacts of the asset ceiling; actuarial gains and losses are recognised in shareholders' equity and shown in a specific item of revaluation reserves in the financial year in which they are recorded.

The actuarial assumptions used to determine obligations vary from country to country and from plan to plan, new mortality table has been introduced for Austrian (AVÖ 2018) and Germany (Heubeck2018 adjusted to reflect longer "population specific" longevity); the discount rate is determined, depending on the currency of denomination of the commitments and the maturity of the liability, by reference to market yields at the balance sheet date on a basket of high quality corporate bonds.

In the light of evolving common interpretation about "high quality corporate bonds" identification and persisting interest rates decreasing trend, UCG refined its Discount Rate setting methodology by limiting the number of "investment grade" bonds whose rating is lower than AA (No.11 securities ranging in 15-30y maturity), for which an adjustment is made to reduce the excess-return. In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above 25 years in order to stick the long-term maturity segments of the curve to the Euribor implied-forward rate).

The remeasurement of commitments as at 31 December 2018 leads to an increase in the negative balance of the valuation reserve relating to actuarial gains/losses on defined benefit plans of €314 million, net of taxes (for a negative balance which move from -€2,270 million as at 31 December 2017 to -€2,584 million as at 31 December 2018).

### 2. Changes of net defined benefit liability/asset and any reimbursement rights

#### 2.1 Breakdown of defined benefit net obligation

	(€ '000)	
	12.31.2018	12.31.2017
Current value of the defined benefit obligation	9,356,411	9,172,764
Current value of the plan assets	(4,609,336)	(4,671,480)
<b>Deficit/(Surplus)</b>	<b>4,747,075</b>	<b>4,501,284</b>
Irrecoverable surplus (effect of asset ceiling)	-	-
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>4,747,075</b>	<b>4,501,284</b>

#### 2.2 Changes in defined benefit obligations

	(€ '000)	
	12.31.2018	12.31.2017
Initial defined benefit obligation	9,172,764	9,598,722
Current service cost	89,151	99,419
Settlement (gain)/loss	739	-
Past service cost	3,262	1,284
Interest expense on the defined benefit obligation	179,231	166,233
Write-downs for actuarial (gains)/losses on defined benefit plans	318,358	(288,867)
Employees' contributions for defined benefit plans	7,762	8,277
Disbursements from plan assets	(170,638)	(169,299)
Disbursements directly paid by the fund	(233,809)	(238,018)
Settlements	(4,749)	-
Other increases (decreases)	(5,660)	(4,987)
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>9,356,411</b>	<b>9,172,764</b>

## Part B - Consolidated Balance Sheet - Liabilities

### 2.3 Changes to plan assets

	(€ '000)	
	12.31.2018	12.31.2017
Initial fair value of plan assets	4,671,480	4,377,037
Interest income on plan assets	97,813	86,929
Administrative expenses paid from plan assets	(69)	30,988
Write-downs on the fair value of plan assets for actuarial gains (losses) on the discount rate	(101,482)	350,806
Employer contributions	116,496	(169,307)
Disbursements from plan assets	(170,638)	-
Settlements	(4,538)	(4,973)
Other increases (decreases)	274	-
<b>Final fair value of plan assets</b>	<b>4,609,336</b>	<b>4,671,480</b>

### 3. Main plan asset classes

	(€ '000)	
	12.31.2018	12.31.2017
1. Shares	97,157	100,469
2. Bonds	448,029	449,106
3. Units in investment funds	3,718,375	3,431,825
4. Real estate properties	235,117	518,343
5. Derivative instruments	-	-
6. Other assets	110,658	171,737
<b>Total</b>	<b>4,609,336</b>	<b>4,671,480</b>

### 4. Significant actuarial assumptions used to determine the current value of defined benefit obligation

	(€ '000)	
	12.31.2018	12.31.2017
	%	%
Discount rate	1.99	1.99
Expected return on plan assets	1.99	1.99
Expected compensation increase rate	2.05	1.59
Future increases relating to pension treatments	1.84	2.01
Expected inflation rate	1.59	1.60

### 5. Impact of changes in financial/demographic assumptions on DBOs and financial duration

	(€ '000)
	12.31.2018
- Impact of changes in financial/demographic assumptions on DBOs	
<b>A. Discount rate</b>	
A1. -25 basis points	366,869
	3.92%
A2. +25 basis points	(344,777)
	-3.68%
<b>B. Future increase rate relating to pension treatments</b>	
B1. -25 basis points	(244,773)
	-2.62%
B2. +25 basis points	255,804
	2.73%
<b>C. Mortality</b>	
C.1 Life expectancy + 1 year	297,255
	3.18%
- Financial duration (years)	15.2

## Part B - Consolidated balance sheet - Liabilities

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

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>4.3 Other provisions for risks and charges - other</b>		
Real estate risks/charges	157,984	68,021
Restructuring costs	73,932	94,413
Allowances payable to agents	161,999	167,947
Disputes regarding financial instruments and derivatives	84,532	93,835
Costs for liabilities arising from equity investment disposals	183,902	163,322
Other	969,627	985,781
<b>Total</b>	<b>1,631,976</b>	<b>1,573,319</b>

The data of the previous period have been restated for the purpose of comparison.

The sub items:

- "Real estate risks and costs" is increased following the reclassification of funds of the subsidiaries UniCredit Bank AG and Ocean Breeze Energy GMBH & CO. KG from the sub-item "others" in this category that represents better the nature of these funds;
- "Restructuring costs" reduces mainly due to utilizations made by the subsidiary UniCredit Bank Austria.
- "Others" includes the amounts to cover the risks related to certain standard contractual terms contained in the documentary frameworks (i.e. reps & warranties), including securitization transactions signed with the SPVs, of which UniCredit is Originator, pending the analysis and assessments to be completed within the deadlines established.

### Section 11 - Technical reserves - Item 110

No data to be disclosed.

### Section 12 - Redeemable shares - Item 130

No data to be disclosed.

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

At 31 December 2018 the Group shareholders' equity, including the profit for the period of €3,892 million, amounted to €55,841 million, against €59,331 million at the end of 2017.

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

#### Group Shareholders' Equity: breakdown

	AMOUNTS AS AT		CHANGES	
	12.31.2018	12.31.2017	AMOUNT	%
1. Share capital	20,940,398	20,880,550	59,848	0.3%
2. Share premium reserve	13,392,918	13,399,799	-6,881	-0.1%
3. Reserves	20,502,728	19,296,907	1,205,821	6.3%
4. Treasury shares	(8,826)	(2,695)	-6,131	227.5%
a. Parent Company	(2,440)	(2,440)	-	-
b. Subsidiaries	(6,386)	(255)	-6,131	n.m.
5. Revaluation reserve	(7,489,131)	(4,327,092)	-3,162,039	73.1%
6. Equity instruments	4,610,073	4,610,073	-	-
7. Net profit (loss)	3,892,439	5,473,075	-1,580,636	-28.9%
<b>Total</b>	<b>55,840,599</b>	<b>59,330,617</b>	<b>-3,490,018</b>	<b>-5.9%</b>

## Part B - Consolidated Balance Sheet - Liabilities

The €3,490 million decrease in Group Equity resulted from:

	(€ million)
Capital increase: the increase of €60 million in share capital following the resolution of the Board of Directors of 7 February 2018 executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel	<b>60</b>
Use of "Share premium reserve": for the payment of premium for saving shares conversion	<b>(7)</b>
The increase in the reserves, including the change in treasury shares arising from: · the attribution to the reserve, net of dividends and other allocations, of the result of the previous year · inclusion of equity reserves deriving from the first time adoption of accounting standard IFRS9 Financial Instruments (net of taxes) · the impact arising from valuation of the companies valued at net equity method mainly arising from the first time adoption of accounting standard IFRS9 · an increase in the reserves connected to Share Based Payments · the allocation to the reserve of the coupon paid to subscribers of the Additional Tier 1 instruments, net of the related taxes and fees paid to legal entities belonging to UniCredit group · reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items · the charge to reserves for the disbursements made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" · recognition in reserves from allocation of profit of the cumulated gains (losses) arising from the disposal of equities measured at fair value through Other Comprehensive Income and from the repurchase of financial liabilities designated at fair value occurred during the period. This amount includes also the recycling to reserves from allocation of profit of the amount previously reported in revaluation reserve · withdrawal from reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 7 February 2018 · other changes of reserves	<b>1,200</b> 4,759 (3,004) 76 70 (242) (275) (93) (51) (60) 19
The change in valuation reserves due to: · inclusion of valuation reserves deriving from the first time adoption of accounting standard IFRS9 Financial Instruments (net of taxes) · decrease of valuation reserves related to financial assets and liabilities valued at fair value · decrease in the value of the valuation reserve of companies carried at equity · decrease in reserves for exchange rate differences · decrease in the value of the reserve for financial risks hedging · decrease in the value of the reserve on actuarial gains (losses) on defined-benefit plans	<b>(3,162)</b> (324) (1,181) (838) (388) (130) (302)
The change of the profit for the period compared with that of 31 December 2017	<b>(1,581)</b>

### 13.1 "Share capital" and "treasury shares": breakdown

	AMOUNT AS AT 12.31.2018		AMOUNT AS AT 12.31.2017	
	ISSUED SHARES	UNDERWRITTEN AND NOT YET FULLY PAID SHARES	ISSUED SHARES	UNDERWRITTEN AND NOT YET FULLY PAID SHARES
<b>A. Share Capital</b>				
A.1 Ordinary shares	20,940,398	-	20,878,182	-
A.2 Savings shares	-	-	2,368	-
<b>Total A</b>	<b>20,940,398</b>	<b>-</b>	<b>20,880,550</b>	<b>-</b>
<b>B. Treasury Shares</b>	<b>(8,826)</b>	<b>-</b>	<b>(2,695)</b>	<b>-</b>

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - 12.1 "Share capital" and "treasury shares": breakdown which is herewith quoted entirely.

## Part B - Consolidated balance sheet - Liabilities

## 13.2 Share capital - number of shares owned by the Parent Company: annual changes

ITEMS/TYPES	CHANGES IN 2018	
	ORDINARY	SAVINGS
<b>A. Issued shares as at the beginning of the year</b>	<b>2,225,692,806</b>	<b>252,489</b>
- Fully paid	2,225,692,806	252,489
- Not fully paid	-	-
A.1 Treasury shares (-)	(4,760)	-
A.2 Shares outstanding: opening balance	2,225,688,046	252,489
<b>B. Increases</b>	<b>4,483,859</b>	-
B.1 New issues	4,483,859	-
- Against payment	-	-
- Business combinations	-	-
- Bonds converted	-	-
- Warrants exercised	-	-
- Other	-	-
- Free	4,483,859	-
- To employees	3,519,352	-
- To directors	-	-
- Other	964,507	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	<b>252,489</b>
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	252,489
C.3 Business transferred	-	-
C.4 Other changes	-	-
<i>of which: business combinations</i>	-	-
<b>D. Shares outstanding: closing balance</b>	<b>2,230,171,905</b>	-
D.1 Treasury shares (+)	4,760	-
D.2 Shares outstanding as at the end of the year	2,230,176,665	-
- Fully paid	2,230,176,665	-
- Not fully paid	-	-

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - 12.2 Share capital - Number of shares: annual changes which is herewith quoted entirely.

## 13.3 Share capital: other information

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - 12.3 Capital: other information which is herewith quoted entirely.

## 13.4 Reserves from allocation of profit: other information

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Legal Reserve	1,517,514	1,517,514
Statutory Reserve	6,160,551	679,464
Other Reserves	6,511,448	9,276,270
<b>Total</b>	<b>14,189,513</b>	<b>11,473,248</b>

The Legal Reserve of UniCredit S.p.A. also includes €2,683,391 thousand deriving from usage of resources, as resolved by the Shareholders' Meeting of 11 May 2013, 13 May 2014 and 14 April 2016 through a withdrawal from the Share premium reserve and therefore not classified among reserves from allocation of profit from previous year.

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

## 13.5 Equity instruments: breakdown and annual changes

Reference is made to the paragraph of Part B - Notes to the accounts of the parent company UniCredit S.p.A. - Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 - 12.5 Equity instruments: breakdown and annual changes which is herewith quoted entirely.

## Part B - Consolidated Balance Sheet - Liabilities

## 13.6 Other Information

## Revaluation reserve: breakdown

(€ '000)

ITEM/TYPES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Equity instruments designated at fair value through other comprehensive income	(265,206)	
2. Financial Assets (other than equity instruments) at fair value through other comprehensive income	183,130	
Available for sale financial assets (ex IAS39)		1,474,818
3. Hedging of equity instruments at fair value through other comprehensive income	-	
4. Financial liabilities at fair value through profit or loss (changes in own credit risk)	41,377	
5. Hedging instruments (non-designated elements)	-	
6. Property, plant and equipment	-	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	72,709	202,846
10. Exchange differences	(2,326,001)	(1,938,330)
11. Non-current assets classified as held for sale	(113)	(100)
12. Actuarial gains (losses) on defined-benefit plans	(2,710,205)	(2,408,473)
13. Revaluation reserves of investments valued at net equity	(2,761,842)	(1,934,873)
14. Special revaluation laws	277,020	277,020
<b>Total</b>	<b>(7,489,131)</b>	<b>(4,327,092)</b>

The FX currency reserves as at 31 December 2018 mainly refer to the following currencies:

- Turkish Lira: €2,808 million (negative), included in the share of the item "Revaluation reserves of investments valued at net equity" in accordance with IFRS11;
- Ruble: €2,118 million (negative), included in the item "Exchange differences" and 35 (negative) included in the item "Revaluation reserves of investments valued at net equity".

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

- negative variation of financial assets at fair value through other comprehensive income (available for sale financial assets ex IAS39) for €1.557million mainly due to Government securities;
- negative change of Turkish Lira for €712 million included in the item "Revaluation reserves of investments valued at net equity";
- negative change of Ruble for €363 million included in the item "Exchange differences".

## Section 14 - Minority shareholders' equity - Item 190

The table below shows a breakdown of minorities as at 31 December 2018.

## 14.1 Breakdown of item 190 "Shareholders' equity: minorities"

(€ '000)

	2018	2017
<b>Equity investments in consolidated companies with minority interests</b>	<b>1,002,289</b>	<b>946,686</b>
Fineco Bank S.p.A	516,594	492,790
Fineco Asset Management Designated Activity Company	10,416	218
Zagrebacka Banka D.D.	346,245	329,082
UniCredit Bank D.D.	65,112	62,740
UniCredit Bank Austria AG Group	63,922	61,856
<b>Other equity investments and other consolidation adjustments</b>	<b>(75,107)</b>	<b>(52,603)</b>
<b>Total</b>	<b>927,182</b>	<b>894,083</b>

The shareholders' equity attributable to minority interests for 2018 amounted to €927 million.

There are the following largest contributions attributable to the minority shareholders of Finecobank S.p.A, Zagrebacka Banka D.D. and its subsidiary UniCredit Bank D.D. and UniCredit Bank Austria AG Group, mainly referring to the minority shareholders of Card Complete Service Bank AG.

## 14.2 Capital instruments:breakdown and annual changes

There are no equity instruments.

## Part B - Consolidated balance sheet - Liabilities

## Other information

## 1. Commitments and financial guarantees given

(€ '000)

	AMOUNTS AS AT 12.31.2018			TOTAL
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	STAGE 1	STAGE 2	STAGE 3	
<b>1. Loan commitments given</b>	<b>143,937,806</b>	<b>11,053,271</b>	<b>918,892</b>	<b>155,909,969</b>
a) Central Banks	235	-	-	235
b) Governments and other Public Sector Entities	6,387,089	1,279,232	2,454	7,668,775
c) Banks	2,317,968	185,974	254	2,504,196
d) Other financial companies	25,387,034	595,400	115,138	26,097,572
e) Non-financial companies	100,395,487	5,774,538	780,347	106,950,372
f) Households	9,449,993	3,218,127	20,699	12,688,819
<b>2. Financial guarantees given</b>	<b>48,597,590</b>	<b>2,716,786</b>	<b>1,563,742</b>	<b>52,878,118</b>
a) Central Banks	5,818	-	-	5,818
b) Governments and other Public Sector Entities	322,171	10,581	30	332,782
c) Banks	8,998,386	169,787	-	9,168,173
d) Other financial companies	6,107,060	107,280	10,705	6,225,045
e) Non-financial companies	32,795,639	2,366,640	1,546,977	36,709,256
f) Households	368,516	62,498	6,030	437,044

## 2. Others commitments and others guarantees given

(€ '000)

	AMOUNTS AS AT
	12.31.2018
	NOTIONAL AMOUNTS
<b>1. Others guarantees given</b>	<b>20,800,877</b>
<i>of which: non-performing loans</i>	<i>176,810</i>
a) Central Banks	-
b) Governments and other Public Sector Entities	4,311
c) Banks	1,934,058
d) Other financial companies	4,621,511
e) Non-financial companies	14,212,280
f) Households	28,717
<b>2. Others commitments</b>	<b>93,434,655</b>
<i>of which: non-performing loans</i>	<i>1,798,699</i>
a) Central Banks	1,581,586
b) Governments and other Public Sector Entities	1,360,840
c) Banks	17,593,209
d) Other financial companies	9,138,074
e) Non-financial companies	58,361,706
f) Households	5,399,240

Table "1. Commitments and financial guarantees given" shows commitments and guarantees evaluated according to the IFRS9 requirements. Table "2. Others commitments and others guarantees given" shows commitments and guarantees that are not evaluated according to the IFRS9 requirements. Note that starting from 31 December 2018, according of the 5<sup>th</sup> update of Banca d'Italia Circular 262, the tables also include the revocable commitments and the item "financial guarantees" also includes the commercial ones.



## Part B - Consolidated Balance Sheet - Liabilities

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

### 1. Guarantees given and commitments

(€ '000)

TRANSACTIONS	AMOUNTS AS AT
	12.31.2017
<b>1) Financial guarantees given to</b>	<b>17,287,523</b>
a) Banks	7,606,760
b) Customers	9,680,763
<b>2) Commercial guarantees given to</b>	<b>52,108,347</b>
a) Banks	6,621,317
b) Customers	45,487,030
<b>3) Other irrevocable commitments to disburse funds</b>	<b>102,475,548</b>
a) Banks:	4,964,213
i) usage certain	3,578,944
ii) usage uncertain	1,385,269
b) Customers:	97,511,335
i) usage certain	26,035,690
ii) usage uncertain	71,475,645
<b>4) Underlying obligations for credit derivatives: sales of protection</b>	<b>-</b>
<b>5) Assets used to guarantee others' obligations</b>	<b>3,351</b>
<b>6) Other commitments</b>	<b>1,770,171</b>
<b>Total</b>	<b>173,644,940</b>

### 3. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT
	12.31.2018
1. Financial assets at fair value through profit or loss	18,936,898
2. Financial assets at fair value through other comprehensive income	39,909,906
3. Financial assets at amortised cost	115,324,765
4. Property, plant and equipment	44,471
<i>of which: inventories of property, plant and equipment</i>	2,023

Deposits from Banks include €55,329 million related to Central Banks' refinancing operations collateralized by securities and loans respectively amounting to nominal €47,553 million and €17,955 million.

Regarding collateral securities, those not recognized on balance-sheet - since they represent repurchased or retained Group's financial liabilities - amount to nominal €25,092 million.

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

### 2. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT
	12.31.2017
1. Financial assets held for trading	18,802,509
2. Financial assets designated at fair value	7,817,814
3. Financial assets available for sale	51,594,634
4. Financial assets held to maturity	930,606
5. Loans and receivables with banks	1,042,497
6. Loans and receivables with customers	91,166,759
7. Property, plant and equipment	3,113

## Part B - Consolidated balance sheet - Liabilities

## 4. Operating leases

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
(€ '000)		
<b>Lessee information</b>		
<b>Operating leases</b>		
Future minimum non-cancellable lease payments		
- Up to 12 months	80,464	103,952
- 1 to 5 years	211,445	232,639
- Over 5 years	68,726	33,772
<b>Total amounts</b>	<b>360,635</b>	<b>370,363</b>
<b>Future minimum non-cancellable lease payments (to be received)</b>		
Total payments	16,158	-
<b>Lessor information</b>		
<b>Operating leases</b>		
Future minimum non-cancellable lease payments (to be received)		
- Up to 12 months	72,143	74,197
- 1 to 5 years	138,051	236,102
- Over 5 years	100,868	117,863
<b>Total amounts</b>	<b>311,062</b>	<b>428,162</b>

## 5. Breakdown of investments relating to unit-linked and index-linked policies

There were no transactions concerning unit-linked and index-linked policies.

## 6. Asset management and trading on behalf of third parties

TYPE OF SERVICES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
(€ '000)		
<b>1. Execution of orders on behalf of customers</b>		
a) Purchases	262,632,345	244,431,921
1. Settled	262,082,758	243,669,820
2. Unsettled	549,587	762,101
b) Sales	242,723,828	243,890,342
1. Settled	242,144,087	243,219,250
2. Unsettled	579,741	671,092
<b>2. Portfolio management</b>		
a) Individual	39,376,541	25,002,951
b) Collective	59,197,495	44,191,074
<b>3. Custody and administration of securities</b>		
a) Third party securities on deposits: relating to depositary bank activities (excluding portfolio management)	13,386,818	20,008,705
1. Securities issued by companies included in consolidation	9,029,947	13,697,178
2. Other securities	4,356,871	6,311,527
b) Third party securities held in deposits (excluding portfolio management): other	235,430,016	337,489,379
1. Securities issued by companies included in consolidation	10,287,426	15,821,275
2. Other securities	225,142,590	321,668,104
c) Third party securities deposited with third parties	195,124,371	226,935,726
d) Property securities deposited with third parties	101,048,094	93,362,677
<b>4. Other transactions</b>	<b>9,775,709</b>	<b>15,000,953</b>

## Part B - Consolidated Balance Sheet - Liabilities

## 7. Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

(€ '000)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2018 (F=C-D-E)	NET AMOUNT 12.31.2017
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	49,544,772	16,198,749	33,346,023	19,735,083	6,414,738	7,196,202	9,314,917
2. Reverse repos	68,344,477	4,487,942	63,856,535	46,752,500	129,423	16,974,612	(2,343,707)
3. Securities lending	444	-	444	443	-	1	179
4. Others	127,539,740	3,581,679	123,958,061	-	-	123,958,061	55,293,936
<b>Total 12.31.2018</b>	<b>245,429,433</b>	<b>24,268,370</b>	<b>221,161,063</b>	<b>66,488,026</b>	<b>6,544,161</b>	<b>148,128,876</b>	<b>X</b>
<b>Total 12.31.2017</b>	<b>133,807,076</b>	<b>22,729,887</b>	<b>111,077,189</b>	<b>41,305,115</b>	<b>7,506,749</b>	<b>X</b>	<b>62,265,325</b>

Financial derivative assets offset in balance sheet by financial liabilities (column "B" item 1. Derivatives) mainly refers to derivative contracts settled with Central Clearing Counterparts (CCPs).

## 8. Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements

(€ '000)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2018 (F=C-D-E)	NET AMOUNT 12.31.2017
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	51,624,658	18,130,728	33,493,930	19,875,521	8,845,798	4,772,611	5,933,042
2. Reverse repos	89,000,469	4,487,942	84,512,527	46,594,864	302,854	37,614,809	256,499
3. Securities lending	208,706	-	208,706	200,314	-	8,392	177,878
4. Others	166,340,842	1,649,702	164,691,140	-	-	164,691,140	84,106,161
<b>Total 12.31.2018</b>	<b>307,174,675</b>	<b>24,268,372</b>	<b>282,906,303</b>	<b>66,670,699</b>	<b>9,148,652</b>	<b>207,086,952</b>	<b>X</b>
<b>Total 12.31.2017</b>	<b>168,431,673</b>	<b>22,729,886</b>	<b>145,701,787</b>	<b>46,827,884</b>	<b>8,400,323</b>	<b>X</b>	<b>90,473,580</b>

Financial derivative liabilities offset in balance sheet by financial assets (column "B" item 1. Derivatives) mainly refers to derivative contracts settled with Central Clearing Counterparts (CCPs).

## 9. Security borrowing transactions

(€ '000)

TYPE OF LENDER	AMOUNTS AS AT 12.31.2018			
	AMOUNTS OF THE SECURITIES BORROWED/TRANSACTION PURPOSES			
	GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS	SOLD	SOLD IN REPO TRANSACTIONS	OTHER PURPOSES
A. Banks	31,766	948,982	4,457,154	2,104,786
B. Financial companies	1,016	75,810	1,691,016	576,240
C. Insurance companies	-	-	314,630	34,075
D. Non-financial companies	-	2,651	43,836	17,013
E. Others	-	7,900	1,317,352	30,078
<b>Total</b>	<b>32,782</b>	<b>1,035,343</b>	<b>7,823,988</b>	<b>2,762,192</b>

## Part C - Consolidated income statement

## Section 1 - Interests - Items 10 and 20

## 1.1 Interest income and similar revenues: breakdown

ITEMS/TYPE	AS AT 12.31.2018				AS AT
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	12.31.2017 TOTAL
<b>1. Financial assets at fair value through profit or loss</b>	<b>322,992</b>	<b>96,880</b>	<b>562,316</b>	<b>982,188</b>	
1.1 Financial assets held for trading	167,601	3,338	562,316	733,255	
1.2 Financial assets designated at fair value	22	1	-	23	
1.3 Other financial assets mandatorily at fair value	155,369	93,541	-	248,910	
<i>Financial assets held for trading (ex IAS39)</i>					648,935
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>					170,581
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>1,150,751</b>	<b>-</b>	<b>X</b>	<b>1,150,751</b>	
<i>Available-for-sale financial assets (ex IAS39)</i>					1,533,115
<b>3. Financial assets at amortised cost</b>	<b>370,581</b>	<b>11,467,962</b>	<b>X</b>	<b>11,838,543</b>	
3.1 Loans and advances to banks	28,296	654,653	X	682,949	
3.2 Loans and advances to customers	342,285	10,813,309	X	11,155,594	
<i>Held-to-maturity investments (ex IAS39)</i>					65,507
<i>Loans and receivables with banks (ex IAS39)</i>					266,741
<i>Loans and receivables with customers (ex IAS39)</i>					11,021,190
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>392,370</b>	<b>392,370</b>	<b>902,321</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>182,135</b>	<b>182,135</b>	<b>151,321</b>
<b>6. Other financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>673,806</b>	
<b>Total</b>	<b>1,844,324</b>	<b>11,564,842</b>	<b>1,136,821</b>	<b>15,219,793</b>	<b>14,759,711</b>
<i>of which: interest income on credit impaired financial assets</i>	<i>1,516</i>	<i>651,372</i>	<i>-</i>	<i>652,888</i>	

## 1.2.1 Interest income from financial assets denominated in currency

ITEMS	YEAR 2018		YEAR 2017
	a) Assets denominated in currency	4,192,718	3,983,853

## 1.2.2 Interest income from finance leases

ITEMS	YEAR 2018		YEAR 2017
	a) Financial lease transactions: potential rents recognised as income in the year	594,325	393,672

## Part C - Consolidated income statement

## 1.3 Interest expenses and similar charges: breakdown

ITEMS/TYPE	AS AT 12.31.2018				(€ '000)
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 12.31.2017 TOTAL
<b>1. Financial liabilities at amortised cost</b>	<b>(1,415,687)</b>	<b>(2,095,364)</b>	<b>X</b>	<b>(3,511,051)</b>	
1.1 Deposits from central banks	(70,543)	X	X	(70,543)	
1.2 Deposits from banks	(373,843)	X	X	(373,843)	
1.3 Deposits from customers	(971,301)	X	X	(971,301)	
1.4 Debt securities in issue	X	(2,095,364)	X	(2,095,364)	
<i>Deposits from central banks (ex IAS39)</i>					155,050
<i>Deposits from banks (ex IAS39)</i>					(238,918)
<i>Deposits from customers (ex IAS39)</i>					(755,538)
<i>Debt securities in issue (ex IAS39)</i>					(2,744,181)
<b>2. Financial liabilities held for trading</b>	<b>(995)</b>	<b>(37,174)</b>	<b>(868,548)</b>	<b>(906,717)</b>	
<i>Financial liabilities held for trading (ex IAS39)</i>					(855,768)
<b>3. Financial liabilities designated at fair value</b>	<b>(9,117)</b>	<b>(102,155)</b>	<b>-</b>	<b>(111,272)</b>	
<i>Financial liabilities at fair value through profit or loss (ex IAS39)</i>					(4,327)
<b>4. Other liabilities and funds</b>	<b>X</b>	<b>X</b>	<b>(19,698)</b>	<b>(19,698)</b>	<b>(17,968)</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>527,097</b>	<b>527,097</b>	<b>-</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(345,025)</b>	
<b>Total</b>	<b>(1,425,799)</b>	<b>(2,234,693)</b>	<b>(361,149)</b>	<b>(4,366,666)</b>	<b>(4,461,650)</b>

## 1.4.1 Interest expenses on liabilities denominated in currency

ITEMS	(€ '000)	
	YEAR 2018	YEAR 2017
a) Liabilities denominated in currency	(1,573,724)	(1,738,965)

## 1.4.2 Interest expenses on finance leases

ITEMS	(€ '000)	
	YEAR 2018	YEAR 2017
a) Financial lease transaction: contingent rents recognised as expense in the period	(3,152)	-

## 1.5 Differentials relating to hedging operations

ITEMS	(€ '000)	
	YEAR 2018	YEAR 2017
A. Positive differentials relating to hedging operations	4,022,714	4,784,386
B. Negative differentials relating to hedging operations	(3,103,247)	(3,882,065)
<b>C. Net differential (A-B)</b>	<b>919,467</b>	<b>902,321</b>

## Part C - Consolidated income statement

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

#### 2.1 Fees and commissions income: breakdown

	(€ '000)	
TYPE OF SERVICES/VALUES	YEAR 2018	YEAR 2017
a) Guarantees given	488,208	508,968
b) Credit derivatives	1,790	(69)
c) Management, brokerage and consultancy services	3,736,411	3,425,804
1. Securities trading	230,129	235,066
2. Currency trading	93,109	100,504
3. Portfolio management	450,795	361,444
3.1 Individual	161,220	150,210
3.2 Collective	289,575	211,234
4. Custody and administration of securities	209,708	195,424
5. Custodian bank	32,615	34,159
6. Placement of securities	549,363	755,682
7. Reception and transmission of orders	105,683	128,748
8. Advisory services	181,001	130,117
8.1 Relating to investments	143,944	100,207
8.2 Relating to financial structure	37,057	29,910
9. Distribution of third party services	1,884,008	1,484,660
9.1 Portfolio management	819,809	596,336
9.1.1 Individual	2,942	2,078
9.1.2 Collective	816,867	594,258
9.2 Insurance products	1,039,580	857,273
9.3 Other products	24,619	31,051
d) Collection and payment services	1,428,439	1,548,549
e) Securitisation servicing	3,654	3,198
f) Factoring	81,555	75,496
g) Tax collection services	-	-
h) Management of multilateral trading facilities	103	-
i) Management of current accounts	1,306,347	1,219,277
j) Other services	1,078,774	859,794
k) Security lending	40,160	22,437
<b>Total</b>	<b>8,165,441</b>	<b>7,663,454</b>

Item "j) Other services" mainly comprise:

- fees on loans granted: €410 million in 2018, €523 million in 2017 (-21.6%);
- fees for foreign transactions and services of €76 million in 2018, €74 million in 2017 (+3.0%);
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €67 million in 2018, €68 million in 2017 (-1.4%);
- fees for ATM and credit card services not included in collection and payment services, amounting to €300 million in 2018, €76 million in 2017 (+294.7%). The increase is mainly attributable to the better allocation in 2018 of commissions which in 2017 (for an amount of €166 million) were shown in the sub-item "d) Collection and payment services".

## Part C - Consolidated income statement

### 2.2 Fees and commissions expenses: breakdown

SERVICES/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
a) Guarantees received	(135,709)	(142,944)
b) Credit derivatives	(92)	-
c) Management, brokerage and consultancy services	(551,224)	(550,694)
1. Trading financial instruments	(61,122)	(58,344)
2. Currency trading	(11,390)	(11,587)
3. Portfolio management	(31,184)	(23,678)
3.1 Own portfolio	(16,605)	(10,199)
3.2 Third party portfolio	(14,579)	(13,479)
4. Custody and administration of securities	(162,653)	(154,281)
5. Placement of financial instruments	(17,800)	(31,734)
6. Off-site distribution of financial instruments, products and services	(267,075)	(271,070)
d) Collection and payment services	(476,148)	(429,447)
e) Other services	(104,612)	(119,583)
f) Security lending	(27,585)	(28,361)
<b>Total</b>	<b>(1,295,370)</b>	<b>(1,271,029)</b>

### Section 3 - Dividend income and similar revenue - Item 70

Dividends are recognised in the income statement when distribution is approved.

In 2018 dividend income and similar revenues totaled €413 million, as against overall €315 million for the previous period.

### 3.1 Dividend income and similar revenues: breakdown

ITEMS/REVENUES	AS AT 12.31.2018		AS AT 12.31.2017	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	319,633	-	243,857	14,532
<i>Financial assets held for trading (ex IAS39)</i>				
B. Other financial assets mandatorily at fair value	54,687	10,701	-	-
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>				
C. Financial assets at fair value through other comprehensive income	22,524	-	33,584	17,264
<i>Available for sale financial assets (ex IAS39)</i>				
D. Equity investments	5,394	-	5,570	X
<b>Total</b>	<b>402,238</b>	<b>10,701</b>	<b>283,011</b>	<b>31,796</b>
<b>Total dividends and similar revenues</b>	<b>412,939</b>		<b>314,807</b>	

The item "A. Financial assets held for trading" includes mainly the dividends received relating to the following equity securities: Daimler Ag. NA O.N. (€35 million), Allianz SE NA O.N. (€19 million), Siemens Ag. NA (€17 million), BASF SE NA O.N. (€16 million), DT. Telekom AG NA (€14 million), Bayer AG NA O.N. (€13 million). In 2017 the item "Financial assets held for trading (ex IAS39)" includes mainly the dividends received relating to the following equity securities: Daimler Ag. NA O.N. (€29 million), Allianz SE NA O.N. (€18 million), Siemens Ag. NA (€16 million), BASF SE NA O.N. (€15 million), Bayer AG NA O.N. (€11 million), ENI SPA (€11 million).

The item "B. Other financial assets mandatorily at fair value" includes dividends received relating to the shareholding in Bank Pekao SA (€30 million).

The item "C. Financial assets at fair value through other comprehensive income" includes €10 million in dividends received relating to the shareholding in Banca d'Italia (€10 million in 2017 as well in the item "Available for sale financial assets (ex IAS39)").



## Part C - Consolidated income statement

## Section 4 - Gains (Losses) on financial assets and liabilities held for trading - Item 80

## 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018				NET PROFIT [(A + B) - (C + D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets held for trading</b>	<b>3,629,092</b>	<b>3,937,203</b>	<b>(1,604,232)</b>	<b>(4,528,230)</b>	<b>1,433,833</b>
1.1 Debt securities	200,457	699,374	(350,355)	(978,013)	(428,537)
1.2 Equity instruments	472,999	954,753	(674,967)	(2,533,064)	(1,780,279)
1.3 Units in investment funds	22,817	118,031	(128,924)	(110,920)	(98,996)
1.4 Loans	635,433	1,982,405	(91,842)	(1,700)	2,524,296
1.5 Other	2,297,386	182,640	(358,144)	(904,533)	1,217,349
<b>2. Financial liabilities held for trading</b>	<b>766,315</b>	<b>395,972</b>	<b>(173,977)</b>	<b>(482,136)</b>	<b>506,174</b>
2.1 Debt securities	600,515	181,317	(102,652)	(108,763)	570,417
2.2 Deposits	277	-	(51)	(4,667)	(4,441)
2.3 Other	165,523	214,655	(71,274)	(368,706)	(59,802)
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>181,413</b>
<b>4. Derivatives</b>	<b>34,004,786</b>	<b>47,605,098</b>	<b>(34,941,328)</b>	<b>(48,710,416)</b>	<b>(1,704,787)</b>
4.1 Financial derivatives	33,474,362	46,859,651	(34,331,441)	(48,057,241)	(2,054,669)
- On debt securities and interest rates	25,912,794	36,786,456	(25,911,978)	(36,486,001)	301,271
- On equity securities and share indices	4,936,964	7,687,372	(3,806,878)	(7,479,500)	1,337,958
- On currency and gold	X	X	X	X	337,073
- Other	2,624,604	2,385,823	(4,612,585)	(4,091,740)	(3,693,898)
4.2 Credit derivatives	530,424	745,447	(609,887)	(653,175)	12,809
<i>of which: economic hedges linked to the fair value option</i>	X	X	X	X	-
<b>Total</b>	<b>38,400,193</b>	<b>51,938,273</b>	<b>(36,719,537)</b>	<b>(53,720,782)</b>	<b>416,633</b>

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

## 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017				NET PROFIT
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	
<b>1. Financial assets held for trading</b>	<b>2,048,393</b>	<b>3,527,220</b>	<b>(1,773,309)</b>	<b>(2,570,496)</b>	<b>1,231,808</b>
1.1 Debt securities	327,733	800,631	(333,919)	(805,404)	(10,959)
1.2 Equity instruments	261,529	2,403,041	(1,304,225)	(553,639)	806,706
1.3 Units in investment funds	65,497	107,499	(37,461)	(26,509)	109,026
1.4 Loans	1,015,061	176,287	(96,607)	(18,510)	1,076,231
1.5 Other	378,573	39,762	(1,097)	(1,166,434)	(749,196)
<b>2. Financial liabilities held for trading</b>	<b>324,116</b>	<b>562,120</b>	<b>(440,254)</b>	<b>(614,367)</b>	<b>(168,385)</b>
2.1 Debt securities	183,943	154,779	(330,357)	(266,567)	(258,202)
2.2 Deposits	7	-	(94)	(3,849)	(3,936)
2.3 Other	140,166	407,341	(109,803)	(343,951)	93,753
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>640,090</b>
<b>4. Derivatives</b>	<b>55,426,606</b>	<b>39,895,372</b>	<b>(55,730,322)</b>	<b>(40,081,689)</b>	<b>(628,078)</b>
4.1 Financial derivatives:	53,552,775	39,340,121	(53,852,972)	(39,512,599)	(610,720)
- on debt securities and interest rates	43,887,923	33,595,853	(44,515,823)	(32,502,827)	465,126
- on equity securities and share indices	8,435,533	4,069,639	(7,805,246)	(5,311,520)	(611,594)
- on currency and gold	X	X	X	X	(138,045)
- other	1,229,319	1,674,629	(1,531,903)	(1,698,252)	(326,207)
4.2 Credit derivatives	1,873,831	555,251	(1,877,350)	(569,090)	(17,358)
<b>Total</b>	<b>57,799,115</b>	<b>43,984,712</b>	<b>(57,943,885)</b>	<b>(43,266,552)</b>	<b>1,075,435</b>

## Part C - Consolidated income statement

### Section 5 - Fair value adjustments in hedge accounting - Item 90

#### 5.1 Fair value adjustments in hedge accounting: breakdown

P&L COMPONENT/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
<b>A. Gains on</b>		
A.1 Fair value hedging instruments	4,989,045	10,422,956
A.2 Hedged financial assets (in fair value hedge relationship)	684,300	690,901
A.3 Hedged financial liabilities (in fair value hedge relationship)	195,263	1,690,055
A.4 Cash-flow hedging derivatives	3,851	6,344
A.5 Assets and liabilities denominated in currency	35	1,961
<b>Total gains on hedging activities (A)</b>	<b>5,872,494</b>	<b>12,812,217</b>
<b>B. Losses on</b>		
B.1 Fair value hedging instruments	(5,101,940)	(10,923,528)
B.2 Hedged financial assets (in fair value hedge relationship)	(562,198)	(1,836,690)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(187,608)	19,716
B.4 Cash-flow hedging derivatives	(3,550)	(14,371)
B.5 Assets and liabilities denominated in currency	(35)	-
<b>Total losses on hedging activities (B)</b>	<b>(5,855,331)</b>	<b>(12,754,873)</b>
<b>C. Net hedging result (A - B)</b>	<b>17,163</b>	<b>57,344</b>
<i>of which: net gains (losses) of hedge accounting on net positions</i>	-	-

### Section 6 - Gains (Losses) on disposals/repurchases - Item 100

As at 31 December 2018 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€308 million (+€99 million in 2017), of which +€305 million on financial assets and +€3 million on financial liabilities.

In 2018 net result recognised under sub-item "1. Financial assets at amortised cost" equal to +€129 million, is mainly due to disposal of loan and advances to customers carried out by UniCredit Bank AG (+€73 million), Zagrebacka Banka D.d. (+€29 million), UniCredit Bulbank Ad (€27 million), UniCredit Bank Serbia Jsc (+€18 million), partially rectified by losses carried out by UniCredit S.p.A. (-€30 million).

The sub-item "2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities" is equal to +€176 million and includes gains on disposal of UniCredit S.p.A. (+€89 million, mainly due to disposal of Italian Government securities), AO UniCredit Bank (+€20 million, mainly due to disposal of Russian Government securities), UniCredit Bank Ireland Plc (+€16 million, mainly due to disposal of Italian and Spanish Government securities), UniCredit Bank Austria AG (+€14 million, mainly due to disposal of Spanish and Austrian Government securities), UniCredit Bulbank Ad (+€13 million, mainly due to disposal of Bulgarian Government securities).

#### 6.1 Gains (Losses) on disposal/repurchase: breakdown

ITEMS/P&L ITEMS	(€ '000)		
	YEAR 2018		
	GAINS	LOSSES	NET PROFIT
<b>A. Financial assets</b>			
1. Financial assets at amortised cost	329,622	(200,972)	128,650
1.1 Loans and advances to banks	4,280	(8,358)	(4,078)
1.2 Loans and advances to customers	325,342	(192,614)	132,728
2. Financial assets at fair value through other comprehensive income	457,745	(281,740)	176,005
2.1 Debt securities	457,745	(281,740)	176,005
2.2 Loans	-	-	-
<b>Total assets (A)</b>	<b>787,367</b>	<b>(482,712)</b>	<b>304,655</b>
<b>B. Financial liabilities at amortised cost</b>			
1. Deposits from banks	-	-	-
2. Deposits from customers	2	-	2
3. Debt securities in issue	13,709	(10,318)	3,391
<b>Total liabilities (B)</b>	<b>13,711</b>	<b>(10,318)</b>	<b>3,393</b>
<b>Total financial assets/liabilities</b>			<b>308,048</b>

## Part C - Consolidated income statement

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

### 6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ '000)

ITEMS/P&L ITEMS	YEAR 2017		
	GAINS	LOSSES	NET PROFIT
<b>Financial assets</b>			
1. Loans and receivables with banks	2,236	-	2,236
2. Loans and receivables with customers	621,437	(1,057,405)	(435,968)
3. Available-for-sale financial assets	1,015,209	(481,856)	533,353
3.1 Debt securities	784,751	(478,206)	306,545
3.2 Equity instruments	119,368	(3,650)	115,718
3.3 Units in Investment funds	111,090	-	111,090
3.4 Loans	-	-	-
4. Held-to-maturity investments	10	-	10
<b>Total assets</b>	<b>1,638,892</b>	<b>(1,539,261)</b>	<b>99,631</b>
<b>Financial liabilities</b>			
1. Deposits with banks	19,989	(10,463)	9,526
2. Deposits with customers	596	(6,849)	(6,253)
3. Debt securities in issue	61,945	(65,886)	(3,941)
<b>Total liabilities</b>	<b>82,530</b>	<b>(83,198)</b>	<b>(668)</b>
<b>Total financial assets and liabilities</b>			<b>98,963</b>

As at 31 December 2017 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€99 million, of which +€100 million on financial assets and -€1 million on financial liabilities.

In 2017 net result recognised under sub-item "2.Loans and receivables with customers" equal to -€436 million, is mainly due to losses on loan disposal realised by UniCredit S.p.A. and to gains from the mortgage loans sale realised by Redstone Mortgages Limited (+€40 million netted by transactional costs).

In particular gains and losses on disposal booked in full year 2017 include those underlying the FINO Portfolio sale, classified (until the time of transfer) in item " Non-current assets and disposal groups classified as held for sale", and amount to approximately €350 million and €714 million respectively, with a negative net amount for approximately €364 million. This net result, technically booked following the transfer of the assets occurred in July 2017, has been almost entirely absorbed and covered by the positive economic effects, as, among others, write-backs from recoveries associated with the dynamic of the Portfolio during the first half 2017, and by the derecognition of liabilities recorded as of 31 December 2016 on commitments for other transactions, in the context of the valuation made of the Portfolio in that year.

The sub-item "3. Available-for-sale financial assets - 3.1 Debt securities" is equal to +€307 million and includes gains on disposal of UniCredit S.p.A. (+€226 million, mainly due to disposal of Italian Government securities +€158 million, Spanish Government securities +€30 million, French Government securities +€12 million and Corporate bonds +€15 million), AO UniCredit Bank (+€18 million, mainly due to disposal of Russian Government securities), UniCredit Bank Austria AG (+€14 million, mainly due to disposal of French and Spanish Government securities), UniCredit Bank Czech Republic and Slovakia A.S. (+€12 million, mainly due to disposal of Czech Government securities), UniCredit Bank Ireland PLC. (+€9 million, mainly due to disposal of Russian and Spanish Government securities), UniCredit Bank AG (+€8 million, mainly due to disposal of Italian and Spanish Government securities).

Net results of sub-item "3. Available-for-sale financial assets - 3.2 Equity Instruments" equal to +€116 million mainly includes gain on disposal of equity investment in Concardis GMBH (+€39 million), Istituto Europeo di Oncologia S.r.l. (+€20 million), Bayerische Immobilien-Leasing GMBH & CO Verwaltungs- KG (+€19 million), Eramet SA (+€18 million).

The sub-item "3. Available-for-sale financial assets - 3.3 Units in Investment funds", equal to +€111 million, refers to UniCredit S.p.A. (+€44 million due to sales of F2I +€23 million and Fondo Italiano d'investimento +€20 million) and to UniCredit Bank AG (+€64 million due to disposal of F2I).

## Part C - Consolidated income statement

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

#### 7.1 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ '000)					
YEAR 2018					
TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) - (C + D)]
<b>1. Financial assets</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
1.1 Debt securities	-	-	-	-	-
1.2 Loans	6	-	-	-	6
<b>2. Financial liabilities</b>	<b>836,182</b>	<b>82,759</b>	<b>(362,829)</b>	<b>(144,870)</b>	<b>411,242</b>
2.1 Debt securities	802,704	82,759	(359,117)	(138,478)	387,868
2.2 Deposits from banks	15,233	-	-	-	15,233
2.3 Deposits from customers	18,245	-	(3,712)	(6,392)	8,141
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>836,188</b>	<b>82,759</b>	<b>(362,829)</b>	<b>(144,870)</b>	<b>411,248</b>

Debt securities into financial liabilities include the bond "Secured mandatorily exchangeable equity-linked certificate" issued in the context of the sale of Bank Pekao S.A. which has contributed for €51 million to the result for the period.

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

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

(€ '000)					
YEAR 2018					
TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) - (C + D)]
<b>1. Financial assets</b>	<b>333,179</b>	<b>98,208</b>	<b>(386,706)</b>	<b>(166,915)</b>	<b>(122,234)</b>
1.1 Debt securities	155,858	72,242	(215,017)	(156,302)	(143,219)
1.2 Equity securities	48,653	18,227	(123,731)	(272)	(57,123)
1.3 Units in investment funds	69,256	6,236	(19,114)	(887)	55,491
1.4 Loans	59,412	1,503	(28,844)	(9,454)	22,617
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>333,179</b>	<b>98,208</b>	<b>(386,706)</b>	<b>(166,915)</b>	<b>(122,234)</b>

Equity securities into financial assets include effects of the evaluation of residual interests in Bank Pekao S.A. (- €93 million) which has been reclassified into fair value option assets in June 2017 after loose of control due to the closing of the sale process and into assets mandatory at fair value following IFRS9 adoption in 2018.

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

## Part C - Consolidated income statement

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

### 7.1 Net change in financial assets and liabilities at fair value through profit or loss: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017				NET PROFIT
	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	
<b>1. Financial assets</b>	<b>91,471</b>	<b>64,543</b>	<b>(299,688)</b>	<b>(80,041)</b>	<b>(223,715)</b>
1.1 Debt securities	66,769	62,477	(257,001)	(78,209)	(205,964)
1.2 Equity securities	21,874	500	(2)	-	22,372
1.3 Units in investment funds	1,044	1,566	(874)	(34)	1,702
1.4 Loans	1,784	-	(41,811)	(1,798)	(41,825)
<b>2. Financial liabilities</b>	<b>60,285</b>	<b>152</b>	<b>(163,104)</b>	<b>(45,252)</b>	<b>(147,919)</b>
2.1 Debt securities	46,909	152	(163,104)	(45,252)	(161,295)
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	13,376	-	-	-	13,376
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>4. Credit and financial derivatives</b>	<b>553,617</b>	<b>56,368</b>	<b>(310,673)</b>	<b>(18,685)</b>	<b>280,627</b>
<b>Total</b>	<b>705,373</b>	<b>121,063</b>	<b>(773,465)</b>	<b>(143,978)</b>	<b>(91,007)</b>

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

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

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018					TOTAL
	WRITE-DOWNS			WRITE-BACKS		
	LEVEL 1 AND LEVEL 2	LEVEL 3		LEVEL 1 AND LEVEL 2	LEVEL 3	
<b>A. Loans and advances to banks</b>	<b>(29,569)</b>	<b>(1)</b>	<b>(4,807)</b>	<b>33,634</b>	<b>3,175</b>	<b>2,432</b>
- Loans	(28,301)	(1)	(4,807)	33,037	3,175	3,103
- Debt securities	(1,268)	-	-	597	-	(671)
<i>of which: acquired or originated impaired loans</i>	-	-	-	-	-	-
<b>B. Loans and advances to customers</b>	<b>(1,481,322)</b>	<b>(367,784)</b>	<b>(5,973,123)</b>	<b>1,699,181</b>	<b>3,459,053</b>	<b>(2,663,995)</b>
- Loans	(1,460,142)	(367,784)	(5,973,123)	1,661,106	3,459,046	(2,680,897)
- Debt securities	(21,180)	-	-	38,075	7	16,902
<i>of which: acquired or originated impaired loans</i>	(7,270)	(1,762)	(12,298)	3,281	5,595	(12,454)
<b>Total</b>	<b>(1,510,891)</b>	<b>(367,785)</b>	<b>(5,977,930)</b>	<b>1,732,815</b>	<b>3,462,228</b>	<b>(2,661,563)</b>

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

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018				TOTAL	
	WRITE-DOWNS		WRITE-BACKS			
	LEVEL 1 AND LEVEL 2	LEVEL 3	LEVEL 1 AND LEVEL 2	LEVEL 3		
<b>A. Debt securities</b>	<b>(27,514)</b>	<b>-</b>	<b>-</b>	<b>8,089</b>	<b>43</b>	<b>(19,382)</b>
<b>B. Loans</b>	<b>(75)</b>	<b>-</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>(14)</b>
- Loans and advances to customers	(22)	-	-	61	-	39
- Loans and advances to banks	(53)	-	-	-	-	(53)
<i>of which: acquired or originated impaired financial assets</i>	-	-	-	-	-	-
<b>Total</b>	<b>(27,589)</b>	<b>-</b>	<b>-</b>	<b>8,150</b>	<b>43</b>	<b>(19,396)</b>

## Part C - Consolidated income statement

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

### 8.1 Net impairment losses on loans and receivables: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017								TOTAL
	WRITE-DOWNS			WRITE-BACKS					
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		INTEREST	OTHER	INTEREST	OTHER		
<b>A. Loans and receivables with banks</b>	<b>(656)</b>	<b>(1,245)</b>	<b>(6,930)</b>	<b>1</b>	<b>1,195</b>	<b>-</b>	<b>14,042</b>	<b>6,407</b>	
- Loans	(656)	(1,245)	(6,930)	1	1,195	-	13,671	6,036	
- Debt securities	-	-	-	-	-	-	371	371	
<b>B. Loans and receivables with customers</b>	<b>(414,955)</b>	<b>(5,578,457)</b>	<b>(704,301)</b>	<b>488,832</b>	<b>3,098,463</b>	<b>73</b>	<b>1,013,331</b>	<b>(2,097,014)</b>	
Impaired related to purchase agreements	(1,584)	(8,080)	-	970	6,925	-	-	(1,769)	
- Loans	(1,584)	(8,080)	X	970	6,925	X	X	(1,769)	
- Debt securities	-	-	X	-	-	X	X	-	
<b>Other loans</b>	<b>(413,371)</b>	<b>(5,570,377)</b>	<b>(704,301)</b>	<b>487,862</b>	<b>3,091,538</b>	<b>73</b>	<b>1,013,331</b>	<b>(2,095,245)</b>	
- Loans	(405,210)	(5,434,405)	(696,874)	487,862	3,073,606	73	1,006,462	(1,968,486)	
- Debt securities	(8,161)	(135,972)	(7,427)	-	17,932	-	6,869	(126,759)	
<b>C. Total</b>	<b>(415,611)</b>	<b>(5,579,702)</b>	<b>(711,231)</b>	<b>488,833</b>	<b>3,099,658</b>	<b>73</b>	<b>1,027,373</b>	<b>(2,090,607)</b>	

### 8.2 Net impairment losses on available for sale financial assets: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017				TOTAL
	WRITE-DOWNS		WRITE-BACKS		
	SPECIFIC		SPECIFIC		
	WRITE-OFFS	OTHER	INTEREST	OTHER	
A. Debt securities	(78)	(26,806)	-	2,162	(24,722)
B. Equity instruments	(62,864)	(97,405)	X	X	(160,269)
C. Units in investment funds	-	(149,687)	X	36	(149,651)
D. Loans to banks	-	-	-	-	-
E. Loans to customers	-	-	-	-	-
<b>F. Total</b>	<b>(62,942)</b>	<b>(273,898)</b>	<b>-</b>	<b>2,198</b>	<b>(334,642)</b>

## Section 9 - Gains (Losses) from contractual changes whit no cancellations - Item 140

### 9.1 Gains (Losses) from contractual changes: breakdown

(€ '000)

	YEAR 2018		
	GAINS	LOSSES	TOTAL
<b>A. Financial assets at amortised costs</b>			
A.1 Debt securities	-	-	-
A.2 Loans to banks	-	-	-
A.3 Loans to customers	2,634	(5,636)	(3,002)
<b>Total (A)</b>	<b>2,634</b>	<b>(5,636)</b>	<b>(3,002)</b>
<b>B. Financial assets at fair value through other comprehensive income</b>			
B.1 Debt securities	-	-	-
B.2 Loans to banks	-	-	-
B.3 Loans to customers	-	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>2,634</b>	<b>(5,636)</b>	<b>(3,002)</b>

## Part C - Consolidated income statement

### Section 10 - Net premiums - Item 160

There are no amounts to be shown.

### Section 11 - Other net insurance income/expenses - Item 170

There are no amounts to be shown.

### Section 12 - Administrative expenses - Item 190

#### 12.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
<b>1) Employees</b>	<b>(6,404,572)</b>	<b>(6,897,184)</b>
a) Wages and salaries	(4,544,137)	(4,891,015)
b) Social charges	(1,071,182)	(1,163,351)
c) Severance pay	(32,654)	(47,191)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(17,385)	(18,222)
f) Provision for retirements and similar provisions	(176,638)	(181,048)
- Defined contribution	(3,102)	(1,240)
- Defined benefit	(173,536)	(179,808)
g) Payments to external pension funds	(233,220)	(249,622)
- Defined contribution	(232,143)	(247,617)
- Defined benefit	(1,077)	(2,005)
h) Costs arising from share-based payments	(77,227)	(77,133)
i) Other employee benefits	(252,129)	(269,602)
<b>2) Other staff</b>	<b>(17,272)</b>	<b>(17,716)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(8,844)</b>	<b>(9,758)</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>5) Recoveries of payments for second employees to other companies</b>	<b>24,253</b>	<b>22,070</b>
<b>4) Early retirement costs</b>	<b>(30,477)</b>	<b>(27,544)</b>
<b>Total</b>	<b>(6,436,912)</b>	<b>(6,930,132)</b>

The data of the previous period have been restated for the purpose of comparison.

The sub-item h) costs related to share-based payments includes also costs for plans referred to equity instruments of other Group's entities (e.g. FincoBank S.p.A.).

#### 12.2 Average number of employees by category

	(€ '000)	
	YEAR 2018	YEAR 2017
<b>Employees</b>	<b>99,332</b>	<b>115,567</b>
a) Senior managers	1,152	1,470
b) Managers	28,024	30,885
c) Remaining employees staff	70,156	83,212
<b>Other Staff</b>	<b>1,442</b>	<b>1,785</b>
<b>Total</b>	<b>100,774</b>	<b>117,352</b>

#### Employees by category at year end

	(€ '000)	
	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>Employees</b>	<b>96,348</b>	<b>102,315</b>
a) Senior managers	1,094	1,209
b) Managers	27,032	29,016
c) Remaining employees staff	68,222	72,090
<b>Other Staff</b>	<b>1,427</b>	<b>1,456</b>
<b>Total</b>	<b>97,775</b>	<b>103,771</b>



## Part C - Consolidated income statement

### 12.3 Defined benefit company retirement funds: costs and revenues

	(€ '000)	
	YEAR 2018	YEAR 2017
Current service cost	(88,432)	(99,414)
Settlement gains (losses)	(808)	-
Past service cost	(3,323)	(1,285)
Interest cost on the DBO	(178,531)	(166,232)
Interest income on plan assets	97,815	86,930
Other costs/revenues	(257)	193
Administrative expenses paid through plan assets	-	-
<b>Total recognised in profit or loss</b>	<b>(173,536)</b>	<b>(179,808)</b>

### 12.4 Other employee benefits

	(€ '000)	
	YEAR 2018	YEAR 2017
- Seniority premiums	(6,284)	(4,746)
- Leaving incentives	(14,227)	(18,503)
- Other	(231,618)	(246,353)
<b>Total</b>	<b>(252,129)</b>	<b>(269,602)</b>

### 12.5 Other administrative expenses: breakdown

	(€ '000)	
TYPE OF EXPENSES/SECTORS	YEAR 2018	YEAR 2017
<b>1) Indirect taxes and duties</b>	<b>(746,131)</b>	<b>(746,094)</b>
1a. Settled	(743,717)	(744,881)
1b. Unsettled	(2,414)	(1,213)
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(614,332)</b>	<b>(513,262)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(115,595)</b>	<b>10,062</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(3,575,811)</b>	<b>(3,889,853)</b>
a) Advertising marketing and communication	(206,596)	(248,959)
b) Expenses relating to credit risk	(297,895)	(351,028)
c) Indirect expenses relating to personnel	(169,509)	(159,525)
d) Information & Communication Technology expenses	(1,234,744)	(1,248,430)
Lease of ICT equipment and software	(74,354)	(74,637)
Software expenses: lease and maintenance	(221,650)	(215,649)
ICT communication systems	(74,988)	(70,973)
Services ICT in outsourcing	(736,529)	(767,261)
Financial information providers	(127,223)	(119,910)
e) Consulting and professionals services	(258,372)	(315,938)
Consulting	(209,377)	(244,555)
Legal expenses	(48,995)	(71,383)
f) Real estate expenses	(785,225)	(847,367)
Premises rentals	(417,311)	(468,737)
Utilities	(149,953)	(152,003)
Other real estate expenses	(217,961)	(226,627)
g) Operating costs	(623,470)	(718,606)
Surveillance and security services	(49,067)	(52,847)
Money counting services and transport	(54,739)	(56,413)
Printing and stationery	(35,523)	(39,264)
Postage and transport of documents	(83,535)	(86,526)
Administrative and logistic services	(221,644)	(243,251)
Insurance	(74,666)	(78,734)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(62,990)	(63,194)
Other administrative expenses - other	(41,306)	(98,377)
<b>Total (1+2+3+4)</b>	<b>(5,051,869)</b>	<b>(5,139,147)</b>

## Part C - Consolidated income statement

### Contributions to Resolution and Guarantee Funds

The item Other administrative expenses holds the contributions to resolution funds (“SRF”) and guarantee funds (“DGS”), harmonised and non-harmonised, respectively equal to €400 million (of which €192 from UniCredit S.p.A.) and €215 million (of which €81 from UniCredit S.p.A.). With reference to the harmonised funds, the ordinary annual contributions due pursuant to the Directives No.49 and No.59 of 2014 are accounted for in full when the legal condition of the obligation to make payment and the application of IFRIC21 does not allow the pro-rata attribution to the interim periods.

In relation to the contribution obligations described below, such schemes have led to expenses during the period and will result in expenses in future periods as ordinary contribution scheme and potential extraordinary contributions.

- With the introduction of the European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism (“BRRD Directive” Regulation (EU) No.806/2014 of the European Parliament and of the Council dated 15 July 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund, “SRF”). The Directive provides for the launch of a compulsory contribution mechanism that entails the collection of the target level of resources by 31 December 2023, equal to 1% of the covered deposits of all the authorised institutions acting in the European territory. The accumulation period may be extended for a further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the covered deposits. If, after the accumulation period, the available financial resources fall below the target level, the collection of contributions shall resume until that level has been recovered. Additionally, having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within a period of six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions, of up to three times the expected annual contributions, when the available financial resources are not sufficient to cover the losses and costs of the interventions. A transitional phase of contributions to the national compartments of the SRF and a progressive mutualisation of these are expected.
- The Directive 2014/49/EU of 16 April 2014, in relation to the DGS, aims to enhance the protection of depositors through the harmonisation of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of 0.8% of the amount of its members' covered deposits to be collected by 3 July 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If, after the target level has been reached for the first time, the available financial resources have been reduced to below two thirds of the target level, the regular contribution shall be set at a level to achieve the target level within six years. The contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources of a DGS are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

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

With reference to Directive No.59 (SRF contributions), ordinary contribution sum up to €348 million, extraordinary ones to €52 million (entirely from UniCredit S.p.A.).

- Specifically referring to UniCredit S.p.A.:
  - 2018 ordinary contribution amounts to €140 million. For years 2015, 2016 and 2017 contributions have been respectively €73 million, €107 million and €109 million;
  - In its capacity as National Resolution Authority (“NRA”), Banca d’Italia, with its Provisions dated 21 November 2015, approved by the Italian Minister of Economy and Finance on 22 November 2015, ordered the launch of a resolution programme (for Banca delle Marche, Banca Popolare dell’Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti). In particular, this related to a restructuring process which resulted in the separation of the non-performing assets of the four banks concerned, which flowed into a “bad bank”, from the rest of the assets and liabilities, that flowed into four new “bridge banks”, held to be sold through a competitive selling procedure on the market. As a result of this intervention, the aforementioned ministerial measures led to a request for extraordinary contributions for 2015, in accordance with Directive 59, established at the maximum rate of three times the ordinary contribution due for 2015. Therefore, UniCredit S.p.A. made an extraordinary contribution of €219 million (equal to 3 times the ordinary annual contribution due in 2015 for the Single Resolution Fund). Further, Italian Legislative Decree 183/2015 (converted into Law 208/2015) also introduced an additional payment commitment for 2016, due to the National Resolution Fund, for the payment of contributions of up to twice the ordinary contribution quotas to the Single Resolution Fund, which could be activated if the funds available to the National Resolution Fund net of recoveries arising from the disposal transactions carried out by the Fund from the assets of the four banks mentioned above were not sufficient to cover the bonds, losses and costs payable by the Fund in relation to the measures provided for by the Provisions launching the resolution. In application of this faculty, in December 2016 additional €214 million (two times the ordinary contribution) have been requested by Banca d’Italia and posted into UniCredit S.p.A. profit and loss and subsequently paid during 2017. The liquidity needed to fund this intervention was provided through a loan in which UniCredit participated.

## Part C - Consolidated income statement

In particular, the intervention of UniCredit entailed:

- the provision of a loan in favour of the National Resolution Fund for about €783 million (portion of a total loan of €2,350 million disbursed together with other banks), fully repaid on 21 December 2015 through the liquidity inflow from the ordinary and extraordinary contributions of 2015;
  - the provision of a further tranche of the loan in favour of the National Resolution Fund for a numina equal to €516 million (portion of a total loan of €1,550 million disbursed together with other banks) and the payment commitment to the National Resolution Fund for an amount of €33 million (portion of a total commitment of €100 million for a further tranche of the loan together with other banks), both closed in June 2017;
  - the provision of a loan in favour of the National Resolution Fund for about €210 million (portion of a total loan of €1,240 million disbursed together with other banks) maturing in 2021.
- In respect of the loan and the commitment, Cassa Depositi e Prestiti has assumed a commitment of financial support in favour of National Resolution Fund in the event of insufficient liquidity to the date of loan maturity, while awaiting that the National Resolution Fund finds the necessary resources through ordinary and/or extraordinary contributions. For facing the reimbursement commitments of capital and interests' payment, in 2018 €52 million were required as extraordinary contributions.
- the instrument of the irrevocable payment commitments has been used by UniCredit S.p.A and its subsidiary UniCredit Bank AG for an amount equal to 15% of full contributions paid in May 2016, resulting in the payment of guarantees in the form of cash amounting respectively to €16 million and €12 million. Referring to ordinary contribution for 2017 and 2018, only UniCredit Bank AG has adopted this faculty for an amount of respectively €14 million and €16 million. The cash collateral has been recognised in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement. With reference to ordinary contribution for year 2017, UniCredit S.p.A. has not adopted this faculty.

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

### Guarantee fees for DTA conversion

Guarantee fee for DTA conversion, introduced by D.L. 3 May 2016 No.59, Art.11 ("Decreto Banche", converted into Law No.119 of 30 June 2016), allows, under certain conditions, the possibility to convert into tax credits certain deferred tax assets ("Convertible DTAs") provided that an irrevocable election for such regime is exercised via the payment of an annual fee ("DTA fee"). According to the original wording of the law, the DTA fee had to be corresponded annually for the period 2015-2029, subsequently the D.L. No.237 of 23 December 2016 ("Decreto salva-risparmio"), converted into Law No.15 of 17 February 2017, modified such period to 2016-2030.

In respect of financial year 2018 the fees, paid on 27 June 2018, were accounted for an amount of €115.8 million for the whole Italian Tax Group, out of which €111 million for UniCredit S.p.A., €4.5 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A.

Pursuant to article 2427, first paragraph of the Italian Civil Code, the fees paid to the auditing firm Deloitte & Touche S.p.A. (and firms in its network) by UniCredit S.p.A and the Italian entities of the UniCredit group relating to financial year 2018 were as follows:

- legal audit of annual accounts (including the audit of the first half financial report): €5,041 thousand;
- other checks: €2,443 thousand;
- other non-audit services: €4,295 thousand.

The above amounts are net of VAT and expenses.

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

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

	YEAR 2018		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan commitments	(257,460)	288,992	31,532
Financial guarantees given	(499,196)	436,465	(62,731)

### 13.2 Net provisions for other commitments and guarantees given: breakdown

	YEAR 2018		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Other commitments	(9,232)	21,394	12,162
Other guarantees given	-	-	-

## Part C - Consolidated income statement

### 13.3 Net provisions for risks and charges: breakdown

ASSETS/P&L ITEMS	YEAR 2018			(€ '000)
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	YEAR 2017 TOTAL
<b>1. Other provisions</b>				
1.1 Legal disputes	(1,351,769)	108,304	(1,243,465)	(129,678)
1.2 Staff costs	(1,743)	546	(1,197)	(1,752)
1.3 Other	(526,890)	267,586	(259,304)	(377,146)
<b>Total</b>	<b>(1,880,402)</b>	<b>376,436</b>	<b>(1,503,966)</b>	<b>(508,576)</b>

Net provisions for risks and charges are referred to revocatory action, claims for compensation, legal and other disputes, and are updated on the basis of the evolution of cases in progress and to the assessment of their foreseen outcomes.

The item "1.1 Legal disputes" is mainly contributed by provisions made by holding UniCredit S.p.A. and its subsidiary UniCredit Bank AG (see Part E - Section 2 "Risks of the prudential consolidated perimeter" - 1.5 Operational risks - B. Legal risks for further information).

The item "1.3 Other" is mainly contributed by provisions made by holding UniCredit S.p.A. for various type of risks for which refer to Part E - Section 2 "Risks of the prudential consolidated" - 1.5 Operational risks - F. Other claims by customers.

## Section 14 - Net value adjustments/write-backs on property, plant and equipment - Item 210

In 2018 impairment/write-backs on property, plant and equipment amount to -€606 million (as against -€760 million in 2017). The amount of 2018 includes -25 million related to impairment losses/write-backs of inventories evaluated in accordance with IAS2 and recognised in this item following the application of 5<sup>th</sup> update of the Banca d'Italia Circular 262. The breakdown is provided in the table below:

### 14.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

ASSETS/P&L ITEMS	YEAR 2018				(€ '000)
	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)	
<b>A. Property, plant and equipment</b>					
<b>A.1 Owned</b>	<b>(647,121)</b>	<b>(94,628)</b>	<b>99,017</b>	<b>(642,732)</b>	
- Used in the business	(602,713)	(32,845)	22,595	(612,963)	
- Held for investment	(44,408)	(36,658)	76,019	(5,047)	
- Inventories	X	(25,125)	403	(24,722)	
<b>A.2 Finance lease</b>	<b>(359)</b>	<b>(933)</b>	<b>36,283</b>	<b>34,991</b>	
- Used in the business	-	(933)	-	(933)	
- Held for investment	(359)	-	36,283	35,924	
<b>Total A</b>	<b>(647,480)</b>	<b>(95,561)</b>	<b>135,300</b>	<b>(607,741)</b>	
<b>B. Non-current assets and groups of assets held for sale</b>	<b>X</b>	<b>(11,760)</b>	<b>13,427</b>	<b>1,667</b>	
- Used in the business	X	(4,448)	12,850	8,402	
- Held for investments	X	(7,312)	577	(6,735)	
- Inventories	X	-	-	-	
<b>Total A + B</b>	<b>(647,480)</b>	<b>(107,321)</b>	<b>148,727</b>	<b>(606,074)</b>	

## Part C - Consolidated income statement

### Section 15 - Net value adjustments/write-backs on intangible assets - Item 220

In 2018 impairments/write-backs on intangible assets were -€425 million, against -€407 million in the previous year.

Apart from depreciation, in 2018 the impairment of the other intangible assets with finite life was approximately -€13 million, mainly referred to the subsidiary UniCredit Services S.C.p.A.

The breakdown is set out in the table below:

#### 15.1 Net value adjustments/write-backs on intangible assets: breakdown

(€ '000)				
YEAR 2018				
ASSETS/P&L ITEMS	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
<b>A. Intangible assets</b>				
<b>A.1 Owned</b>	(411,841)	(13,376)	-	(425,217)
- Generated internally by the company	(288,782)	(10,142)	-	(298,924)
- Other	(123,059)	(3,234)	-	(126,293)
<b>A.2 Finance leases</b>	-	-	-	-
<b>B. Non-current assets and disposal group classified as held for sale</b>	X	-	-	-
<b>Total</b>	(411,841)	(13,376)	-	(425,217)

With reference to the Impairment losses of intangible assets - other, see Part B - Consolidated Balance Sheet - Asset - Section 10 - Intangible Assets.

### Section 16 - Other operating expenses/income - Item 230

#### Other net operating income: breakdown

(€ '000)		
P&L ITEMS/VALUE	YEAR 2018	YEAR 2017
Total of other operating expenses	(707,268)	(744,399)
Total of other operating income	1,725,757	1,780,050
<b>Other net operating income</b>	<b>1,018,489</b>	<b>1,035,651</b>

#### 16.1 Other operating expenses: breakdown

(€ '000)		
TYPE OF EXPENSE/VALUE	YEAR 2018	YEAR 2017
Costs for operating leases	(4,291)	(5,180)
Non-deductible tax and other fiscal charges	(1,478)	(2,296)
Write-downs on leasehold improvements	(62,043)	(78,243)
Costs relating to the specific service of financial leasing	(93,475)	(85,462)
Other	(545,981)	(573,218)
<b>Total of other operating expenses</b>	<b>(707,268)</b>	<b>(744,399)</b>

The item "Other" includes:

- various settlements and indemnities of €151 million, €190 million in 2017;
- additional costs for the leasing business of €19 million, €39 million in 2017;
- non-banking business costs €224 million, €102 million in 2017;
- charges relating to Group property of €4 million, €21 million in 2017;
- additional costs relating to customer accounts of €32 million, €22 million in 2017.

## Part C - Consolidated income statement

## 16.2 Other operating income: breakdown

TYPE OF REVENUE/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
<b>A) Recovery of costs</b>	<b>638,863</b>	<b>687,396</b>
<b>B) Other revenues</b>	<b>1,086,894</b>	<b>1,092,654</b>
Revenues from administrative services	47,938	52,500
Revenues on rentals Real Estate investments (net of operating direct costs)	123,014	117,862
Revenues from operating leases	176,498	165,593
Recovery of miscellaneous costs paid in previous years	12,439	7,949
Revenues on financial leases activities	96,752	106,645
Other	630,253	642,105
<b>Total operating income (A+B)</b>	<b>1,725,757</b>	<b>1,780,050</b>

The sub-item "Others" includes:

- additional income received from leasing business of €44 million, €47 million in 2017;
- income from non-banking business of €364 million, €321 million in 2017;
- various income from Group property of €3 million, €11 million in 2017;
- payments of indemnities and compensation of €21 million, €43 million in 2017.

## Section 17 - Gains (Losses) of equity investments - Item 250

In 2018 profit (loss) of associates amounts to -€97 million (+€576 million in 2017), attributable to jointly owned companies for -€545 million and to companies subject to significant influence for +€447 million. The negative variation compared with the previous year, equal to -€674 million is mainly due to the impairment of Koc Group, -€851 million, booked in the 2018.

This result consists of "A. Income" of +€807 million and "B. Expense" of -€905 million. In more detail:

- sub-item "A. Income" includes:
  - +€650 million gains related to gains on companies valued at Equity method: Koc Finansal Hizmetler As (+€299 million), Mediobanca Banca Di Credito Finanziario S.p.A. (+€68 million), Oberbank Ag (+€61 million), Bank Fier Tirol Und Vorarlberg Aktiengesellschaft (+€44 million), Creditas Vita S.p.A. (+€42 million), Camfin S.p.A. (+€29 million), Bks Bank Ag (+€21 million), Oesterreichische Kontrollbank Aktiengesellschaft (+€20 million), Aviva S.p.A. (+€18 million), Barn Bv (+€14 million), Cnp UniCredit Vita S.p.A. (+€10 million);
  - +€130 million of gain on disposal mainly attributable to Custodia Valore - Credito su Pegno S.r.l. (+€114 million), Megapark Ood. (+€8 million), Marina Tower Holding GmbH (+€5 million);
  - +€27 million of write-backs mainly due to Bks Bank Ag (+€27 million).
- sub-item "B. Expense" includes:
  - -€5 million of write-downs mainly referred to losses on companies valued at Equity method: Da Vinci S.r.l. (-€2 million), Cbd International Sp.Zo.O. (-€1 million), Paydirekt Beteiligungsgesellschaft Privater Banken Mbh (-€1 million);
  - -€897 million of impairment losses, mainly attributable to write-downs on investments valued at Equity method, as Koc Finansal Hizmetler As (-€851 million), Bank Fier Tirol Und Vorarlberg Aktiengesellschaft (-€28 million), Risanamento S.p.A. (-€6 million) and to permanent write-downs on positive differences in net equity, related to Cbd International Sp.Zo.O. (-€4 million);
  - -€2 million of loss on disposal, mainly due to the impact arising from the dilution of holding percentage of Mediobanca Banca Di Credito Finanziario S.p.A. (-€2 million).

## Part C - Consolidated income statement

During 2018 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.

### 17.1 Gains (Losses) of equity investments: breakdown

P&L ITEMS/SECTORS	(€ '000)	
	YEAR 2018	YEAR 2017
<b>1) Jointly owned companies - Equity</b>		
<b>A. Income</b>	<b>306,155</b>	<b>293,741</b>
1. Revaluations	298,927	285,289
2. Gains on disposal	7,228	-
3. Write-backs	-	8,452
4. Other gains	-	-
<b>B. Expenses</b>	<b>(850,741)</b>	<b>(17)</b>
1. Write-downs	(28)	(17)
2. Impairment losses	(850,713)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
<b>Net profit</b>	<b>(544,586)</b>	<b>293,724</b>
<b>2) Companies under significant influence</b>		
<b>A. Income</b>	<b>500,982</b>	<b>305,465</b>
1. Revaluations	350,786	303,100
2. Gains on disposal	123,097	171
3. Write-backs	27,099	2,194
4. Other gains	-	-
<b>B. Expenses</b>	<b>(53,848)</b>	<b>(22,863)</b>
1. Write-downs	(5,468)	(6,879)
2. Impairment losses	(45,924)	(8,328)
3. Losses on disposal	(2,456)	(7,656)
4. Other expenses	-	-
<b>Net profit</b>	<b>447,134</b>	<b>282,602</b>
<b>Total</b>	<b>(97,452)</b>	<b>576,326</b>

In 2017 profit (loss) of associates amounts to +€576 million, attributable to jointly owned companies for +€294 million and to companies subject to significant influence for +€283 million.

This result consists of "A. Income" of +€599 million and "B. Expense" of -€23 million. In more detail:

- sub-item "A. Income" includes:
  - +€588 million gains related to gains on companies valued at Equity method: Koc Finansal Hizmetler As (+€285 million), Mediobanca Banca Di Credito Finanziario S.p.A. (+€66 million), Oberbank Ag (+€55 million), Bank Fuer Tirol Und Vorarlberg Aktiengesellschaft (+€34 million), Creditras Vita S.p.A. (+€27 million), Aviva S.p.A. (+€23 million), Cnp UniCredit Vita S.p.A. (+€20 million), Oesterreichische Kontrollbank Aktiengesellschaft (+€19 million), Bks Bank Ag (+€18 million), Barn Bv (+€11 million); Incontra Assicurazioni S.p.A. (+€6 million);
  - +€11 million write-backs mainly due to Koc Finansal Hizmetler As (+€8 million) e a Fenice S.r.l. (+€2 million);
- sub-item "B. Expense" includes:
  - -€7 million of write-downs mainly referred to losses on companies valued at Equity method: Torre S.g.r S.p.A. (-€3 million) e Da Vinci S.r.l. (-€2 million);
  - -€8 million of impairment losses, mainly attributable to write-downs on investments valued at Equity method, as Compagnia Aerea Italiana S.p.A. (-€5 million) and on investment valued at cost Moneymap GMBH (-€3 million);
  - -€8 million loss on disposal, mainly attributable to the impact arising from the dilution of holding percentage of Mediobanca Banca Di Credito Finanziario S.p.A. (-€8 million).

During 2017 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.



## Part C - Consolidated income statement

## Section 18 - Net gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 260

## 18.1 Net gains (losses) on property, plant and equipment and intangible assets measured at fair value: breakdown

(€ '000)

ASSETS/P&L COMPONENTS	YEAR 2018				NET PROFIT (A-B+C-D)
	REVALUATIONS		EXCHANGE DIFFERENCES		
	(A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	
<b>A. Property, plant and equipment</b>	<b>621</b>	<b>(623)</b>	<b>958</b>	<b>-</b>	<b>956</b>
A.1 Owned	621	(623)	958	-	956
- Used in the business	-	-	-	-	-
- Held for investment	621	(623)	958	-	956
- Inventories	-	-	-	-	-
A.2 Held by finance leases	-	-	-	-	-
- Used in the business	-	-	-	-	-
- Held for investment	-	-	-	-	-
<b>B. Intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Owned	-	-	-	-	-
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Held by finance leases	-	-	-	-	-
<b>Total</b>	<b>621</b>	<b>(623)</b>	<b>958</b>	<b>-</b>	<b>956</b>

## Section 19 - Goodwill impairment - Item 270

There is no impairment of goodwill in 2018.

See Part A - Accounting Policies for a description of the methods used to measure impairment of goodwill.

See Part B - Consolidated Balance Sheet for a description of goodwill impairment testing procedures and results.

## Section 20 - Gains (Losses) on disposals on investments - Item 280

At 31 December 2018 gains (losses) on disposals of investments are +€231 million (+€100 million in 2017) and refer to:

## A. Property

Net gains of +€136 million (+€42 million in 2017). This item includes the results of the property rationalisation carried out by the following companies: Visconti Srl (+€30 million), Hvb Gesellschaft für Gebäude MbH & Co Kg (+€29 million), European Office Fonds (+€20 million), Ba Betriebsobjekte GmbH (+€10 million), Wealthcap Objekt Vorrat 20 GmbH & Co Kg (+€10 million), UniCredit S.p.A. (+€7 million), Nuova Compagnia di Partecipazioni S.p.A. (+€6 million), UniCredit Bulbank Ad (+€5 million).

## B. Other assets

Net gains of +€95 million (+€57 million in 2017). This item mainly includes gains from disposal of some equity investments as Mobility Concept GmbH (+€28 million) and Ramses Immobilien Gesellschaft MbH & Co Og (+€14 million).

## Part C - Consolidated income statement

During 2018 no transactions were carried out that would have entailed significant recognitions of gains and losses attributable to measurement at fair value of any equity interests retained at the date of losing control.

### 20.1 Gains and losses on disposal of investments: breakdown

P&L ITEMS/SECTORS	(€ '000)	
	YEAR 2018	YEAR 2017
<b>A. Property</b>		
- Gains on disposal	141,564	44,682
- Losses on disposal	(5,224)	(2,277)
<b>B. Other assets</b>		
- Gains on disposal	116,149	83,007
- Losses on disposal	(21,068)	(25,577)
<b>Net Profit</b>	<b>231,421</b>	<b>99,835</b>

At 31 December 2017 gains (losses) on disposals of investments are +€100 million and refer to:

#### A. Property

Net gains of +€42 million. This item includes the results of the property rationalisation carried out by the following companies: UniCredit S.p.A. (+€11 million), UniCredit Bank Austria AG (+€8 million), UniCredit Bulbank AD (+€7 million), Zagrebacka Banka D.D. (+€6 million), Uctam Upravljanje D.O.O. (+€2 million), Merkurhof Grundstucksgesellschaft mit Beschränkter Haftung (+€2 million), Golf- und Country Club Seddiner See Immobilien GMBH (+€1 million).

#### B. Other assets

Net gains of +€57 million. This item mainly includes net gains on disposal of equity investments Ows Off-Shore Wind Solutions GMBH (+€8 million), UniCredit Leasing TOB and Redstone Mortgages Limited (respectively +€58 million and -€12 million, both related to the negative revaluation exchange reserve reported in 2017 income statement).

We can note that during 2017 the disposal of Bank Pekao SA were carried out. This caused the loss of control that would have recognised in the Income Statement under the item "Profit (Loss) after tax from discontinued operations". Here an income equal to +€5 million has been accounted, due to the valuation at fair value of the remaining share (6.26%) classified in the portfolio "Financial assets at fair value through profit or loss".

## Part C - Consolidated income statement

### Section 21 - Tax expenses (income) for the period from continuing operations - Item 300

Each Country has an autonomous tax system where the determination of the tax base, the level of tax rates, nature, type and timing of tax obligations might differ, even significantly. Such differences also exist amongst EU Member States.

In respect of the main Countries where UniCredit Group operates, Italy, Germany, Austria and the United States, all have domestic income tax consolidation regimes. While the United Kingdom does not have a domestic income tax consolidation regime, tax losses can nonetheless be transferred between entities of the same Group.

Tax consolidation rules also differ from Country to Country, sometimes markedly. Generally speaking, the main and common benefit of a domestic tax consolidation regime is the offsetting of profits and losses of companies and entities belonging to the same tax consolidation perimeter. The requirements to be included in a domestic tax consolidation regime can be very different from those set for the purpose of accounting consolidation for a banking group according to the international IAS/IFRS or local accounting standards.

As for tax rates, and with reference to the Group's key Countries, the nominal corporate income tax rate is 31.4% in Germany (also taking into account the "solidarity surcharge" and the municipal trade tax), 25% in Austria, 19% in Poland, 10% in Bulgaria, 16% in Romania, 22% in Turkey, 19% in the Czech Republic, 20% in Russia, 9% in Hungary.

In addition, the corporate income tax rate is 27% in the United Kingdom (also taking into account the 8% surcharge provided for banks), 12.5% in Ireland, 26.01% in Luxembourg, 21% of federal tax in the United States and 25% in China.

In Italy the standard corporate income tax rate is equal to 24%, which is increased by a 3.5% surcharge applicable to banks and other financial entities only. Therefore, for UniCredit S.p.A. and for the other Group banks and financial entities, the applicable tax rate is equal to 27.5%.

Further to the corporate income tax (IRES), the Italian Regional Tax on Productive Activities (IRAP) levied at a rate of 4.65% for the banking sector must be considered (each Region is entitled to autonomously increase the rate by a surcharge of 0.92% up to a maximum nominal rate of 5.57%, plus an additional surcharge of 0.15% provided for Regions that have a healthcare deficit status); IRAP has a slightly different taxable base from the one provided for in respect of IRES, obviously it has different rules, among which no tax loss carried forward.

For Tax expenses (income) for the period of the Parent company refer to paragraph of Part C - Notes to the accounts of UniCredit S.p.A. - Section 19 - Tax expenses (income) for the period from continuing operations - Item 270 which is herewith quoted entirely.

#### 21.1 Tax expense (income) relating to profit or loss from continuing operations: breakdown

		(€ '000)	
P&L ITEMS/SECTORS		YEAR 2018	YEAR 2017
1.	Current taxes (-)	(819,184)	(853,968)
2.	Change of current taxes of previous years (+/-)	260,391	199,237
3.	Reduction of current taxes for the year (+)	43,032	58,749
3.bis	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	3,018,939
4.	Change of deferred tax assets (+/-)	962,637	(3,367,300)
5.	Change of deferred tax liabilities (+/-)	54,818	348,681
6.	<b>Tax expenses for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>	<b>501,694</b>	<b>(595,662)</b>

Sub-item "4. Change of deferred tax assets (+/-)" reflects the recognition of DTAs related to the first time adoption of IFRS9 against P&L for an amount of €871 million.

## Part C - Consolidated income statement

## 21.2 Reconciliation of theoretical tax charge to actual tax charge

	(€ '000)	
	YEAR 2018	YEAR 2017
<b>Profit (Loss) before tax from continuing operations (income statement item)</b>	<b>3,593,373</b>	<b>3,699,640</b>
Theoretical tax rate	27.5%	27.5%
<b>Theoretical computed taxes on income</b>	<b>(988,178)</b>	<b>(1,017,401)</b>
1. Different tax rates	186,157	159,696
2. Non-taxable income - permanent differences	210,365	704,750
3. Non-deductible expenses - permanent differences	(384,386)	(597,757)
4. Different fiscal laws/IRAP	(25,786)	(161,610)
a) IRAP (italian companies)	57,821	(112,271)
b) Other taxes (foreign companies)	(83,607)	(49,339)
5. Previous years and changes in tax rates	259,923	239,400
a) Effects on current taxes	287,358	319,215
- Tax loss carryforward/unused Tax credit	43,032	58,749
- Other effects of previous periods	244,326	260,466
b) Effects on deferred taxes	(27,435)	(79,815)
- Changes in tax rates	-	(11,260)
- New taxes incurred (+) previous taxes revocation (-)	(38)	(56)
- True-ups/adjustments of the calculated deferred taxes	(27,397)	(68,499)
6. Valuation adjustments and non-recognition of deferred taxes	1,102,002	79,939
a) Deferred tax assets write-down	(156,271)	(56,784)
b) Deferred tax assets recognition	761,212	169,647
c) Deferred tax assets non-recognition	37,038	(98,783)
d) Deferred tax assets non-recognition according to IAS12.39 and 12.44	8,693	43,609
e) Other	451,330	22,250
7. Amortisation of goodwill	754	-
8. Non-taxable foreign income	14,496	28,054
9. Other differences	126,346	(30,733)
<b>Recognised taxes on income</b>	<b>501,694</b>	<b>(595,662)</b>

## Part C - Consolidated income statement

## Section 22 - Profit (Loss) after tax from discontinued operations - Item 320

## 22.1 Profit (Loss) after tax from discontinued operations: breakdown

P&L ITEMS/SECTORS	(€ '000)	
	YEAR 2018	YEAR 2017
1. Income	25,269	2,076,535
2. Expenses	(31,164)	(1,160,981)
3. Valuation of discontinued operations and related liabilities	-	(50,710)
4. Profit (Loss) on disposal	20,032	1,928,363
5. Tax	(622)	(111,609)
<b>Profit (Loss)</b>	<b>13,515</b>	<b>2,681,598</b>

In comparison to year 2017 there were not recognized any new group in the item during 2018. As at 31 December 2018 the "Profit (Loss) on disposal" mainly includes the sale of a company belonging to ImmoHolding group.

The variance of the item compared to the previous period is mainly due to the sale of Pekao and Pioneer groups completed during 2017, except for the companies Baroda Pioneer Asset Management Company LTD e Baroda Pioneer Trustee Company PVT LTD, completed in 2018.

## 22.2 Breakdown of tax on discontinued operations

	(€ '000)	
	YEAR 2018	YEAR 2017
1. Current taxes (-)	(3,622)	(99,354)
2. Changes in deferred tax assets (+/-)	423	(8,334)
3. Changes in deferred tax liabilities (+/-)	2,577	(3,921)
<b>4. Income tax (-1+/-2+/-3)</b>	<b>(622)</b>	<b>(111,609)</b>

## Section 23 - Minority profit (loss) of the year - Item 340

The profit for 2018 attributable to minority interests amounted to €216 million.

There are the following largest contributions attributable to the minority shareholders of Finecobank S.p.A, Zagrebacka Banka D.D. and UniCredit Bank Austria AG group, mainly referring to the minority shareholders of Card Complete Service Bank AG.

The profit for 2017 attributable to minority interests was equal to €313 million.

## 23.1 Breakdown of item 340 "Minority gains (losses)"

	(€ '000)	
	2018	2017
<b>Consolidated equity investments with significant minority interests</b>	<b>216,921</b>	<b>301,697</b>
Fineco Bank S.p.A.	145,004	138,451
Fineco Asset Management Designated Activity Company	13,753	(105)
Zagrebacka Banka D.D.	34,184	22,186
UniCredit Bank D.D.	7,988	7,349
UniCredit Bank Austria AG Group	15,992	19,395
Bank Pekao SA Group	-	114,421
<b>Other equity investments and consolidation adjustments</b>	<b>(778)</b>	<b>10,804</b>
<b>Total</b>	<b>216,143</b>	<b>312,501</b>

## Part C - Consolidated income statement

### Section 24 - Other information

#### Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the law 124/2017

Pursuant to article 1, paragraph 125 of law 124/2017, during 2018 the UniCredit group collected the following public contributions granted by Italian entities:

#### Reduction of the extraordinary contribution pursuant to art.1, paragraph 235 of Law 232 of 11 December 2016 charged to the management of welfare interventions and pension support

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	55,293
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	4,910
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	299
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	47
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	123
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	21
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	31
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	131
<b>Total</b>		<b>60,853</b>

#### Contributions for the recruitment/stabilization of personnel deriving from the application of the CCNL of the Credit in force from time to time

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT S.P.A.	2,959
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT SERVICES S.C.P.A.	510
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	CORDUSIO SIM S.P.A.	4
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT BANK AG (Milan Branch)	5
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	FINECOBANK S.P.A.	225
<b>Total</b>		<b>3,703</b>

#### Contributions for new recruits/stabilisations, introduced by the stability law 2018 (law No.205/2017)

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	248
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	224
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	7
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	1
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	17
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	292
<b>Total</b>		<b>790</b>

## Part C - Consolidated income statement

**Contributions for the Ordinary section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2**

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	3,936
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	449
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	31
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	15
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	5
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	3
<b>Total</b>		<b>4,439</b>

**Article 8 of Legislative Decree 30/9/2005, n.203 converted, with modifications, from the law 2 December 2005, n.248. Compensatory measures for companies that assign the TFR to supplementary pension schemes and/or to the Fund for the payment of the TFR**

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	9,286
Istituto Nazionale della Previdenza Sociale	UNICREDIT SERVICES S.C.P.A.	859
Istituto Nazionale della Previdenza Sociale	UNICREDIT LEASING S.P.A.	137
Istituto Nazionale della Previdenza Sociale	CORDUSIO SIM S.P.A.	133
Istituto Nazionale della Previdenza Sociale	UNICREDIT FACTORING S.P.A.	72
Istituto Nazionale della Previdenza Sociale	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	12
Istituto Nazionale della Previdenza Sociale	UNICREDIT BANK AG (Milan Branch)	146
Istituto Nazionale della Previdenza Sociale	FINECOBANK S.P.A.	260
<b>Total</b>		<b>10,904</b>

For further information, refer to the National State Aid Register "Transparency."

## Section 25 - Earnings per share

**25.1 and 25.2 Average number of diluted shares and other information**

	YEAR 2018	YEAR 2017
Net profit (loss) attributable to the Group (thousand of €) <sup>(1)</sup>	3,799,252	5,440,944
Average number of outstanding shares	2,219,405,841	1,947,449,190
Average number of potential dilutive shares	9,835,058	10,695,178
Average number of diluted shares	2,229,240,899	1,958,144,368
<b>Earnings per share (€)</b>	<b>1.712</b>	<b>2.794</b>
<b>Diluted earnings per share (€)</b>	<b>1.704</b>	<b>2.779</b>

**Note:**

(1) €93 million has been deducted from 2018 net profit attributable to the Group of €3,892 million due to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€32 million was deducted from 2017 net profit attributable to the Group).

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



## Part D - Consolidated comprehensive income

## Consolidated analytical statement of other comprehensive income

(€ '000)

ITEMS	AS AT	
	12.31.2018	12.31.2017
<b>10. Profit (Loss) of the year</b>	<b>4,108,582</b>	<b>5,785,576</b>
Other comprehensive income not reclassified to profit or loss	-	-
20. Equity instruments designated at fair value through other comprehensive income:	7,997	-
a) fair value changes	(40,841)	-
b) transfers to other shareholders' equity items	48,838	-
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	145,593	-
a) fair value changes	135,429	-
b) transfers to other shareholders' equity items	10,164	-
40. Hedge accounting of equity instruments measured at fair value through other comprehensive income:	-	-
a) fair value change (hedged instrument)	-	-
b) fair value change (hedging instrument)	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(392,448)	336,141
80. Non-current assets and disposal groups classified as held for sale	-	(45)
90. Part of valuation reserves from investments valued at equity method	(3,460)	(22,427)
100. Tax expenses (income) relating to items not reclassified to profit or loss	78,339	(92,956)
Other comprehensive income reclassified to profit or loss	-	-
110. Foreign investments hedging:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Foreign exchange differences:	(386,090)	306,928
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	(386,090)	306,928
130. Cash flow hedging:	(173,837)	(173,275)
a) fair value changes	(148,086)	(174,940)
b) reclassification to profit or loss	(1,502)	(2,540)
c) other changes	(24,249)	4,205
<i>of which: net position</i>	-	-
140. Hedging instruments (non-designated items):	-	-
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-

## Part D - Consolidated comprehensive income

continued: Consolidated analytical statement of other comprehensive income

(€ '000)

ITEMS	AS AT	
	12.31.2018	12.31.2017
150. Financial assets (different from equity instruments) at fair value through other comprehensive income:		
	(1,704,852)	-
a) fair value changes	(1,527,342)	-
b) reclassification to profit or loss:	(172,994)	-
- impairment losses	11,859	-
- gains/losses on disposals	(184,853)	-
c) other changes	(4,516)	-
<i>Available-for-sale financial assets:(ex IAS39 Item N. 100)</i>	-	(170,718)
a) fair value changes	-	121,246
b) reclassification to profit or loss	-	(301,118)
- impairment losses	-	3,807
- gains/losses on disposals	-	(304,925)
c) other changes	-	9,154
160. Non-current assets and disposal groups classified as held for sale:	-	50,497
a) fair value changes	-	53,585
b) reclassification to profit or loss	-	(268)
c) other changes	-	(2,820)
170. Part of valuation reserves from investments valued at equity method:	(854,798)	(441,875)
a) fair value changes	(117,891)	23,894
b) reclassification to profit or loss:	(7,658)	(40,943)
- impairment losses	196	-
- gains/losses on disposals	(7,854)	(40,943)
c) other changes	(729,249)	(424,826)
180. Tax expenses (income) relating to items reclassified to profit or loss	484,662	108,913
<b>190. Total other comprehensive income</b>	<b>(2,798,894)</b>	<b>(98,817)</b>
<b>200. Other comprehensive income (Item 10+190)</b>	<b>1,309,688</b>	<b>5,686,759</b>
210. Minority consolidated other comprehensive income	(214,741)	(522,041)
<b>220. Parent Company's consolidated other comprehensive income</b>	<b>1,094,947</b>	<b>5,164,718</b>

## Part E - Information on risks and hedging policies

### Introduction

UniCredit group monitors and manages its risks through tight methodologies and procedures proving to be effective through all phases of the economic cycle.

The steering, coordination and control role of the Group's risks is performed by the Parent Company's Group Risk Management function. The Group Lending Office, set up since 2 February 2018, is responsible for the credit activities, following Group Risk Management strategies, policies and guidelines.

In particular, the Group Risk Management function is responsible for the following tasks:

- optimise the quality of the Group's assets, minimising the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and Entities with the criteria for assessing, managing, measuring, monitoring and communicating risk, ensuring that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- help build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent COOs functions;
- help to find ways to rectify asset imbalances, where needed in conjunction with Group Planning, Finance, Shareholding and Investor Relations;
- help the Business Functions achieve their goals, including by assisting in the development of products and businesses (e.g. innovation of credit products, competitive opportunities linked to Basel accord, etc.);
- support the CEO in defining the Group Risk Appetite proposal, to be shared in the Group Risk & Internal Control Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the yearly and multi-yearly budget plan pertaining to the Group Planning, Finance, Shareholding and Investor Relations structure. The Group Risk Appetite will include a series of parameters defined by the CRO, with the contribution of Group Planning, Finance, Shareholding and Investor Relations and other relevant functions; each parameter can be complemented by limits and triggers proposed by the CRO<sup>19</sup> and targets proposed by the Group Planning, Finance, Shareholding and Investor Relations and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, Group CRO is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the RAF. Group Planning, Finance, Shareholding and Investor Relations remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures.

Such mission is accomplished by coordinating the Group's risk management as a whole. More specifically, it involves carrying out the following macro-functions<sup>20</sup>:

- governing and checking credit, cross-border, market, balance sheet, liquidity, operational and reputational risks for the Group as well as any other risks relating to Basel II Pillar II (e.g. strategic, real estate, financial investment, business risks), by defining risk strategies and limits, developing risk measurement methodologies<sup>21</sup>, performing stress tests and portfolio analysis;
- supervising, on a Group level and for UniCredit S.p.A, Basel accords related activities;
- coordinating the internal capital measurement process within the "Internal Capital Adequacy Assessment Process" ("ICAAP") and coordinating activities for drawing up the "ICAAP Regulatory Report";
- assigning ratings for banks and for the Group's major exposures, carrying out the relevant mapping, at Group level, and managing the "rating override" process with regard to Group-wide rating systems as well as those for measuring the credit risk of UniCredit S.p.A's counterparts;
- defining the minimum standards and guidelines for validating IT infrastructures and data quality, credit risks, operating risks and Pillar II risks, for feeding Group and Parent company reports on credit risk and for feeding credit risk measurement models;
- performing internal validation activities, at Group level<sup>22</sup>, on systems for measuring, credit, operating and market risks, or Pillar II risks<sup>23</sup>, on related processes and data quality and IT components, as well as on models for pricing financial instruments, in order to check that they conform to regulatory requirements and in-house standards, overseeing consequently the non-compliance risk regarding to such regulatory requirements;
- ensuring that the competent Bodies/Functions get adequate reports;
- develop the strategy and oversee the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the entire Group<sup>24</sup>. The Group CRO define jointly with CLO the criteria/rules for identifying the exposures and assets for sale and portfolio targets;
- drafting and managing risk policies, both at Group level (Group Rules) and at Parent company level, on the performance of risk-related activities for which UniCredit S.p.A. is competent as well as ensuring the monitoring;

<sup>19</sup> Possible triggers and limits on profitability parameters must be agreed between CRO and Group CFO.

<sup>20</sup> Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A., as detailed in the Organizational Book - Application.

<sup>21</sup> Directly or by issuing guidelines to Group Entities to be developed depending on type of methodology (direct supervision of Group-wide methodologies and risk measurement methodologies for the counterparties of UniCredit S.p.A. through guidelines on methodologies developed locally).

<sup>22</sup> Directly validating with direct supervision on group-wide methodologies/ for which UniCredit S.p.A. is competent, indirect on local methodologies.

<sup>23</sup> Liquidity, Business, Real Estate, Financial Investments, Reputational, Strategic

<sup>24</sup> "Non-Performing Exposure: exposures (loans, debt securities, off-balance-sheet items) other than held for trading that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past-due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due. Non-performing exposures include the defaulted and impaired exposures. The total NPE is given by the sum of non-performing loans, non-performing debt securities and nonperforming off-balance-sheet items" (Source: ECB NPL GUIDANCE).

## Part E - Information on risks and hedging policies

- performing second-level checks on the risks of the treasury and credit treasury portfolios within the Group and the Parent company;
- analyzing and controlling, at Italian perimeter level, credit, operating and reputational risks generated by the activities of Italy Network and of the CIB Italy;
- carrying out the functional coordination of Legal Entities in its area of competence.

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

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

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

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

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

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

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

#### **1. Risk identification and mapping**

The first step is the identification and mapping of all risks embedded in the Group and relevant Legal Entities, with particular focus on the risks not explicitly covered by the Pillar 1 framework. The output of this activity is the Group Risk Map which includes all the risk types quantifiable by Internal Capital.

#### **2. Risk measurement and Stress Testing**

The second phase is the identification of the internal methodologies for measurement and quantification of the different risk profiles, resulting into the calculation of Group Internal Capital. Firm-wide stress tests are also performed as a fundamental part of a sound risk management process. The

## Part E - Information on risks and hedging policies

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

### 3. Risk Appetite setting and capital allocation

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

### 4. Monitoring and Reporting

Capital adequacy evaluation is a dynamic process that requires a regular monitoring to support the decision making process.

The Bank monitors its main risk profile with a frequency coherent with the nature of each single risk; on top of this, a quarterly reporting of integrated risks and Risk Appetite evolution is performed and reported to the relevant Risk Committees and Governing Bodies, in order to set and implement and efficient and effective ICAAP framework.

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

- loss absorbency;
- permanence;
- flexibility of payments.

Since these criteria are the same identified by Regulators to calculate regulatory Own Funds, the amount of regulatory Own Funds is the natural basis for the quantification of AFR. Under Going Concern approach, AFR are computed under the assumption that the Bank remains compliant with all the accounting and regulatory standards.

The ratio between AFR and IC is the *Risk Taking Capacity* ("RTC"). This ratio must be above 100% (AFR>IC) in order to avoid that risk exposures are not higher than the Available Financial Resources. RTC is one of the key indicators included in the Group RAF dashboard on which the Bank leverages to guide the selection of the desired risk-return profile in alignment with its business strategies.

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

The main goals of UniCredit group's Risk Appetite are:

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

The *Group Risk Appetite* is defined consistently with UniCredit group business model. For this purpose, *Group Risk Appetite* is integrated in the budget process, in order to guide the selection of the desired risk-return profile in alignment with the Strategic Plan guidelines and at inception of the budget process.

UniCredit *Compensation Policy* is consistent with *Group Risk Appetite* to allow the effective implementation of risk reward remuneration for bonus definition and payments.

## Part E - Information on risks and hedging policies

The structure of the Risk Appetite in UniCredit includes the Group Risk Appetite Statement and the Group Risk Appetite KPIs Dashboard.

The Risk Appetite Statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external stakeholders' expectations and includes:

- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in coherence with the Group's overall strategy;
- an indication on strategies to manage key risks within the perimeter of the Group;
- qualitative statements for not quantifiable risks (e.g. reputational) in order to ensure prevention/early intervention on emerging risks.

The quantitative elements of the Risk Appetite Framework instead are represented by a Dashboard, composed by a set of KPIs, based on the analysis of the expectations of UniCredit group internal and external stakeholders, which addresses the following dimensions, including material risks to which the Group is exposed to:

- Pillar 1 KPIs: to guarantee at any time the fulfilment of the KPIs requested by Regulators (e.g. Common Equity Tier 1 Ratio, Risk Taking Capacity, Liquidity Coverage Ratio), including KPIs which are of primary importance for steering the Group B&S;
- Managerial KPIs: to include KPIs which are key from strategic and Risk Appetite standpoint; consistently with lean Parent Company steering (e.g. Credit Risk, Liquidity Risk and Profitability);
- Specific Risks KPI: complementary with the above categories, to ensure steering of all key risks (e.g. Market Risk, Operational Risk, Interest Rate Risk, Shadow Banking, Risk Culture).

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

Various levels of thresholds are defined such to act as early warning indicators anticipating potential risk situations that will be promptly escalated at relevant organisational level. In the event that specific Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The following thresholds are identified (on certain KPIs, not all the thresholds may be meaningful):

- *Targets* represent the amount of risk the Group is willing to take on in normal conditions in coherence with Group *Ambition*. They are the reference thresholds for the development and steering of the business;
- *Triggers* represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a *Warning Level*, and are set consistently to assure that the Group can operate, even under stress conditions;
- *Limits* are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

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

According to the EBA guidelines, every year ICAAP information are collected for SREP purposes and sent to the Regulator. The Board of Directors, that authorises the sending of this information to the Authorities, also acknowledges that the risk governance of the Group is deemed adequate, guaranteeing that the risk management system in place is in line with the risk profile and strategy of the Group. Moreover, the Chairman of the Board of Directors, the CEO, the Co-Chief Operating Officer and the Chief Risk Officer declared in the Capital Adequacy Statement submitted to the last Board of Directors held on 11 April 2018 that the current Capital of the Group is adequate to cover its risk profile and the operation of its business model, which is also grounded on the actions planned within the MYP "Transform 2019". In addition the usage of the RAF as a key tool and cornerstone for risk strategy appraisal will continue to represent a fundamental pillar of the ICAAP and allow to activate prompt actions in case of regulatory and/or internal capital trigger/limit breaches.

## Part E - Information on risks and hedging policies

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

ASSETS	AMOUNTS AS AT 31.12.2018		
	IFRS	Regulatory	Delta <sup>(1)</sup>
10. Cash and cash balances	30,991,361	31,348,832	357,471
20. Financial assets at fair value through profit or loss:	86,137,755	86,474,140	336,385
a) financial assets held for trading	65,231,474	65,584,737	353,263
b) financial assets designated at fair value	106	106	-
c) other financial assets mandatorily at fair value	20,906,175	20,889,297	(16,878)
30. Financial assets at fair value through other comprehensive income	88,280,157	90,046,795	1,766,638
40. Financial assets at amortised cost:	579,310,842	600,214,380	20,903,538
a) loans and advances to banks	73,642,827	76,607,113	2,964,286
b) loans and advances to customers	505,668,015	523,607,267	17,939,252
50. Hedging derivatives	4,681,517	4,901,190	219,673
60. Changes in fair value of portfolio hedged items (+/-)	2,438,598	2,440,437	1,839
70. Equity investments	5,501,533	4,498,318	(1,003,215)
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	8,408,356	7,073,586	(1,334,770)
100. Intangible assets	3,507,246	3,562,507	55,261
<i>of which: goodwill</i>	1,483,721	1,483,721	-
110. Tax assets:	13,077,671	13,118,149	40,478
a) current	1,031,863	1,011,376	(20,487)
b) deferred	12,045,808	12,106,773	60,965
120. Non-current assets and disposal groups classified as held for sale	1,799,936	1,680,643	(119,293)
130. Other assets	7,333,752	9,009,800	1,676,048
<b>Total assets</b>	<b>831,468,724</b>	<b>854,368,777</b>	<b>22,900,053</b>

(€ '000)



## Part E - Information on risks and hedging policies

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2018		
	IFRS	Regulatory	Delta <sup>(*)</sup>
10. Financial liabilities at amortised cost:	686,036,242	704,610,892	18,574,650
a) deposit from banks	125,895,243	128,584,820	2,689,577
b) deposit from customers	478,987,709	492,901,729	13,914,020
c) debt securities in issue	81,153,290	83,124,343	1,971,053
20. Financial liabilities held for trading	43,111,236	43,532,706	421,470
30. Financial liabilities designated at fair value	9,317,731	9,815,950	498,219
40. Hedging derivatives	6,032,029	6,094,938	62,909
50. Value adjustment of hedged financial liabilities (+/-)	3,229,796	3,229,796	-
60. Tax liabilities:	824,740	837,101	12,361
a) current	401,717	437,527	35,810
b) deferred	423,023	399,574	(23,449)
70. Liabilities associated with non-current assets held for sale	539,987	500,774	(39,213)
80. Other liabilities	13,950,607	16,149,582	2,198,975
90. Provision for employee severance pay	697,592	697,199	(393)
100. Provision for risks and charges:	10,960,983	12,124,289	1,163,306
a) commitments and guarantees given	1,140,057	1,198,447	58,390
b) post retirement benefit obligations	4,767,399	4,794,147	26,748
c) other provisions for risks and charges	5,053,527	6,131,695	1,078,168
110. Technical reserves	-	-	-
120. Valuation reserves	(7,489,131)	(7,489,131)	-
130. Redeemable shares	-	-	-
140. Equity instruments	4,610,073	4,610,073	-
150. Reserves	20,502,728	20,502,728	-
160. Share premium	13,392,918	13,392,918	-
170. Share capital	20,940,398	20,940,398	-
180. Treasury shares (-)	(8,826)	(8,826)	-
190. Minority shareholders' equity (+/-)	927,182	934,951	7,769
200. Net profit (Loss) for the year (+/-)	3,892,439	3,892,439	-
<b>Total liabilities and shareholders' equity</b>	<b>831,468,724</b>	<b>854,368,777</b>	<b>22,900,053</b>

**Note:**

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

## Part E - Information on risks and hedging policies

### Section 1 - Risks of the accounting consolidated perimeter

#### Quantitative information

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

#### A. Credit quality

For the purposes of the disclosure of quantitative information about credit quality, the term "credit exposures" does not include equity instruments and units in investment funds except for table A.2.1 - Banking group - Balance Sheet and off-Balance Sheet credit exposure by external rating class, in which units in investment funds are included.

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

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

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

(€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	5,800,228	8,532,518	576,943	13,192,039	551,209,114	579,310,842
2. Financial assets at fair value through other comprehensive income	41	-	-	-	86,448,983	86,449,024
3. Financial assets designated at fair value	-	-	-	-	106	106
4. Other financial assets mandatorily at fair value	15,497	71,472	32	550	18,989,688	19,077,239
5. Financial instruments classified as held for sale	6,201	54,376	384	56,295	593,550	710,806
<b>Total 12.31.2018</b>	<b>5,821,967</b>	<b>8,658,366</b>	<b>577,359</b>	<b>13,248,884</b>	<b>657,241,441</b>	<b>685,548,017</b>
<b>Total 12.31.2017</b>	-	-	-	-	-	-

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

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

(€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	OTHER NON-PERFORMING EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	4,830	26,318	-	-	101,089,212	101,120,360
2. Held-to-maturity financial instruments	-	7,077	-	-	6,269,945	6,277,022
3. Loans and receivables with banks	186	4,999	1	-	70,977,557	70,982,743
4. Loans and receivables with customers	9,498,270	11,023,722	660,247	9,372	426,535,302	447,726,913
5. Financial assets at fair value	-	22,374	-	-	21,519,228	21,541,602
6. Financial instruments classified as held for sale	432	102,114	-	-	204,395	306,941
<b>Total 12.31.2017</b>	<b>9,503,718</b>	<b>11,186,604</b>	<b>660,248</b>	<b>9,372</b>	<b>626,595,639</b>	<b>647,955,581</b>

## Part E - Information on risks and hedging policies

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

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	38,163,140	23,253,451	14,909,689	2,766,103	567,004,696	2,603,543	564,401,153	579,310,842
2. Financial assets at fair value through other comprehensive income	69	28	41	-	86,489,336	40,353	86,448,983	86,449,024
3. Financial assets designated at fair value	-	-	-	-	X	X	106	106
4. Other financial assets mandatorily at fair value	198,772	111,771	87,001	-	X	X	18,990,238	19,077,239
5. Financial instruments classified as held for sale	95,645	34,684	60,961	79	654,037	4,192	649,845	710,806
<b>Total 12.31.2018</b>	<b>38,457,626</b>	<b>23,399,934</b>	<b>15,057,692</b>	<b>2,766,182</b>	<b>654,148,069</b>	<b>2,648,088</b>	<b>670,490,325</b>	<b>685,548,017</b>
<b>Total 12.31.2017</b>	-	-	-	-	-	-	-	-

Note:

(\*) Value shown for information purposes.

(€ '000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	147,957	94,406	55,747,087
2. Hedging derivatives	-	-	4,681,517
<b>Total 12.31.2018</b>	<b>147,957</b>	<b>94,406</b>	<b>60,428,604</b>
<b>Total 12.31.2017</b>	-	-	-

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

## A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Available-for-sale financial assets	55,898	24,750	31,148	101,089,212	-	101,089,212	101,120,360
2. Held-to-maturity financial instruments	8,197	1,120	7,077	6,269,945	-	6,269,945	6,277,022
3. Loans and receivables with banks	55,469	50,283	5,186	71,002,851	25,294	70,977,557	70,982,743
4. Loans and receivables with customers	48,431,952	27,240,341	21,191,611	428,550,015	2,014,713	426,535,302	447,726,913
5. Financial assets at fair value	23,469	1,095	22,374	X	X	21,519,228	21,541,602
6. Financial instruments classified as held for sale	173,698	71,152	102,546	204,834	439	204,395	306,941
<b>Total 12.31.2017</b>	<b>48,748,683</b>	<b>27,388,741</b>	<b>21,359,942</b>	<b>607,116,857</b>	<b>2,040,446</b>	<b>626,595,639</b>	<b>647,955,581</b>

## Breakdown of credit exposures by portfolio and credit quality - Financial assets held for trading and Hedging instruments (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	214,774	311,534	59,065,991
2. Hedging derivatives	-	-	3,431,070
<b>Total 12.31.2017</b>	<b>214,774</b>	<b>311,534</b>	<b>62,497,061</b>

## Part E - Information on risks and hedging policies

### B. Structured entities (other than entities for securitisation transaction)

#### B.1 Consolidated structured entities

The Group has involvements in structured entities that are consolidated because it has both power on the underlying assets and exposure to variability of returns arising from the structured entities activities as a result of the financial instruments subscribed.

The consolidated structured entities of the Group belong to one of the following categories:

- **Leasing SPV:** these structured entities are set-up by the Group in order to meet the needs of customers interested into entering into finance leasing. The Group provides funding to these structured entities, both in form of equity and in form of loans. Such funding is used by structured entities to buy assets (real estate, equipment, etc.) that are leased to a customer under a finance leasing contract;
- **Project finance SPV:** these structured entities are set-up in order to finance capital intensive projects according to the need of specific customers. Typically the funds needed to develop the project are provided by the customer, in form of equity and by the Group in form of loans. The Group consolidates such structured entities as a result of deterioration of the credit worthiness of the customer and subsequent acquisition of the right to manage the project;
- **Real estate SPV:** these structured entities are entities that have been set-up in order to fund real estate projects used in the business by the Group or that have been acquired in the course of credit recovery processes;
- **Funding SPV:** these structured entities are set-up by the Group so to gather funding in specific markets that is guaranteed by a Group Legal entity. This funding is then transferred to the group legal entity that guarantees it;
- **Investment funds:** these structured entities are open ended and closed ended investment funds that the Group controls under IFRS10 having acquired enough quotas to expose it to variability of returns and the ability to manage, directly and indirectly, the underlying portfolio;
- **Warehousing SPV:** these structured entities are set-up in order to subsequently perform securitisation transactions. In particular they purchase mortgages in specific markets and from different originators until a "critical mass" that allow to perform securitisation is reached. The purchases of mortgages are funded through loans provided by the Group.

During the period the Group has not provided financial support to consolidated structured entities, other than those for securitisation transactions, in absence of contractual obligation to do so and it doesn't have current intention to provide such support.

The following table provides on balance sheet and off balance sheet, non revocable credit line and financial guarantees, provided by Group companies to consolidated structured entities.

These exposures are eliminated in the consolidation process.

(€ '000)

BALANCE SHEET ITEM/SPV TYPE	TOTAL ASSETS (A)	OFF BALANCE SHEET EXPOSURES
Leasing SPV	1,982,387	-
Project Finance SPV	1,310,453	-
Real Estate SPV	24,159	10,050
Funding SPV	306,688	-
Investment funds	968,752	-
Warehousing SPV	-	-
<b>Total</b>	<b>4,592,439</b>	<b>10,050</b>

## Part E - Information on risks and hedging policies

### B.2 Non-consolidated for accounting purposes structured entities

#### B.2.1. Consolidated for regulatory purposes structured entities

The Group has not exposure toward structured entities consolidated for regulatory purpose but that are not consolidated for accounting purpose.

#### B.2.2. Other structured entities

##### Qualitative information

The Group has exposure toward unconsolidated structured entities either as a result of its lending activities or through the investments in quotas issued by funds that are structured entities under IFRS12 definition.

In particular, unconsolidated structured entities in which the Group is exposed to belong to the following categories:

- **Acquisition and Leveraged Finance structured entities** are set up for providing funding for the acquisition of a target business, where sponsors participate with equity contribution and lenders structure their facilities according to the cash flow profile of the target. The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the sponsor.

The Group has no control over these structured entities because it neither manages the company whose acquisition is being financed nor is significantly exposed to the associated variability of returns;

- **Leasing structured entities** are set-up to buy an asset and rent it to customers (based on a financial leasing contract). The funding is provided through loans, and the structured entities are the owner of the asset. At the end of the contract the asset is usually sold to the customer at a price usually equal to the residual value defined by the contract.

The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1.

In particular, the contracts ruling such transactions and associated guarantees ensure that the Group has no control over these structured entities because it neither manages the activities of the structured entities nor is significantly exposed to variability of returns of the leased assets;

- **Market Related structured entities** are set-up in order to allow customers to invest into financial instruments having features, in term of currency of denomination or interest rate, different from those offered in the market. In this context the Group maintains exposures against these vehicles that, however, do not transfer to the Group the main risks of the underlying;

- **Notes issuing structured entities** are structured entities that issue security different from ABS that are backed up by certain type of assets. These include covered bonds issued by third parties.

The Group does not control these structured entities as it has neither the ability to manage the underlying assets nor retains significant exposures to its variability of returns;

- **Project Finance structured entities** are structured entities set up for the financing capital intensive business initiatives, where customers participate with equity contribution. The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the customers.

The Group has no control over these structured entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability of returns;

- **Real Estate structured entities** are set-up for the financing of specific real estate initiatives. In these structures the customers, typically commercial and residential development companies and institutional investors set up the structured entities and provides the equity. The Group provides funding according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the customers.

The Group has no control over these structured entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability of returns;

- **Shipping and Aircraft structured entities** are set up for the building or the acquisition of a ship or an aircraft that is then used by the customers in the context of their business activities.

The Group provides funding to these structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the customers.

The Group has no control over these structured entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability of returns;

- **Warehousing structured entities** support subsequent securitisation transactions through the purchase of mortgages in specific markets and from different originators until a "critical mass" that allows to perform such securitisation is reached;

- **Investments funds** comprise open ended and closed ended investment funds in which the Group has subscribed quotas or provided loans.

##### Quantitative information

The following table provides indication on assets, liabilities and off-balance sheet exposures recognised in the balance sheet of the Group held towards SPVs different from non-consolidated securitisation vehicles and broken down by role of the Group.

The maximum exposure to loss has been calculated by grossing up the difference between assets and liabilities with off balance sheet positions (irrevocable credit lines and financial guarantees) held toward these vehicles reported in column "difference between maximum exposure to loss and accounting value".

## Part E - Information on risks and hedging policies

## Exposure to structured entities different from Securitisation SPV not consolidated for accounting purposes

(€ '000)

AMOUNTS AS AT 12.31.2018							
BALANCE SHEET ITEM/SPV TYPE	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
<b>Acquisition and Leverage Finance SPV</b>		<b>261,521</b>		<b>24,266</b>	<b>237,255</b>	<b>282,922</b>	<b>45,667</b>
	HFT	-	Deposits	24,266			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	261,521		-			
<b>Leasing SPV</b>		<b>103,322</b>		<b>559</b>	<b>102,763</b>	<b>102,980</b>	<b>217</b>
	HFT	-	Deposits	559			
	DFV	-	Securities	-			
	MFV	5,511	HFT	-			
	FVOCI	-	DFV	-			
	AC	97,811		-			
<b>Market Related SPV</b>		<b>931,386</b>		<b>4,130</b>	<b>927,256</b>	<b>942,398</b>	<b>15,142</b>
	HFT	3,095	Deposits	4,130			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	928,291		-			
<b>Notes Issuing Vehicles</b>		<b>63,435</b>		-	<b>63,435</b>	<b>78,991</b>	<b>15,556</b>
	HFT	5,277	Deposits	-			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	58,158		-			
<b>Project Finance SPV</b>		<b>1,310,389</b>		<b>327,006</b>	<b>983,383</b>	<b>1,091,721</b>	<b>108,338</b>
	HFT	-	Deposits	327,006			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	1,310,389		-			
<b>Real Estate SPV</b>		<b>4,188,751</b>		<b>463,251</b>	<b>3,725,500</b>	<b>4,063,270</b>	<b>337,770</b>
	HFT	-	Deposits	463,251			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	52,621	DFV	-			
	AC	4,136,130		-			
<b>Shipping Aircraft SPV</b>		<b>130,403</b>		<b>121</b>	<b>130,282</b>	<b>138,825</b>	<b>8,543</b>
	HFT	-	Deposits	121			
	DFV	-	Securities	-			
	MFV	-	HFT	-			
	FVOCI	-	DFV	-			
	AC	130,403		-			
<b>Warehousing SPV</b>		<b>111</b>		-	<b>111</b>	<b>111</b>	<b>-</b>
	HFT	-	Deposits	-			
	DFV	-	Securities	-			
	MFV	111	HFT	-			
	FVOCI	-	DFV	-			
	AC	-		-			
<b>Total</b>		<b>6,989,318</b>		<b>819,333</b>	<b>6,169,985</b>	<b>6,701,218</b>	<b>531,233</b>

## Notes:

HFT = Financial assets held for trading  
 DFV = Financial assets designated at fair value  
 MFV = Financial assets mandatorily at fair value  
 FVOCI = Financial assets at fair value through other comprehensive income  
 AC = Financial assets at amortized cost

Deposits = Deposits from Customers  
 Securities = Debt securities in issue  
 HFT = Financial liabilities held for trading  
 DFV = Financial liabilities designated at fair value

The following table provides indication on assets, liabilities and off-balance sheet exposures recognised in the balance sheet of the Group held towards not consolidated investment funds.

## Part E - Information on risks and hedging policies

## Exposure to structured entities different from Securitization SPV not consolidated for accounting purposes - Investment funds

(€ '000)

BALANCE SHEET ITEM/SPV TYPE	AMOUNTS AS AT 12.31.2018						DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	
<b>Real Estate investment funds</b>		<b>4,358,459</b>		<b>1,551,419</b>	<b>2,807,040</b>	<b>3,491,071</b>	<b>684,031</b>
	HFT	29,401	Deposits	1,551,419			
	DFV	-	Securities	-			
	MFV	191,049	HFT	-			
	FVOCI	-	DFV	-			
	AC	4,138,009		-			
<b>Mixed Asset investment funds</b>		<b>798,997</b>		<b>805,919</b>	<b>-6,922</b>	<b>-5,022</b>	<b>1,900</b>
	HFT	603,111	Deposits	800,779			
	DFV	-	Securities	-			
	MFV	27,056	HFT	5,140			
	FVOCI	-	DFV	-			
	AC	168,830		-			
<b>Equity investment funds</b>		<b>858,088</b>		<b>311,355</b>	<b>546,733</b>	<b>562,276</b>	<b>15,543</b>
	HFT	508,339	Deposits	306,257			
	DFV	-	Securities	-			
	MFV	19,638	HFT	5,098			
	FVOCI	-	DFV	-			
	AC	330,111		-			
<b>Private Equity / Debt investment funds</b>		<b>683,272</b>		<b>36,110</b>	<b>647,162</b>	<b>653,407</b>	<b>6,245</b>
	HFT	338	Deposits	36,110			
	DFV	-	Securities	-			
	MFV	682,926	HFT	-			
	FVOCI	-	DFV	-			
	AC	8		-			
<b>Fixed Income investment funds</b>		<b>778,059</b>		<b>510,168</b>	<b>267,891</b>	<b>267,891</b>	<b>-</b>
	HFT	713,357	Deposits	506,526			
	DFV	-	Securities	-			
	MFV	44,402	HFT	3,642			
	FVOCI	-	DFV	-			
	AC	20,300		-			
<b>Other investment funds</b>		<b>257,315</b>		<b>731,566</b>	<b>-474,251</b>	<b>-341,628</b>	<b>132,623</b>
	HFT	20,596	Deposits	709,668			
	DFV	-	Securities	2,027			
	MFV	5,029	HFT	19,871			
	FVOCI	-	DFV	-			
	AC	231,690		-			
<b>Total</b>		<b>7,734,190</b>		<b>3,946,537</b>	<b>3,787,653</b>	<b>4,627,995</b>	<b>840,342</b>

## Notes:

HFT = Financial assets held for trading  
 DFV = Financial assets designated at fair value  
 MFV = Financial assets mandatorily at fair value  
 FVOCI = Financial assets at fair value through other comprehensive income  
 AC = Financial assets at amortized cost

Deposits = Deposits from Customers  
 Securities = Debt securities in issue  
 HFT = Financial liabilities held for trading  
 DFV = Financial liabilities designated at fair value



## Part E - Information on risks and hedging policies

The Group acts, through its subsidiaries, as manager of investment funds that are considered structured entities and in which it has no exposure at the reporting date.

The following table reports the income recognised during the period on this business.

### Nature of income from sponsored unconsolidated Structured Entities (different from securitization and covered bond): breakdown by entity type

(€ '000)

ENTITY TYPE	YEAR 2018			
	INTEREST INCOME	FEES AND COMMISSIONS	GAIN (LOSS) ARISING FROM DISPOSAL	OTHER INCOME
Acquisitions and leveraged finance SPVs	-	-	-	-
Leasing SPVs	-	-	-	-
Market Related structuring SPVs	-	-	-	-
Note Issuing Vehicles	-	-	-	-
Project finance SPVs	-	-	-	-
Real estate SPVs	-	-	-	-
Shipping/Aircraft SPVs	-	-	-	-
Investment funds	131	51,189	269	857
<b>Total</b>	<b>131</b>	<b>51,189</b>	<b>269</b>	<b>857</b>

### Assets transferred to sponsored unconsolidated Structured Entities (different from securitization and covered bond): breakdown by entity type

No data to be disclosed.

## Section 2 - Risks of the prudential consolidated

### 2.1 Credit risk

#### Qualitative information

##### 1. General aspects

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

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

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

With reference to credit risk management topics, the mechanisms of interaction between the Parent company and the Group Legal Entities are defined by specific credit governance rules that, on one side, regulate the respective responsibilities and, on the other, ensure the compliance of the overall credit risk framework with the regulatory context which the Parent Company is subject to.

Within its role of guidance, support and control, the Parent company acts in the following areas: credit rules (principles, policies and processes), credit strategies and credit risk limits, models development, rating systems validation, large exposures management, issuance of credit products, monitoring and reporting portfolio credit risk.

In line with such credit governance rules, the legal entities request the Group Lending Office's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups whenever these credit lines exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

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

According to the role assigned by the Group governance to the Parent company, specifically to the Group Risk Management function, general provisions are established ("General principles for credit activities") defining Group-wide rules and principles for guiding, governing and

## Part E - Information on risks and hedging policies

standardising the credit risk assessment and management, in line with the regulatory requirements and the Group best practice. Such general provisions are further supplemented by policies which, regulating specific topics (e.g. business areas, segment activities, type of counterpart/transaction), are divided into two categories:

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

At both legal entity and Parent company level, the policies (if necessary) are further detailed through operating instructions that describe specific rules supporting the execution of day-by-day activities.

Credit Policies, which usually have a static approach and are revised when necessary (e.g. in case of evolution of the external regulatory framework), are supplemented by Credit Risk Strategies (approved by UniCredit Board of Directors in the context of the Risk Appetite Framework) which, instead, are updated at least once a year and define with which customers/products, industry segments and geographical areas the Group and the Group legal entities intend to develop their credit business.

More in general, the Group Credit Strategies are an effective tool for managing credit risk, contributing to the definition of the budget objectives in line with the Group's Risk Appetite, of which they are an integral part. They also constitute a management tool as they translate the metrics defined within the Risk Appetite into concrete form.

On the basis of the macroeconomic and credit scenario, the outlook at the economic sector level, as well as the business initiatives/strategies, the Credit Strategies provide a set of guidelines and operational targets aimed at the countries and business segments in which the Group work and are performed on the operating structures of each Group company and included in their respective commercial policies. The ultimate goal is to ensure sustainable commercial growth, consistent with the risk profile of each company, remaining within the limits defined by the Group risk appetite framework.

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

In compliance with the relevant regulatory framework, UniCredit group manages the credit risk of concentration through specific limits that represent the maximum risk that the Group intends to accept with regard to:

- Individual counterparties or groups of connected counterparties (Single Name Bulk Risk);
- Counterparties belonging to the same economic sector (Industry Concentration Risk).

The results of stress test simulations related to Expected Loss are an integrated part of the definition of Credit Strategies.

With specific reference to governance issues, commercial policies and credit strategies relating to the UniCredit S.p.A. perimeter, useful for integrating the general contents valid at Group level, please refer to paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section 1 - Credit Risk - Qualitative information - 1. General Aspects which is herewith quoted entirely.

### 2. Credit risk management policies

#### 2.1 Organisational Aspects

##### *Factors that generate credit risk*

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

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

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

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

## Part E - Information on risks and hedging policies

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

### *Organisational structure*

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

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

which internally have different organisational levels:

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

Regarding Group Risk Management, Holding Functions with responsibilities at Group level include:

- the "Group Credit & Integrated Risks" structure responsible, at Group level, for credit risk strategies definition, monitoring and controlling the credit risk of Group portfolio as well as ensuring an integrated view across Pillar One and Two risks to Top Management; furthermore ensures that risk control activities, relating to risk assumed in UniCredit S.p.A. Foreign Branches and Special Entities (e.g. Special Purpose Vehicles/SPV, Obbligazioni bancarie Garantite/OBG) are monitored and reported to the Group Credit risk Officer and to Top Management;
- the "Group Risk Models & Credit Risk Governance" structure responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar One Credit and Financial risk models as well as the related methodologies. Furthermore, it is responsible for defining credit risk processes standards and cooperating with other Group competent functions on Risk Weighted Assets/RWA contents;
- the "Group Internal Validation" structure responsible for validating, at Group level, the risk measurement methodologies, the related processes, the IT components and the data quality, for Pillar One and Pillar Two risks, the main managerial models and the Group Risk reporting, as defined in the Internal Validation Global Policy, providing adequate reporting for Company Bodies and Supervisory Authority. Furthermore, it is responsible to: coordinate the issuing of Global rules in perimeter, checking their approval and implementation in Group legal entities; manage the Group monitoring process for the recommendation issued following validation activities; check, in its competence area, the consistency and implementation of adopted corrective measures based on Supervisory Authority requests on IRB models; coordinate the preparation and update of the Group Validation plan, and monitor its execution; coordinate and prepare the reporting on validation activities outcomes;
- the "CRO CEE" structure, responsible for the management and control of credit operations activities and for credit risk steering of "CEE Division" and for the comprehensive view and the coordination in the management of different types of risks (e.g. credit, financial, operational, reputational risks) in CEE Division and CEE legal entities, together with the risk management responsible functions. It is responsible for credit operation activities for the "CEE Division" files booked in UniCredit S.p.A. as well as for credit risk steering and control activities over the "CEE Division" with regard to credit risk retail and corporate topics;
- the "Group NPE" structure, responsible for developing the strategy and overseeing the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the whole Group.

Regarding Group Lending Office, Functions with responsibilities at Group level include:

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

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

With reference to the Italian perimeter of UniCredit S.p.A., reporting to the "Group Lending Office", please refers to the paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section 1 - Credit Risk - Qualitative information - 2. Credit risk management policies - 2.1 Organizational aspects which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

With respect to credit risk, the following specific Committees are active:

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

Specific Committees related to UniCredit S.p.A. are described in the paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section 1 - Credit Risk - Qualitative information - 2. Credit risk management policies - 2.1 Organizational aspects which is herewith quoted entirely.

### 2.2 Credit Risk Management, Measurement and Control

The credit risk, associated to the potential loss arising either from a default of the borrower/issuer or from a decrease in the market value of a financial obligation due to a deterioration in its credit quality<sup>25</sup>, is measured at both single borrower/transaction and at whole portfolio level.

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

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

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

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

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

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

<sup>25</sup> On this topic UniCredit group is exploring new approaches to cover also the market value component of Banking Book credit risk.

## Part E - Information on risks and hedging policies

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

There are three fundamental portfolio credit risk measures which are calculated and evaluated on a one year time horizon:

- Expected Loss (“EL”);
- Credit Value at Risk (Credit “VaR”);
- Expected Shortfall (“ES”).

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

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

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

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

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

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

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

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

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

In order to determine capital requirements for credit and operational risks, UniCredit Group uses the IRB Advanced approach, as stated by Banca d'Italia act No.365138 dated 28 March 2008.

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 Luxembourg S.A. (merged with UCB AG since July 2018), UniCredit Leasing GMBH and Subsidiaries, UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Bank Czech Republic a.s. (both for Czech Republic and Slovakia), UniCredit Bank Ireland plc., UniCredit Bank Hungary, UniCredit Bank Romania a.s. and Ao UniCredit Bank in Russia.

## Part E - Information on risks and hedging policies

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

**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 which IRB regulatory use is prudentially planned after the completion of models' revision.

**Keywords:**

UCI: UniCredit S.p.A.

UCB AG: UniCredit Bank AG (including UniCredit Luxembourg S.A. that has been merged with UCB AG since July 2018)

UCBA AG: UniCredit Bank Austria AG

UCB IE: UniCredit Bank Ireland p.l.c.

UCL GMBH: UniCredit Leasing GMBH and Subsidiaries (Unicredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH)

UCB Slo: UniCredit Banka Slovenija d.d.

UCB BG: UniCredit Bulbank AD

UCB CZ: UniCredit Bank Czech Republic, a.s.

UCB HU: UniCredit Hungary

UCB SK: former UniCredit Bank Slovakia a.s branch of UniCredit Bank Czech Republic, a.s. since December 2013

UCB RO: UniCredit Bank Romania a.s.

AO UCB: Ao UniCredit Bank (Russia)



## Part E - Information on risks and hedging policies

With reference to the strategies of credit risk management, the use of Credit Risk Stress Test is considered of particular importance because its objective is to analyse portfolio vulnerability in case of an economic downturn or a structural change of the macroeconomic framework. In performing the stress test exercise, different scenarios are considered, based on increasing levels of severity. In addition, scenarios may also be defined based on specific economic hypotheses.

The credit stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters (PD/LGD). Within the wider stress testing framework the models serve as basis for calculating the stressed PD/LGD projections under the Adverse Scenarios. They are used as well for the estimation of Forward Looking component within IFRS9 framework.

As regards the modelling methodology the current framework envisages two different approaches for High and Low default portfolios. Notably for high default portfolios (Retail, SME and Mid corporate) the internal historical data have been used to estimate, at cluster level (Country/Asset Class) direct relationship between default and recovery rate and macro-economic factors. However with regard the low default portfolios (e.g. Multinational, Banks, Sovereigns) for which no enough internal data are available, the historical financial statements are used to model a relationship between key financial items (which are inputs of the rating systems) and macro-economic factors. The projected key rating drivers, based on the macro-economic factors, are then used as input of the Internal Rating System in order to obtain the final stressed PD/LGD at counterpart level. Stress testing exercises is performed twice a year based on three scenarios both for normative (Pillar I) and economic (Pillar II) perspective.

Pillar 1 stressed metrics (LLP and RWA) are calculated according to the EBA methodology. Pillar II stress metrics (EC and AFR) are calculated according to the following methodology:

- Credit Economic Capital: Stressed PDs and LGDs are used as a basis to recalculate VaR and Economic Capital with CPM tool in each of the stressed scenarios. The Stressed Value at Risk refers to a VaR simulation where the underlying risk factors are stressed from normal to adverse case. In particular, the Stressed Value at Risk is intended to replicate a Value at Risk calculation that would be generated on the bank's current portfolio if the relevant risk factors were experiencing a period of stress.
- AFR: the amount stemming from the difference between the Stressed Expected Loss (calculated based on PD-TTC and LGD-TTC) and the actual Expected losses is deducted from AFR.

### 2.3 Measurement methods for expected losses

#### *Risk management practices*

The Credit Risk Management, Measurement and Control processes described in the previous paragraph, are also reference for the calculation of impairment of Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures as required by IFRS9.

For this purpose the calculation of impairment in accordance with expected credit losses is based on two main pillars:

- the stage allocation of the credit exposure;
- the associated calculation of expected credit loss

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

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

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

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

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



## Part E - Information on risks and hedging policies

In particular, EBA<sup>26</sup> has defined as “Non-Performing” exposures that meet one or both of the following criteria:

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

With reference to the quantitative component of the stage allocation model, the Group has adopted a statistic approach based on a quantile regression whose goal is to define a threshold in terms of maximum variation acceptable between the PD measure at the disbursement and the one at the reference date.

Fundamental part of the model is the definition of the quantile which identifies the stage 2 quota expected on average in the long time horizon. The medium long term quantile is determined based on the average expectation of portfolio deterioration calculated considering the default rate as well as one of the other deterioration stages of deterioration (e.g.: past-due 30 days).

The exposures amount classified in stage 2 for each reporting date will fluctuate around the long term quantile on the basis of the current economic conditions as well as expectations about the future economic cycle.

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

The result of stage allocation affects the amount of expected credit losses recognized in financial statements. Indeed for exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.

For exposures in Stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

To calculate expected loss, the Group has developed specific models based on PD, LGD and EAD parameters and the effective interest rate. In particular:

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

Such parameters are calculated starting from the same parameters applied for regulatory purposes specifically adjusted in order to guarantee full consistency, a part from the different requirements, between accounting and regulatory treatment.

Main adjustments are aimed at:

- removing the conservatism required purely for regulatory purposes;
- introducing “point in time” adjustments substituting the “through-the-cycle” view required by the regulation;
- including “forward looking” information;
- extending credit risks parameters to a multi years horizon.

With reference to “lifetime” PD, PD curves calculated through-the-cycle are calibrated to reflect the point-in-time and forward-looking expectation with reference to the portfolio default rate.

The recovery rate embedded in the LGD calculated along the economic cycle (“through-the-cycle”) is adjusted in order to remove the margin of conservatism and reflect the current trends in recovery rates as well as expectations about future trends discounted to the effective interest rate or its best approximation.

The EAD calculated along the instrument lifetime is determined by extending the prudential or managerial one-year model, removing the margin of conservatism and including expectations related to future average withdrawal levels of existing credit lines.

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

<sup>26</sup> The regulatory framework for the new definition of default will be integrated with the entry into force of the “Guidelines on the application of the definition of default under Article 178 of EU Regulation No.575/2013” (EBA/GL/2016/07) as of 1 January 2021.

## Part E - Information on risks and hedging policies

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

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

Specifically, the Group has selected three macroeconomic scenarios to determine the forward looking component, the baseline scenario, one positive scenario and one adverse scenario.

The baseline scenario is the reference central scenario and therefore is considered to be the most probable realization. Positive and adverse scenarios represent possible alternative realizations, respectively better and worst compared to the baseline in terms of evolution of the economies of the countries in which the Group operates:

- the Baseline Scenario reflects the macroeconomic evolution expected from the Group. It envisages a positive and stable economic growth, although in a slowing trend compared to 2018, both for the Eurozone and for most of the CEE countries, in a context where the short term interest rates in the Euro area are expected to be slightly growing even though they continue to be at historical low levels. In detail, the annual real GDP growth for the Eurozone is foreseen at +1.7% for 2019, +1.1% for 2020 and +1.3% for 2021 (with Italy at +0.8%, +0.5% and +0.7% and Germany at +1.7%, +1.5% and +1.7%, respectively); among CEE countries, with the exception of Turkey (whose GDP is expected in significant contraction in 2019), economic growth is expected between +2.8% and +3.9% in 2019. The Scenario implies that the 3 months Euribor stays slightly negative in 2019 and goes back to positive in 2020;
- the Positive Scenario is based on the hypothesis that the positive economic growth of 2018 both at global level and at European level only goes through a mild slowdown in 2019, sustained by the trend in the global commerce and by still accommodating economic policies. In this scenario, Eurozone would consolidate its growth results mainly due to the contribution of Germany, in acceleration until 2020, that would translate in a faster annual real GDP growth (with respect to the baseline scenario) between +0.2% and +0.6% in the 2019-2021 three-years horizon. More in detail, the annual growth of real GDP for the Eurozone would stay at +2% in 2019, slowing to +1.7% in 2020 and to +1.5% in 2021 (with Italy stable at +1% in 2019 and slowing to +0.9% in the subsequent two years) in a context of short term rates (3 months Euribor) still negative in 2019 and in continuous but slow increase in the 2020-2021 period, driven by a monetary policy tightening more aggressive than in the baseline scenario. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a trend of the economy better than the one assumed in the Baseline scenario;
- the Adverse Scenario reflects one of the scenarios used in the assessment process of capital adequacy (ICAAP). In coherence with ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Group foresees as most relevant in the context of the countries where the Group operates and for the Group's business activities. The scenario of Widespread Contagion is based on the hypothesis of intensification of political risks within the European Union, caused by an increased influence of populist parties in Italy, Germany and France alongside with, among others, the extension of tensions between Spanish government and Catalonia Region. This context would lead to an increase of the risk premiums for various asset classes and to a slowdown of the economic growth both in the Eurozone (lower of about one and a half percentage point per year with respect to the baseline scenario, in terms of real GDP growth in the three-years horizon) and in CEE countries. More in detail, the annual real GDP growth in the Eurozone would be +0.3% in 2019, -0.5% in 2020 and +0.5% in 2021 (with Italy at -0.6%, -1.6% and -0.5% respectively) in a context of short term rates (3 months Euribor) that would stay negative for the whole three-years horizon, based on the hypothesis that the ECB would prolong in such a market environment the liquidity support to markets. The occurrence of such scenario, at the time of its definition, is considered plausible and appropriate to quantify a potential adverse trend of the economy. In coherence with the scenario and with the magnitude of deviations from the baseline scenario, it is assumed that the Adverse scenario is less likely than the positive scenario.

With reference to impaired exposures (Stage 3) the expected recoverable amount, and therefore the expected credit loss, is the present value of future cash flows expected to be recovered, discounted at the original interest rate.

Therefore the main determinants of this value are:

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

Expected cash flows on defaulted exposures shall be calculated on an individual basis for "individually significant exposures".

Expected cash flows on already defaulted exposures that are not individually significant may be calculated either on an individual or a collective basis. Where a legal entity has a number of individually significant exposures towards one single counterparty, each loan is individually assessed while also considering the overall position of the counterparty.

Future cash flows must be estimated considering the historical trend of recovery for exposures having similar credit risk features. The historical trend in any case is adjusted so to embeds the current economic environment and the expected economic outlooks.

## Part E - Information on risks and hedging policies

Expectations for the recovery of positions classified as "Default" or Non Performing are based on:

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

In the assessment of impaired exposures (Stage 3), possible sales scenarios are also considered where the Group's NPL strategy envisages experiencing recovery through their sale to the market.

For this purpose, the presumed recovery value of credit exposures is determined as weighted average between two scenarios:

- internal recovery scenario, whose expected recovery value is estimated assuming an internal work-out process according to what has previously been described;
- sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is determined considering market or internal information based on the following hierarchy:
  - prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
  - prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
  - internal evaluation models.

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

### 2.4 Credit Risk Mitigation Techniques

UniCredit group uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistent with the "Regulation (EU) No.575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and amending Regulation (EU) No.648/2012", UniCredit group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes as necessary for the calculation of credit risk capital requirement.

At the moment specific Group guidelines are in force, issued by the Parent company, defining group-wide rules and principles with the aim to guide, govern and standardise the credit risk mitigation management, best practice, as well as in accordance with the relevant regulatory requirements.

Integrating these guidelines, all legal entities have adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail, according to each Country's local legal system, collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral.

Collateral management assessments and credit risk mitigation compliance verification have been performed by the Group's legal entities, specifically as part of Internal Rating System applications, in order to assess the presence of adequate documentation and procedure concerning the credit risk mitigation instruments used for supervisory capital.

In particular, according to the current credit policy, collaterals or guarantees can be accepted only to support loans but cannot serve as a substitute for the borrower's ability to meet its obligations. For this reason, in addition to the overall analysis of the borrowers' credit worthiness and of his repayment capacity, collaterals are subject to specific evaluation and analysis with the aim to verify their viability to support the repayment of the exposure.

Collaterals accepted in support of credit lines granted by the Group's legal entities, primarily include:

- real estate, both residential and commercial,
- financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS)).

Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common.

UniCredit group also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending.

In relation to guarantees, their use is widespread within UniCredit group, though their characteristics differ among the different local markets; they can be accepted as complementary and accessory to the granting of loans, for which the risk mitigation serves as additional security for repayment. At consolidated level, personal guarantees are provided by banks, government, central banks and other public entities and others. The last category includes the personal guarantees provided by natural persons, whose eligibility for CRM depends on the approach used by the different legal entities.

In case the guarantee is represented by credit derivatives, the protection providers are mainly banks and institutional counterparties.

As already highlighted, 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;
- legal entities adopting IRB-A may recognize guarantees provided that the relevant minimum requirements are satisfied and, furthermore, the legal

## Part E - Information on risks and hedging policies

entity can evaluate the protection provider risk profile, through an internal rating system, at the time the guarantee is provided and over its entire duration.

For what concerns netting agreements 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;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

Group legal entities can apply netting agreements only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting agreement), monitoring and controlling debts, credit and netting value.

UniCredit group makes use of netting instruments mainly for OTC derivatives, repos and securities lending transactions where the counterparties are, generally, Financial Institutions.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, to support the evaluation and data quality checks of collaterals/guarantees and their appropriate linking to the categories defined for LGD estimates purposes. Controls and related responsibilities are duly formalised and documented in internal rules. Furthermore processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection are correctly registered in the system.

In the collateral acquisition phase, UniCredit group emphasises the importance of processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her credit worthiness and risk profile.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements set by credit policies, internal and regulatory rules are met over the time.

Among such processes it is pointed out that one connected to concentration risk, which occurs when the major part of Group-wide collateral financial assets (at portfolio level) are concentrated in a small number of collateral types, protection instruments, or specific providers of collaterals.

Such concentration is monitored and controlled by the following processes/mechanisms:

- in case of personal guarantees/credit derivatives, a contingent liability (indirect risk) is charged to the protection provider. In the evaluation of the credit application, a secondary commitment is added to the guarantor and it is reflected in the guarantor's total credit exposure as deemed competent and approved in accordance with the bank's system of authority;
- in case the protection provider, directly or indirectly, is a Central Bank or a Sovereign country, a specific credit limit has to be instructed and, if the guarantor is a foreign subject, it is necessary to evaluate case by case the definition of a country limit.

### 3. Non-performing credit exposures

#### 3.1 Management strategies and policies

In order to ensure a homogeneous approach in the classification of credit exposures for regulatory and reporting purposes, UniCredit has defined group-wide guidelines for the classification of non-performing exposures that refer to the principles reported in the Implementing Technical Standards issued by the Authority European Banking in 2014. With regard to this definition (which includes the concept of "default" ruled by Art.178 EU Regulation No.575/2013 and the "impaired" definition reported in accounting standard IFRS9) at operative level UniCredit group has pursued a substantial alignment between the three definitions. Furthermore, in accordance with the provisions of Banca d'Italia Circular 272/2008, credit exposures of each group entity must be classified in one of the following risk classes:

- past-due and/or overdue exposures: problematic exposures that are more than 90 days past due on any material obligation (the latter assessed in line with article 178 (2d) of EU Regulation No.575/2013 and the Technical Standards of the 'EBA');
- unlikely to pay: the classification in this category is the result of the judgment of the bank about the unlikelihood, without recourse to actions such as realizing collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad loans: exposures to borrowers in a state of insolvency (even when not recognized in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.

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

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

## Part E - Information on risks and hedging policies

In accordance with Article 156 EBA ITS, an exposure must remain classified as non-performing<sup>27</sup> as long as the following criteria (exit criteria) are not met simultaneously:

- the situation of the debtor has improved to the extent that full repayment of the original due amount is likely to be made;
- the debtor does not have any amount past-due by more than 90 days.

Specific exit criteria must be applied in case the forbearance measures are extended to non-performing exposures, listed below:

- the starting date of the observation period of one year is the latest between the adoption of Forbearance measures and the classification as non-performing;
- any past due amount is verified if no past due occurs at debtor level;
- concerns regarding the "full repayment" refer to a judgmental evaluation by the empowered Bodies.

In the non-performing credit exposures management, the Unicredit group adopts certain strategies that operationally define the activities necessary to achieve the targets defined yearly.

The aforementioned strategies concerning impaired loans include:

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

These strategies reflect the main levers for reducing the amount of impaired loans and have led to an important result during 2018, highlighting:

- write-off for €3,609 million (133% of the total planned in Transform 2019 for 2018 year);
- recoveries of €5,581 million (157% of the total planned in Transform 2019 for 2018 year);
- total non-performing loans sold for €4,122 million (115% of the total planned in Transform 2019 for 2018 year).

The decrease amount of the stock of impaired loans to Group customers was therefore in line with the reduction targets set in the Transform 2019 plan for the year 2018, achieving an improvement in asset quality. This result was possible thanks also to an acceleration of the reduction times of the "Non Core" portfolio. Therefore, the UniCredit group can confirm the complete closure of its Non Core legacy by 2021, thanks also to the activation of a coordinated set of levers aimed at reducing the stock.

A successful NPE Strategy execution requires effective interaction between the Group Risk Management structure and the functions dedicated to the management of impaired exposures directly reporting the local CLOs of the Legal Entities. More specifically, within Group Risk Management, the Group NPE structure was set-up in order to ensure on the one hand an adequate control over the execution and monitoring of the NPE Strategy (which includes the sale of non-performing loans through "Group Distressed Asset Solutions" and the proactive management of the collateral for the properties acquired through "Group Repossessed Assets") and, on the other hand, an effective cooperation thanks the joint work carried out with the other Group Risk Management functions.

In all Legal entities dedicated functions to the management of non-performing exposures are in place; they cover all phases of the NPEs life cycle, take into account local regulations and the specific characteristics of portfolios, monitor and manage the amount of NPEs coherently with both European Central Bank Guidelines and Group organizational model.

The structures dedicated to the operational management of non-performing exposures are therefore tailored to each state of the life cycle of non-performing loans, starting from a careful monitoring of the performing portfolio, up to the recovery activity that includes the disposal of credit or the "repossession" of the collateral.

In particular, the monitoring activity is aimed at preventing flows to default and reducing the amount of past due exposures by detecting signals of risk of deterioration and early warning, as well as identifying the needed corrective measures to manage the potential deterioration of exposures starting from the early signs of worsening of the counterparties' credit quality.

Soft collection, door-to-door and re-management activities which pertains both performing (though already overdue) counterparties and already defaulted clients are carried out through the use of multiple channels, also using outsourcing solutions to third-party companies (in particular for door-to-door recovery activities). These activities are also aimed at preventing flows to default and facilitating the back-to-performing classification (main focus), thus contributing to a reduction of the overall amount of impaired exposures.

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



## Part E - Information on risks and hedging policies

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

As part of the overall management of deteriorated exposures, the Restructuring activity is aimed at mitigating the risk of insolvency and the quality of exposures with restructuring agreements and company reorganization plans as well as reducing the amount of unlikely to pay with recoveries and performing re-classification, by means of forbearance measures. Specifically, among the strategies for managing unlikely to pay loans to corporate counterparties, there are also restructuring platforms (up to now limited to the Italian market), the disposal of individual exposures and extraordinary finance transactions.

The coordination and implementation of recovery strategy on positions classified as Bad Loans fall instead within the responsibility of "Workout" Unit, whose reporting structures identify the optimal strategies for maximizing recoveries, including the timely enforcement of collaterals. In some legal entity of the Group, the activity is also implemented by leveraging on service agreements with external agencies.

As pertains the disposal activities, these refer to the organization, management and execution of sales processes (both credit portfolios and individual positions), through the application of a transparent and competitive methodology based on market criteria. At Group level, these activities are performed by a dedicated department within UniCredit S.p.A. (Group Distressed Asset Solutions), which evaluates various disposal options alternatives, in cooperation with the legal entity's peer function where deemed necessary to handle specific local cases.

The proactive management of real estate guarantees is coordinated at the Parent company level by a dedicated department (Group Repossessed Assets), which oversees the strategy of repossession of the collateral and the specific activities carried out within the Group, particularly in those entities specialized in the acquisition of collateral (for example the UCTAM company). The aforementioned function also oversees the possible creation of a "Real Estate Owned Company" (ReoCo) in Italy.

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

### 3.2 Write-off

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

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

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

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

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

The amount of write-offs on financial assets still subject to the enforcement procedure amounts to €2,796.8 million at 31 December 2008, of which the write-offs for the 2018 financial year amounted to €2,381.4 million. The write-offs component recorded during the year does not correspond to the write-offs recorded in the dynamics of non-performing exposures, as the latter also include cancellations with "debt forgiveness".

## Part E - Information on risks and hedging policies

### 3.3 Acquired or originated impaired financial assets

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

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

These exposures are subject to management, measurement and control according to the principles described in the paragraph of Part E - Consolidated explanatory notes of the UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 2. Credit risk Policies Management - 2.2 Credit Risk Management, Measurement and Control which is herewith quoted entirely.

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

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

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

### 4. Commercial renegotiation financial assets and forbore exposures

Changes in existing financial instruments which determine a modification of contractual conditions might be the result of either:

- commercial initiatives, which may be specific for each customer or applied to portfolio of customers also as a result of dedicated initiatives sponsored by public authorities or banking associations; or
- concessions granted in light of debtor's financial difficulties (Forbearance).

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

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

#### 4.1 Loan Categorisation in the risk categories and forbore exposures

In July 2014, the European Banking Authorities issued the "Implementing Technical Standards" ("ITS") on non-performing and Forborne exposures, with the aim to allow, with a comparable basis across EU institutions, a closer supervisory monitoring of banking forbearance practice. In line with the mentioned ITS, a transaction has to be considered as forbore when both of the following conditions are simultaneously met:

- a concession in favour of the debtor exists, either (i) as contractual modification or (ii) as refinancing aimed at ensuring the repayment of pre-existing obligation;
- the debtor is facing or about to face financial difficulties.

To comply with EBA ITS, since 2015 UniCredit S.p.A. has worked on the definition of a common methodological framework for forbearance process, issuing group's guidelines on forbearance management and setting up a shared IT infrastructure (i.e. Forbearance engine). Though in coherency with the overall solution, fine tunings have been applied by the different Group's legal entities to adapt the Group's framework to the local IT tools and credit practices.

More in details, the progressive convergence to the above mentioned regulatory provisions has been achieved leveraging on the following steps:

- launch of a series of activities to align the current credit process to the new classification rules;
- definition of a monitoring process of the dynamics of Forborne Exposures;
- delivery of necessary Reporting to the Supervisory Authority.

To assess the existence of a concession, the approach adopted by UniCredit has enabled the tracking of a concession when:

- the loan is renegotiated through collective agreements, or through internal initiatives supporting certain debtors categories, or through initiatives designed to support the debtor in case of natural disasters;
- the installment/repayment plan of a loan is changed and a change of interest rate is applied;
- different debts belonging to the same debtors are repackaged into a new loan with more favourable conditions than the original ones;
- pool loans are subject to re-negotiation;
- the loan is subject to a refinancing practice.



## Part E - Information on risks and hedging policies

If the mentioned concessions are granted to a counterparty in financial difficulty the classification of the exposure as forborne is activated. The overall financial difficulty assessment is performed according to a set of a pre-defined criteria (i.e. Troubled debt test) which might be checked either automatically by the Forbearance engine or by the responsible risk management function.

The regulatory framework relating to the management of Forborne exposures has been integrated with new Guidelines following the publication of the ECB "Guidance to Banks on Non-Performing Loans" in March 2017. The Paper, that has become effective starting from 2018, provides specific recommendations to Banks for the definition of a clear NPL Strategy which, consistently with the industrial plan, ultimately aims at the reduction of NPE Stock, by means of ad hoc risk management initiatives.

Among a broader spectrum of activities, Banks are required to provide a detailed reporting on the NPE Forborne Portfolio through a new Quarterly Reporting Template which includes information of the credit quality of Forborne exposures and on the effectiveness of Forbearance measures granted.

On top of the Supervisory expectations provided by the ECB, the European Banking Authorities issued two further papers:

- "Guidelines on management of non-performing and forborne exposures" (October 2018) that recalls the ECB "Guidance" issued in March 2017;
- "Guidelines on disclosure of non-performing and forborne exposures" (December 2018) which is more focused on the disclosure templates to be used for Group's supervisory reporting.

In order to ensure ongoing alignment to the Forbearance practices required by the above mentioned supervisory and regulatory guidelines, UniCredit finalised the following activities:

- review of the list of the potential Forbearance measures to acknowledge (i) the split between short-term measures (duration less than 24 months) and long-term measures (duration higher than or equal to 24 months) and (ii) the possibility of granting combinations of short and long-term FBE measures;
- collection and monitoring of the relevant information of the new Quarterly Template with disclosure on:
  - performing and non-performing portfolio;
  - guarantees;
  - default inflows and outflows;
  - list of the FBE Measures granted including the indication of their effectiveness.

With reference to the monitoring and reporting activity on forborne exposures, as at 31 December 2018 the number of instruments (loans and advances at amortized cost) with forbearance measures amounts to 402.454 (147.688 for UniCredit S.p.A perimeter).

Specifically, on a consolidated level:

- forbearance measures granted during the period represent 10% of the total (21% considering only UniCredit S.p.A.);
- forbearance measures granted on the non performing portfolio represent the 52% of the total (48% considering only UniCredit S.p.A.).

As regards the vintage of classification of forborne exposures, the information reported below pertain to loan and advances at amortized cost, as financial assets at fair value and off-balance sheet exposures do not represent (out of the overall forborne portfolio) a materially significant relevance.

More in details, at consolidated level, 54% of forborne performing exposures has a vintage of classification  $\leq$  24 months (37% for UniCredit S.p.A.) while in terms of forborne non-performing loans, 40% of consolidated exposures fall within a classification vintage  $\leq$  24 months (30% for UniCredit S.p.A. portfolio).

## Part E - Information on risks and hedging policies

### Quantitative information

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

#### A. Credit quality

For the purposes of the disclosure of quantitative information about credit quality, the term “credit exposures” does not include equity instruments and units in investment funds except for table A.2.1 - Banking group - Balance Sheet and off-Balance Sheet credit exposure by external rating class, in which units in investment funds are included.

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

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

(€ '000)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	6,756,960	354,093	150,585	1,314,451	1,337,100	940,209	3,931,197	542,394	8,515,568
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42	-	-
<b>Total 12.31.2018</b>	<b>6,756,960</b>	<b>354,093</b>	<b>150,585</b>	<b>1,314,451</b>	<b>1,337,100</b>	<b>940,209</b>	<b>3,931,239</b>	<b>542,394</b>	<b>8,515,568</b>

The amounts past due over 90 days and related to Stage 1 and Stage 2 exposures refer to loans that do not meet the definition of Non-performing past due (below the materiality threshold).

## Part E - Information on risks and hedging policies

## A.1.2 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ '000)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS							
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1				FINANCIAL ASSETS CLASSIFIED IN STAGE 2			
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
<b>Opening balance (gross amount)</b>	<b>1,218,679</b>	<b>21,083</b>	<b>166,409</b>	<b>1,687,951</b>	<b>1,845,020</b>	<b>9,340</b>	<b>166,409</b>	<b>1,687,951</b>
Increases in acquired or originated financial assets	265,675	1,018	1,508	227,028	228,536	-	1,508	227,028
Reversals different from write-offs	(208,832)	(2,616)	(19,324)	(149,586)	(168,882)	(28)	(19,324)	(149,586)
Net losses/recoveries on credit impairment	(500,157)	18,857	(588)	120,351	120,133	(370)	(588)	120,351
Contractual changes without cancellation	(2,080)	-	-	65	65	-	-	65
Changes in estimation methodology	1,527	-	-	1,082	1,082	-	-	1,082
Write-off	(1,862)	-	(1)	(296)	(297)	-	(1)	(296)
Other changes	362,797	(1,910)	119,567	(388,002)	(267,191)	(1,244)	119,567	(388,002)
<b>Closing balance (gross amount)</b>	<b>1,135,747</b>	<b>36,432</b>	<b>267,571</b>	<b>1,498,593</b>	<b>1,758,466</b>	<b>7,698</b>	<b>267,571</b>	<b>1,498,593</b>
Recoveries from financial assets subject to write-off	49	-	-	11	11	-	-	11
Write-off are not recognised directly in profit or loss	(329)	-	(161)	(25,881)	(26,042)	-	(161)	(25,881)

## Part E - Information on risks and hedging policies

continued: A.1.2 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ '000)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS					TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	ASSETS BELONGING TO THIRD STAGE				OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT					
<b>Opening balance (gross amount)</b>	<b>28,068,224</b>	-	<b>18,936,769</b>	<b>9,131,455</b>	<b>67,004</b>	<b>236,584</b>	<b>78,419</b>	<b>865,646</b>	<b>32,342,995</b>
Increases in acquired or originated financial assets	563,695	-	466,915	96,780	8,041	66,150	19,085	78,260	1,222,419
Reversals different from write-offs	(820,219)	-	(574,842)	(245,377)	(4,044)	(24,309)	(16,676)	(167,023)	(1,408,585)
Net losses/recoveries on credit impairment	2,694,012	(43)	2,096,165	597,804	980	(122,063)	(2,426)	203,785	2,411,728
Contractual changes without cancellation	4,700	-	6,822	(2,122)	-	(97)	10	331	2,929
Changes in estimation methodology	-	-	-	-	-	37	15	-	2,661
Write-off	(5,778,556)	-	(2,267,527)	(3,511,029)	(40,126)	(75)	(9)	(86)	(5,780,885)
Other changes	(527,372)	71	(1,863,275)	1,336,008	(5,717)	27,285	(528)	(100,610)	(508,702)
<b>Closing balance (gross amount)</b>	<b>24,204,484</b>	<b>28</b>	<b>16,801,027</b>	<b>7,403,519</b>	<b>26,138</b>	<b>183,512</b>	<b>77,890</b>	<b>880,303</b>	<b>28,284,560</b>
Recoveries from financial assets subject to write-off	191,801	-	139,239	52,562	189	-	-	-	191,861
Write-off are not recognised directly in profit or loss	(455,076)	-	(115,912)	(339,164)	(7,436)	-	-	-	(481,447)

**A.1.3 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)**

(€ '000)

PORTFOLIOS/RISK STAGES	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	13,012,172	13,024,579	1,718,231	565,220	2,184,936	625,986
2. Financial assets at fair value through other comprehensive income	1,966	45,410	42	-	-	-
3. Loan commitments and financial guarantees given	3,946,616	6,142,946	168,181	19,182	531,556	233,838
<b>Total 12.31.2018</b>	<b>16,960,754</b>	<b>19,212,935</b>	<b>1,886,454</b>	<b>584,402</b>	<b>2,716,492</b>	<b>859,824</b>

## Part E - Information on risks and hedging policies

## A.1.4 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ '000)

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT		12.31.2018		OVERALL PARTIAL WRITE-OFFS(*)
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	41,056	X	40,710	346	-
<i>of which: forbome exposures</i>	4,302	X	4,298	4	-
b) Unlikely to pay	3,508	X	3,508	-	-
<i>of which: forbome exposures</i>	-	X	-	-	-
c) Non-performing past due	26	X	26	-	-
<i>of which: forbome exposures</i>	-	X	-	-	-
d) Performing past due	X	303,839	49	303,790	-
<i>of which: forbome exposures</i>	X	-	-	-	-
e) Other performing exposures	X	91,500,522	36,945	91,463,577	3
<i>of which: forbome exposures</i>	X	-	-	-	-
<b>Total (A)</b>	<b>44,590</b>	<b>91,804,361</b>	<b>81,238</b>	<b>91,767,713</b>	<b>3</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	254	X	-	254	-
b) Performing	X	37,207,803	10,692	37,197,111	-
<b>Total (B)</b>	<b>254</b>	<b>37,207,803</b>	<b>10,692</b>	<b>37,197,365</b>	<b>-</b>
<b>Total (A+B)</b>	<b>44,844</b>	<b>129,012,164</b>	<b>91,930</b>	<b>128,965,078</b>	<b>3</b>

Note:

(\*) Value shown for information purposes.

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

Off-balance sheet exposures to banks comprise guarantees given, irrevocable commitments, derivatives regardless of each transaction's classification category and the revocable commitments to disburse funds.

## A.1.5 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ '000)

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT		12.31.2018		OVERALL PARTIAL WRITE-OFFS(*)
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	21,883,190	X	15,944,962	5,938,228	2,742,815
<i>of which: forbome exposures</i>	4,136,736	X	2,857,337	1,279,399	154,606
b) Unlikely to pay	16,984,253	X	7,952,675	9,031,578	49,227
<i>of which: forbome exposures</i>	9,988,549	X	4,578,661	5,409,888	25,300
c) Non-performing past due	1,374,406	X	409,086	965,320	3,468
<i>of which: forbome exposures</i>	228,177	X	45,426	182,751	2,999
d) Performing past due	X	13,693,717	488,421	13,205,296	17
<i>of which: forbome exposures</i>	X	1,223,289	144,441	1,078,848	-
e) Other performing exposures	X	613,431,846	2,417,079	611,014,767	1,408
<i>of which: forbome exposures</i>	X	4,354,031	244,240	4,109,791	-
<b>Total (A)</b>	<b>40,241,849</b>	<b>627,125,563</b>	<b>27,212,223</b>	<b>640,155,189</b>	<b>2,796,935</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	4,678,867	X	930,853	3,748,014	-
b) Performing	X	308,343,610	257,017	308,086,593	-
<b>Total (B)</b>	<b>4,678,867</b>	<b>308,343,610</b>	<b>1,187,870</b>	<b>311,834,607</b>	<b>-</b>
<b>Total (A+B)</b>	<b>44,920,716</b>	<b>935,469,173</b>	<b>28,400,093</b>	<b>951,989,796</b>	<b>2,796,935</b>

Note:

(\*) Value shown for information purposes.

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

## Part E - Information on risks and hedging policies

## A.1.6 Regulatory consolidation - On-balance sheet exposures with banks: changes in gross non-performing exposures

(€ '000)

SOURCES/CATEGORIES	CHANGES IN 2018		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>50,526</b>	<b>6,190</b>	<b>27</b>
<i>of which sold non-cancelled exposures</i>	-	-	-
<b>B. Increases</b>	<b>5,277</b>	<b>4,670</b>	-
B.1 Transfers from performing loans	-	-	-
B.2 Transfers from acquired or originated impaired financial assets	-	-	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	-	-
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	5,277	4,670	-
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Reductions</b>	<b>14,747</b>	<b>7,352</b>	<b>1</b>
C.1 Transfers to performing loans	-	-	1
C.2 Write-offs	6,884	18	-
C.3 Collections	4,019	2,667	-
C.4 Sale proceeds	-	-	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other non-performing exposures	-	-	-
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	3,844	4,667	-
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>41,056</b>	<b>3,508</b>	<b>26</b>
<i>of which sold non-cancelled exposures</i>	-	-	-

Sub-items "B.5 Other increases" and "C.3 Collections" include amounts recovered during the year concerning impaired exposures which were derecognised in their entirety.

## A.1.6bis Regulatory consolidation - On-balance sheet exposures with banks: changes by credit quality in gross forbore exposures

(€ '000)

SOURCES/QUALITY	CHANGES IN 2018	
	FORBORN EXPOSURES: NON PERFORMING	FORBORN EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	<b>4,107</b>	<b>5,479</b>
<i>of which sold non-cancelled exposures</i>	-	-
<b>B. Increases</b>	<b>195</b>	<b>221</b>
B.1 Transfers from performing non-forborne exposures	-	-
B.2 Transfers from performing forbore exposures	-	X
B.3 Transfers from non-performing forbore exposures	X	-
<i>of which: business combinations</i>	X	-
B.4 Other increases	195	221
<i>of which: business combinations - mergers</i>	-	-
<b>C. Reductions</b>	-	<b>5,700</b>
C.1 Transfers to performing non-forborne exposures	X	-
C.2 Transfers to performing forbore exposures	-	X
C.3 Transfers to non-performing forbore exposures	X	-
C.4 Write-offs	-	-
C.5 Collections	-	-
C.6 Sale proceeds	-	-
C.7 Losses from disposal	-	-
C.8 Other reductions	-	5,700
<i>of which: business combinations</i>	-	-
<b>D. Closing balance (gross amount)</b>	<b>4,302</b>	-
<i>of which sold non-cancelled exposures</i>	-	-

## Part E - Information on risks and hedging policies

Off-balance sheet exposures to customers comprises guarantees given, irrevocable commitments, derivatives regardless of each transaction's classification category and the revocable commitments to disburse funds.

The total amount of forbore exposures (net of those belonging to disposal groups/held for sale) is €20 billion (€14.4 billion non performing and €5.6 billion performing). These exposures refers for 69% to the Italian perimeter, while the remaining amount refer for 16% to CEE countries, to Germany for 11% and for the 4% to Austria.

For a description of the rules for identification of forbore exposures please refer to Part E - Information on risks and hedging policies - Section 1 Credit Risk, Paragraph 2.5 (Non-performing exposures).

On-balance sheet impaired gross exposures connected to the proposals for recourse to an arrangement with creditors made by the debtor, for the positions that have been converted into a Debt restructuring agreement pursuant to article 182-bis of the Bankruptcy Law or continuity of business, as well as the positions not yet assigned or with liquidatory purposes, amounted to a total of €2,780 million at 31 December 2018, against which specific impairments have been made for €1,910 million, with a total coverage level of 69%.

### A.1.7 Regulatory consolidation - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

SOURCES/CATEGORIES	CHANGES IN 2018		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>26,249,784</b>	<b>20,128,710</b>	<b>1,103,886</b>
<i>of which sold non-cancelled exposures</i>	696,643	1,339,986	22,183
<b>B. Increases</b>	<b>5,737,361</b>	<b>6,921,959</b>	<b>1,768,633</b>
B.1 Transfer from performing loans	1,493,045	3,254,639	1,648,657
B.2 Transfer from acquired or originated impaired financial assets	15	4,463	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfer from other non-performing exposures	2,405,118	493,673	24,590
B.4 Contractual changes with no cancellations	-	2,096	-
B.5 Other increases	1,839,183	3,167,088	95,386
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Decreases</b>	<b>10,103,955</b>	<b>10,066,416</b>	<b>1,498,113</b>
C.1 Transfers to performing loans	374,215	1,176,024	179,173
C.2 Write-offs	2,846,016	736,109	23,066
C.3 Collections	2,375,566	2,951,065	403,916
C.4 Sale proceeds	991,887	336,131	15,366
C.5 Losses on disposals	99,812	61,205	108
C.6 Transfers to other non-performing exposures	69,299	2,252,470	601,612
C.7 Contractual changes with no cancellations	5	4,055	-
C.8 Other decreases	3,347,155	2,549,357	274,872
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>21,883,190</b>	<b>16,984,253</b>	<b>1,374,406</b>
<i>of which sold non-cancelled exposures</i>	460,642	1,033,694	9,518

Sub-items "B.5 Other increases" and "C.3 Collections" include amounts recovered during the year concerning impaired exposures which were derecognised in their entirety.



## Part E - Information on risks and hedging policies

**A.1.7bis Regulatory consolidation - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures**

(€ '000)

SOURCES/QUALITY	CHANGES IN 2018	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	<b>16,324,527</b>	<b>6,326,058</b>
<i>of which sold non-cancelled exposures</i>	842,550	323,104
<b>B. Increases</b>	<b>5,846,827</b>	<b>3,122,555</b>
B.1 Transfers from performing non-forborne exposures	879,837	1,519,313
B.2 Transfers from performing forborne exposures	482,575	X
B.3 Transfers from non-performing forborne exposures	X	893,230
<i>of which: business combinations</i>	X	-
B.4 Other increases	4,484,415	710,012
<i>of which: business combinations - mergers</i>	-	-
<b>C. Reductions</b>	<b>7,817,892</b>	<b>3,871,293</b>
C.1 Transfers to performing non-forborne exposures	X	1,503,320
C.2 Transfers to performing forborne exposures	893,230	X
C.3 Transfers to non-performing forborne exposures	X	482,575
C.4 Write-offs	941,503	60
C.5 Collections	2,829,156	1,138,284
C.6 Sale proceeds	406,605	20,760
C.7 Losses from disposal	50,741	-
C.8 Other reductions	2,696,657	726,294
<i>of which: business combinations</i>	-	-
<b>D. Closing balance (gross amount)</b>	<b>14,353,462</b>	<b>5,577,320</b>
<i>of which sold non-cancelled exposures</i>	729,542	224,146

**A.1.8 Regulatory consolidation - On-balance sheet non-performing credit exposures with banks: changes in overall write-downs**

(€ '000)

SOURCES/CATEGORIES	CHANGES IN 2018					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>50,025</b>	<b>4,103</b>	<b>1,192</b>	-	<b>26</b>	-
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-
<b>B. Increases</b>	<b>4,593</b>	<b>199</b>	<b>2,334</b>	-	-	-
B.1 Write-downs of acquired or originated impaired financial assets	5	X	2,334	X	-	X
<i>of which: business combinations</i>	5	-	-	-	-	-
B.2. Other write-downs	2,473	-	-	-	-	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	2,115	199	-	-	-	-
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	<b>13,908</b>	<b>4</b>	<b>18</b>	-	-	-
C.1 Write-backs from valuation	-	-	-	-	-	-
C.2. Write-backs from collections	3,182	4	-	-	-	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	6,884	-	18	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	3,842	-	-	-	-	-
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>40,710</b>	<b>4,298</b>	<b>3,508</b>	-	<b>26</b>	-
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.1.9 Regulatory consolidation - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ '000)

SOURCES/CATEGORIES	CHANGES IN 2018					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>19,003,519</b>	<b>2,543,162</b>	<b>8,718,027</b>	<b>4,936,489</b>	<b>418,849</b>	<b>38,695</b>
<i>of which sold non-cancelled exposures</i>	439,256	439,256	594,816	594,816	6,876	6,876
<b>B. Increases</b>	<b>4,954,895</b>	<b>1,526,548</b>	<b>3,624,733</b>	<b>1,894,221</b>	<b>629,772</b>	<b>47,318</b>
B.1 Write-downs of acquired or originated impaired financial assets	112,738	X	389,158	X	8,148	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2. Other write-downs	3,081,645	835,380	2,594,542	1,311,612	200,682	8,064
B.3 Losses on disposal	99,812	17,323	61,205	33,418	108	-
B.4 Transfers from other categories of non-performing exposures	1,206,594	417,147	313,459	29,239	8,458	2,480
B.5 Contractual changes with no cancellations	10	X	4,054	X	-	X
B.6 Other increases	454,096	256,698	262,315	519,952	412,376	36,774
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	<b>8,013,452</b>	<b>1,212,373</b>	<b>4,390,085</b>	<b>2,252,049</b>	<b>639,535</b>	<b>40,587</b>
C.1 Write-backs from valuation	577,032	137,072	1,151,358	585,046	27,950	4,961
C.2. Write-backs from collections	1,218,299	268,705	477,663	257,725	90,166	7,324
C.3 Gains from disposals	157,028	25,564	61,565	37,375	6	5
C.4 Write-offs	2,846,016	502,550	736,109	425,586	23,066	13,367
C.5 Transfers to other categories of non-performing exposures	47,155	20,912	1,136,159	415,359	345,197	12,595
C.6 Contractual changes with no cancellations	2	X	2,096	X	-	X
C.7 Other decreases	3,167,920	257,570	825,135	530,958	153,150	2,335
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>15,944,962</b>	<b>2,857,337</b>	<b>7,952,675</b>	<b>4,578,661</b>	<b>409,086</b>	<b>45,426</b>
<i>of which sold non-cancelled exposures</i>	294,614	39,187	421,430	361,920	2,437	188

## Part E - Information on risks and hedging policies

### A.2 Classification of credit exposure based on internal and external ratings

#### A.2.1 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ '000)

EXPOSURES	AMOUNT AS AT 12.31.2018						NO RATING	TOTAL
	EXTERNAL RATING CLASSES							
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
<b>A. Financial assets at amortised cost</b>								
- Stage 1	23,559,156	46,809,218	60,523,391	13,131,533	6,456,507	3,686,540	385,879,158	540,045,503
- Stage 2	200,565	546,851	1,250,805	2,411,020	896,498	770,101	41,220,026	47,295,866
- Stage 3	-	-	-	-	-	-	39,971,746	39,971,746
<b>B. Financial assets at fair value through other comprehensive income</b>								
- Stage 1	17,021,796	14,828,995	50,914,420	3,043,095	86,064	-	1,956,142	87,850,512
- Stage 2	-	-	42,597	167,430	140,584	-	85,390	436,001
- Stage 3	-	-	-	-	-	-	71	71
<b>Total (A + B)</b>	<b>40,781,517</b>	<b>62,185,064</b>	<b>112,731,213</b>	<b>18,753,078</b>	<b>7,579,653</b>	<b>4,456,641</b>	<b>469,112,533</b>	<b>715,599,699</b>
<i>of which: acquired or originated impaired financial assets</i>	-	-	23,190	-	-	5,577	37,075	65,842
<b>C. Loan commitments and financial guarantees given</b>								
- Stage 1	3,875,594	8,644,706	28,564,931	9,154,640	3,103,662	177,614	150,721,425	204,242,572
- Stage 2	40,621	53,199	700,978	162,911	559,094	10,585	12,397,993	13,925,381
- Stage 3	-	-	-	-	-	-	2,703,652	2,703,652
<b>Total (C)</b>	<b>3,916,215</b>	<b>8,697,905</b>	<b>29,265,909</b>	<b>9,317,551</b>	<b>3,662,756</b>	<b>188,199</b>	<b>165,823,070</b>	<b>220,871,605</b>
<b>Total (A + B + C)</b>	<b>44,697,732</b>	<b>70,882,969</b>	<b>141,997,122</b>	<b>28,070,629</b>	<b>11,242,409</b>	<b>4,644,840</b>	<b>634,935,603</b>	<b>936,471,304</b>

The table details on- and off-balance sheet credits granted to counterparties rated by external rating agencies, which provide brief assessments of the creditworthiness of different classes of borrowers such as Sovereigns, Banks, Public-Sector Entities, Insurance Companies and (usually large) Enterprises.

The table refers to classification of 262/2005 Banca d'Italia Circular (5<sup>th</sup> update dated 22 December 2017); then it provides, for external ratings, 6 classes of creditworthiness.

Rating Agencies utilised to fill the table are: Moody's, S&Ps, Fitch and DBRS.

Where more than one agency rating is available, the most prudential rating is assigned.

The 84.8% of rated counterparties were investment grade (from Class 1 to Class 3), referring to highly-rated borrowers.

Unrated exposures, i.e. those with no external rating, were 69.2% of the portfolio, due to the fact that a considerable proportion of borrowers were private individuals or SMEs, which are not externally rated.

## Part E - Information on risks and hedging policies

**A.2.2 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)**

(€ '000)

EXPOSURES	AMOUNT AS AT 12.31.2018									NO RATING	TOTAL
	INTERNAL RATING CLASSES										
	1	2	3	4	5	6	7	8	9		
<b>A. Financial assets at amortised cost</b>											
- Stage 1	13,505,295	15,507,598	117,692,750	204,253,321	66,476,944	43,161,190	18,726,662	3,966,051	1,046,868	55,708,824	540,045,503
- Stage 2	107,787	1,068,701	4,150,939	6,874,893	7,750,683	7,679,550	6,592,839	4,193,337	3,869,437	5,007,700	47,295,866
- Stage 3	-	-	-	-	-	-	-	233,980	113,177	39,624,589	39,971,746
<b>B. Financial assets at fair value through other comprehensive income</b>											
- Stage 1	10,947,785	3,701,635	51,616,743	10,415,044	44,540	120,353	71,999	-	-	10,932,413	87,850,512
- Stage 2	-	-	-	-	200,275	230,959	2,588	-	702	1,477	436,001
- Stage 3	-	-	-	-	-	-	-	-	-	71	71
<b>Total (A + B)</b>	<b>24,560,867</b>	<b>20,277,934</b>	<b>173,460,432</b>	<b>221,543,258</b>	<b>74,472,442</b>	<b>51,192,052</b>	<b>25,394,088</b>	<b>8,393,368</b>	<b>5,030,184</b>	<b>111,275,074</b>	<b>715,599,699</b>
<i>of which: acquired or originated impaired financial assets</i>	-	-	28	949	1,520	9,195	4,087	4,145	10,277	35,641	65,842
<b>C. Loan commitments and financial guarantees given</b>											
- Stage 1	1,247,141	11,661,881	54,864,339	73,387,454	21,096,937	12,243,030	4,668,485	1,190,753	236,986	23,645,566	204,242,572
- Stage 2	27,483	1,630,530	2,573,129	3,243,921	1,322,924	1,219,017	1,171,115	761,950	246,994	1,728,318	13,925,381
- Stage 3	-	-	-	-	-	-	-	14	48,837	2,654,801	2,703,652
<b>Total (C)</b>	<b>1,274,624</b>	<b>13,292,411</b>	<b>57,437,468</b>	<b>76,631,375</b>	<b>22,419,861</b>	<b>13,462,047</b>	<b>5,839,600</b>	<b>1,952,717</b>	<b>532,817</b>	<b>28,028,685</b>	<b>220,871,605</b>
<b>Total (A + B + C)</b>	<b>25,835,491</b>	<b>33,570,345</b>	<b>230,897,900</b>	<b>298,174,633</b>	<b>96,892,303</b>	<b>64,654,099</b>	<b>31,233,688</b>	<b>10,346,085</b>	<b>5,563,001</b>	<b>139,303,759</b>	<b>936,471,304</b>

The table contains exposures grouped according to the counterparties' internal rating.

Ratings are assigned to individual counterparties using Group banks' internally-developed models included in their credit risk management processes. The internal models validated by the regulators are either 'Group-wide' (e.g. for banks, multinationals and sovereigns) or bank-specific, by segment (e.g. retail or corporate).

The various rating scales of these models are mapped onto a single master-scale of 9 classes based on Probability of Default (PD).

73.4% of internally-rated exposures were investment grade (classes 1 to 4), while exposures towards unrated counterparties were 13.2% of the total. No rating is assigned to these counterparties as either they belong to a segment not yet covered by the models, or the appropriate model is still in the roll-out phase.

Internal Ratings are used for Capital Requirements calculation by the Legal Entities/portfolios that were authorised for the IRB approach from Central bank. Legal Entities currently authorised are: UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG, UniCredit Bank Ireland p.l.c., UniCredit Banka Slovenija d.d., UniCredit Bulbank AD, UniCredit Bank Czech Republic and Slovakia a.s., UniCredit Bank Hungary zrt, UniCredit Bank S.A., AO UniCredit Bank and UniCredit Leasing GmbH and related subsidiaries UniCredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH.

## Part E - Information on risks and hedging policies

## A.3 Distribution of secured credit exposures by type of security

## A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ '000)

	AMOUNT AS AT		12.31.2018			
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - FINANCIAL LEASES	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	15,815,050	15,812,041	-	915	14,895,351	189,221
<i>of which non-performing</i>	-	-	-	-	-	-
1.2 Partially secured	893,403	891,522	-	-	16,622	107,153
<i>of which non-performing</i>	-	-	-	-	-	-
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	1,294,840	1,293,577	-	-	308,473	771,584
<i>of which non-performing</i>	-	-	-	-	-	-
2.2 Partially secured	480,681	479,841	-	-	15,713	7,900
<i>of which non-performing</i>	-	-	-	-	-	-

continued: A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ '000)

	AMOUNT AS AT		12.31.2018							
	GUARANTEES (2)		CREDIT DERIVATIVES				SIGNATURE LOANS (LOANS GUARANTEES)			
	CLN	OTHER CREDIT DERIVATIVES			SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)	
		GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR	BANKS	OTHER PUBLIC ENTITIES		OTHER ENTITIES
<b>1. Secured on-balance sheet credit exposures</b>										
1.1 Totally secured	-	-	-	-	-	47,494	379,870	-	-	15,512,851
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-
1.2 Partially secured	-	-	-	-	-	319,773	102,813	52,770	49,844	648,975
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-
<b>2. Secured off-balance sheet credit exposures</b>										
2.1 Totally secured	-	-	-	-	-	-	65,894	-	147,576	1,293,527
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-
2.2 Partially secured	-	-	-	-	-	87,528	111,289	9,607	137,533	369,570
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.3.2 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ '000)

	AMOUNT AS AT 12.31.2018					
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - FINANCIAL LEASES	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	193,330,195	179,300,121	84,964,335	12,530,066	37,226,287	13,247,254
of which non-performing	23,576,428	10,559,877	5,938,480	1,976,488	43,372	964,740
1.2 Partially secured	144,490,923	142,069,733	58,551,048	239,362	2,028,007	26,455,664
of which non-performing	3,351,324	1,730,392	604,636	47,241	26,693	177,151
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	43,682,821	43,450,542	2,617,400	-	6,502,085	12,776,339
of which non-performing	1,269,360	1,076,228	389,981	-	3,590	74,198
2.2 Partially secured	36,694,568	36,625,181	2,091,640	-	477,945	2,022,429
of which non-performing	382,298	326,966	29,784	-	41,190	39,754

continued: A.3.2 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ '000)

	AMOUNT AS AT 12.31.2018										
	GUARANTEES (2)										
	CLN	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
		OTHER CREDIT DERIVATIVES					GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	
GOVERNMENT AND CENTRAL BANKS		BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES							
<b>1. Secured on-balance sheet credit exposures</b>											
1.1 Totally secured	-	-	-	-	-	5,195,665	342,368	1,091,963	23,154,533	177,752,471	
of which non-performing	-	-	-	-	-	76,465	5,902	51,051	1,109,803	10,166,301	
1.2 Partially secured	-	-	-	-	-	9,320,779	694,158	633,569	2,906,857	100,829,444	
of which non-performing	-	-	-	-	-	248,542	46,890	24,479	110,301	1,285,933	
<b>2. Secured off-balance sheet credit exposures</b>											
2.1 Totally secured	-	-	-	-	-	1,309,035	522,279	1,710,820	17,833,064	43,271,022	
of which non-performing	-	-	-	-	-	6,400	45,335	981	513,551	1,034,036	
2.2 Partially secured	-	-	-	-	-	1,270,985	452,544	22,523	2,732,760	9,070,826	
of which non-performing	-	-	-	-	-	3,112	4,011	85	30,085	148,021	

## Part E - Information on risks and hedging policies

## A.4 Regulatory consolidation - Financial and non-financial assets obtained by taking possession of collaterals

(€ '000)

	CANCELLED CREDIT EXPOSURE	GROSS AMOUNT	OVERALL WRITE-DOWNS	CARRYING VALUE	
					OF WHICH OBTAINED DURING THE YEAR
<b>A. Property, plant and equipment</b>	<b>401,839</b>	<b>393,725</b>	<b>77,600</b>	<b>316,125</b>	<b>183,734</b>
A.1 Used in business	1,082	1,220	497	723	-
A.2 Held for investment	29,351	41,192	20,617	20,575	3,292
A.3 Inventories	371,406	351,313	56,486	294,827	180,442
<b>B. Equity instruments and debt securities</b>	<b>-</b>	<b>4,500</b>	<b>4,074</b>	<b>426</b>	<b>-</b>
<b>C. Other assets</b>	<b>-</b>	<b>1,505</b>	<b>-</b>	<b>1,505</b>	<b>-</b>
<b>D. Non-current assets and disposal groups classified as held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,590</b>
D.1 Property, plant and equipment	-	-	-	-	8,590
D.2 Other assets	-	-	-	-	-
<b>Total 12.31.2018</b>	<b>401,839</b>	<b>399,730</b>	<b>81,674</b>	<b>318,056</b>	<b>192,324</b>

## B. Distribution and concentration of credit exposures

## B.1 Regulatory consolidation - Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ '000)

EXPOSURES/COUNTERPARTIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	56,860	108,564	155,893	437,658	4,904	3,929	3,926,514	10,355,151	1,798,961	5,043,589
of which: forbome exposures	-	1,648	62,400	110,378	3,709	3,409	860,540	2,033,440	356,459	711,871
A.2 Unlikely to pay	206,373	19,991	759,613	454,551	1,022	448	6,552,915	6,654,156	1,512,677	823,977
of which: forbome exposures	166	311	524,608	360,201	1,022	448	4,017,426	3,767,177	867,688	450,972
A.3 Non-performing past-due	3,535	717	4,731	3,936	1	1	596,480	190,673	360,574	213,760
of which: forbome exposures	-	-	20	12	-	-	158,458	31,597	24,273	13,817
A.4 Performing exposures	153,599,324	100,791	82,602,754	154,729	3,612,889	1,151	261,162,122	1,471,424	126,855,863	1,178,556
of which: forbome exposures	1,055	1	74,536	3,521	2,354	-	3,103,754	160,642	2,009,294	224,517
<b>Total (A)</b>	<b>153,866,092</b>	<b>230,063</b>	<b>83,522,991</b>	<b>1,050,874</b>	<b>3,618,816</b>	<b>5,529</b>	<b>272,238,031</b>	<b>18,671,404</b>	<b>130,528,075</b>	<b>7,259,882</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	2,638	3	92,885	39,589	368	137	3,587,440	885,335	65,051	5,926
B.2 Performing exposures	14,517,468	5,422	46,821,035	25,870	1,517,081	523	225,104,562	200,124	20,701,407	25,601
<b>Total (B)</b>	<b>14,520,106</b>	<b>5,425</b>	<b>46,913,920</b>	<b>65,459</b>	<b>1,517,449</b>	<b>660</b>	<b>228,692,002</b>	<b>1,085,459</b>	<b>20,766,458</b>	<b>31,527</b>
<b>Total (A + B)</b>										
<b>12.31.2018</b>	<b>168,386,198</b>	<b>235,488</b>	<b>130,436,911</b>	<b>1,116,333</b>	<b>5,136,265</b>	<b>6,189</b>	<b>500,930,033</b>	<b>19,756,863</b>	<b>151,294,533</b>	<b>7,291,409</b>



## Part E - Information on risks and hedging policies

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

### B.1 Banking Group - Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTIES/EXPOSURES	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES			
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	4,259	20,805	X	73,563	65,432	X	193,097	579,832	X	
- of which: forbome exposures	19	36	X	2	2,695	X	69,786	72,923	X	
A.2 Unlikely to pay	158,534	9,357	X	25,278	10,268	X	734,146	439,456	X	
- of which: forbome exposures	-	-	X	299	888	X	515,562	284,104	X	
A.3 Non-Performing past-due	1,019	269	X	8,002	1,502	X	1,576	1,328	X	
- of which: forbome exposures	-	-	X	-	-	X	126	53	X	
A.4 Performing exposures	120,616,140	X	9,378	29,027,381	X	53,654	64,466,686	X	112,046	
- of which: forbome exposures	266	X	-	-	X	-	157,860	X	987	
<b>Total A</b>	<b>120,779,952</b>	<b>30,431</b>	<b>9,378</b>	<b>29,134,224</b>	<b>77,202</b>	<b>53,654</b>	<b>65,395,505</b>	<b>1,020,616</b>	<b>112,046</b>	
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	X	149	-	X	23,716	2,789	X	
B.2. Unlikely to pay	603	-	X	-	-	X	111,896	1,384	X	
B.3 Other Non-Performing exposures	21	2	X	559	33	X	-	-	X	
B.4 Performing exposures	7,902,168	X	579	8,836,687	X	1,721	28,846,192	X	6,976	
<b>Total B</b>	<b>7,902,792</b>	<b>2</b>	<b>579</b>	<b>8,837,395</b>	<b>33</b>	<b>1,721</b>	<b>28,981,804</b>	<b>4,173</b>	<b>6,976</b>	
<b>Total (A+B)</b>	<b>12.31.2017</b>	<b>128,682,744</b>	<b>30,433</b>	<b>9,957</b>	<b>37,971,619</b>	<b>77,235</b>	<b>55,375</b>	<b>94,377,309</b>	<b>1,024,789</b>	<b>119,022</b>

Continued: B.1 Banking Group - Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTIES/EXPOSURES	INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES			
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	3,746	4,232	X	5,750,459	13,229,621	X	3,659,011	5,057,152	X	
- of which: forbome exposures	3,727	4,171	X	1,671,597	2,105,083	X	371,011	378,980	X	
A.2 Unlikely to pay	1,527	97	X	8,952,469	7,515,349	X	1,684,686	808,197	X	
- of which: forbome exposures	1,527	97	X	5,472,708	4,267,957	X	1,001,717	426,885	X	
A.3 Non-Performing past-due	-	-	X	325,285	135,295	X	464,617	334,665	X	
- of which: forbome exposures	-	-	X	31,002	27,209	X	22,830	8,569	X	
A.4 Performing exposures	1,850,282	X	982	255,557,098	X	1,351,803	114,691,932	X	566,825	
- of which: forbome exposures	9,397	X	69	3,419,065	X	109,134	2,505,594	X	154,576	
<b>Total A</b>	<b>1,855,555</b>	<b>4,329</b>	<b>982</b>	<b>270,585,311</b>	<b>20,880,265</b>	<b>1,351,803</b>	<b>120,500,246</b>	<b>6,200,014</b>	<b>566,825</b>	
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	348	22	X	468,911	199,732	X	2,807	560	X	
B.2. Unlikely to pay	11	144	X	1,276,760	414,604	X	2,790	936	X	
B.3 Other Non-Performing exposures	-	-	X	14,271	1,780	X	51,166	33,609	X	
B.4 Performing exposures	2,216,390	X	518	121,489,709	X	95,904	22,847,023	X	12,684	
<b>Total B</b>	<b>2,216,749</b>	<b>166</b>	<b>518</b>	<b>123,249,651</b>	<b>616,116</b>	<b>95,904</b>	<b>22,903,786</b>	<b>35,105</b>	<b>12,684</b>	
<b>Total (A+B)</b>	<b>12.31.2017</b>	<b>4,072,304</b>	<b>4,495</b>	<b>1,500</b>	<b>393,834,962</b>	<b>21,496,381</b>	<b>1,447,707</b>	<b>143,404,032</b>	<b>6,235,119</b>	<b>579,509</b>

## Part E - Information on risks and hedging policies

**B.2 Regulatory consolidation - Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area**

(€ '000)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	4,327,772	11,826,651	1,451,687	3,939,243	60,849	89,959	32,463	32,771	65,457	56,338
A.2 Unlikely to pay	6,587,248	5,848,115	2,149,995	2,016,966	97,163	52,000	2,977	426	194,195	35,168
A.3 Non-performing past-due	398,660	163,575	560,952	244,415	4,000	434	285	301	1,423	361
A.4 Performing exposures	268,967,656	1,356,024	327,137,300	1,487,444	10,402,814	28,051	12,145,348	16,926	5,566,945	17,055
<b>Total (A)</b>	<b>280,281,336</b>	<b>19,194,365</b>	<b>331,299,934</b>	<b>7,688,068</b>	<b>10,564,826</b>	<b>170,444</b>	<b>12,181,073</b>	<b>50,424</b>	<b>5,828,020</b>	<b>108,922</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	2,908,681	396,903	754,298	514,126	83,098	18,270	483	153	1,454	1,401
B.2 Performing exposures	116,918,692	70,569	169,832,849	172,940	15,948,434	7,442	3,935,574	5,333	508,923	733
<b>Total (B)</b>	<b>119,827,373</b>	<b>467,472</b>	<b>170,587,147</b>	<b>687,066</b>	<b>16,031,532</b>	<b>25,712</b>	<b>3,936,057</b>	<b>5,486</b>	<b>510,377</b>	<b>2,134</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>400,108,709</b>	<b>19,661,837</b>	<b>501,887,081</b>	<b>8,375,134</b>	<b>26,596,358</b>	<b>196,156</b>	<b>16,117,130</b>	<b>55,910</b>	<b>6,338,397</b>	<b>111,056</b>

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

**B.2 Banking group - Distribution of On- and off-balance sheet credit exposures with customers by geographic area (book value)**

(€ '000)

GEOGRAPHIC AREA/EXPOSURES	AMOUNT AS AT 12.31.2017									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	7,618,371	14,038,581	1,733,532	4,280,123	60,228	48,191	45,960	22,522	226,044	567,657
A.2 Unlikely to pay	8,398,603	6,601,358	2,770,013	2,009,406	65,063	48,618	13,372	428	309,589	122,914
A.3 Non-Performing past-due exposures	440,289	260,149	210,883	150,233	8,441	789	143	392	140,743	61,496
A.4 Performing exposures	248,477,128	949,122	298,761,367	953,946	8,199,177	41,756	6,931,256	29,167	23,840,591	120,697
<b>Total A</b>	<b>264,934,391</b>	<b>21,849,210</b>	<b>303,475,795</b>	<b>7,393,708</b>	<b>8,332,909</b>	<b>139,354</b>	<b>6,990,731</b>	<b>52,509</b>	<b>24,516,967</b>	<b>872,764</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	104,108	39,374	312,126	159,487	73,758	4,211	5,747	-	198	29
B.2 Unlikely to pay	1,087,059	217,933	296,065	186,339	5,270	10,491	2,562	-	1,104	2,305
B.3 Other Non-Performing exposures	10,486	855	5,645	1,210	18	-	-	-	49,862	33,361
B.4 Performing exposures	53,755,582	28,418	104,042,217	71,596	12,910,557	6,116	2,410,542	5,135	19,019,271	7,117
<b>Total B</b>	<b>54,957,235</b>	<b>286,580</b>	<b>104,656,053</b>	<b>418,632</b>	<b>12,989,603</b>	<b>20,818</b>	<b>2,418,851</b>	<b>5,135</b>	<b>19,070,435</b>	<b>42,812</b>
<b>Total A+B</b>										
<b>12.31.2017</b>	<b>319,891,626</b>	<b>22,135,790</b>	<b>408,131,848</b>	<b>7,812,340</b>	<b>21,322,512</b>	<b>160,172</b>	<b>9,409,582</b>	<b>57,644</b>	<b>43,587,402</b>	<b>915,576</b>

## Part E - Information on risks and hedging policies

## B.3 Regulatory consolidation - Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ '000)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	-	-	-	5,590	-	-	346	35,120	-	-
A.2 Unlikely to pay	-	-	-	-	-	3,508	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	26	-	-
A.4 Performing exposures	11,177,468	2,605	71,829,382	27,097	3,399,112	676	4,110,081	6,105	1,251,324	511
<b>Total (A)</b>	<b>11,177,468</b>	<b>2,605</b>	<b>71,829,382</b>	<b>32,687</b>	<b>3,399,112</b>	<b>4,184</b>	<b>4,110,427</b>	<b>41,251</b>	<b>1,251,324</b>	<b>511</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	254	-	-	-
B.2 Performing exposures	1,744,312	721	23,692,591	5,634	1,310,748	140	6,270,611	3,408	1,612,539	789
<b>Total (B)</b>	<b>1,744,312</b>	<b>721</b>	<b>23,692,591</b>	<b>5,634</b>	<b>1,310,748</b>	<b>140</b>	<b>6,270,865</b>	<b>3,408</b>	<b>1,612,539</b>	<b>789</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>12,921,780</b>	<b>3,326</b>	<b>95,521,973</b>	<b>38,321</b>	<b>4,709,860</b>	<b>4,324</b>	<b>10,381,292</b>	<b>44,659</b>	<b>2,863,863</b>	<b>1,300</b>

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

## B.3 Banking Group - Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value)

(€ '000)

EXPOSURES/GEOGRAPHIC AREA	AMOUNT AS AT 12.31.2017									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	-	-	20	9,727	158	5,432	-	33,912	-	-
A.2 Unlikely to pay	-	-	-	-	4,995	1,174	-	17	-	-
A.3 Non-Performing past-due	-	-	5	-	-	-	-	26	-	-
A.4 Performing exposures	9,596,806	3,361	68,942,785	12,617	3,143,676	530	2,833,404	7,806	5,994,335	980
<b>Total A</b>	<b>9,596,806</b>	<b>3,361</b>	<b>68,942,810</b>	<b>22,344</b>	<b>3,148,829</b>	<b>7,136</b>	<b>2,833,404</b>	<b>41,761</b>	<b>5,994,335</b>	<b>980</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	117	-	2,333	2,334	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	1,825,613	306	25,655,756	4,808	2,987,399	292	2,312,188	4,444	1,219,364	1,605
<b>Total B</b>	<b>1,825,613</b>	<b>306</b>	<b>25,655,873</b>	<b>4,808</b>	<b>2,989,732</b>	<b>2,626</b>	<b>2,312,188</b>	<b>4,444</b>	<b>1,219,364</b>	<b>1,605</b>
<b>Total A+B</b>										
<b>12.31.2017</b>	<b>11,422,419</b>	<b>3,667</b>	<b>94,598,683</b>	<b>27,152</b>	<b>6,138,561</b>	<b>9,762</b>	<b>5,145,592</b>	<b>46,205</b>	<b>7,213,699</b>	<b>2,585</b>

## B.4 Large exposures

	<b>12.31.2018</b>
a) Amount book value (€ million)	251,920
b) Amount weighted value (€ million)	10,989
c) Number	9

## Part E - Information on risks and hedging policies

### C. Securitisation transactions

#### Qualitative information

In securitisation transactions the Group plays, as the case may be, the role of originator, sponsor or investor.

#### **The Group as originator**

The Group's origination of traditional transactions consists in the sale of on-balance sheet receivables portfolios to vehicles set up as securitisation companies under Law 130/99 or similar non-Italian legislation.

The transferee company finances the purchase of the receivables portfolios by issuing bonds of varying seniority and transfers its issue proceeds to the Group.

The yield and maturity of the bonds issued by the buyer therefore mainly depend on the cash flow expected from the assets being sold.

As a further form of security to bondholders, these transactions may include special types of credit enhancement, e.g., subordinated loans, financial guarantees, standby letters of credit, etc.

The Group's objectives when carrying out these transactions are usually the following:

- to originate securities that can be used to secure repos with Banca d'Italia and the ECB (i.e. counterbalancing capacity);
- to obtain funding through the placement of securities on the market. This also allows a diversification of the funding sources and of the investors' basis with improvements in reducing the cost of Group's funding;
- to free up economic and regulatory capital by carrying out transactions that reduce capital requirements under current rules by reducing credit risk of the underlying portfolio;
- to reduce the exposures towards non-performing customers;
- to optimise the recoveries of exposures portfolios towards non-performing customers, referring to specific asset classes (e.g. Pillarstone and Sandokan transactions).

The Group carries out both traditional securitisations whereby the receivables portfolio is sold to the SPV and synthetic securitisations which use financial guarantees to purchase protection over all or part of the underlying credit risk of the portfolio. The latter, on the contrary to traditional securitisations, is not sold to vehicles but remains also legally within the Group.

Under traditional securitisations generally the Group, in addition to provide servicing role, retains the first loss in the form of junior bonds or similar exposure and in some cases provides further credit enhancement as described above. This enables the Group to benefit from the portion of the sold receivables' yield in excess of the yield due to the senior and mezzanine tranches.

Retention by the Group of the first loss risk and the corresponding yield means that most of the risk and return on the portfolio is retained.

Consequently these transactions are recognised in the accounts as loans and no profits arising out of the transfer of the assets are recognised and the sold receivables are not derecognised.

In the consolidated financial statements, exposure to the variability deriving from maintenance of the risk of first loss together with the role of servicer of the underlying assets determines control by the Group over these securitisation vehicles. Therefore they are subject to full consolidation.

Differently, in order to improve the quality of its assets and optimise the capital allocation, the Group also carries out transactions that involve the portfolios' derecognition and the related significant risk transfer, by subscribing a limited portion of securities issued by vehicles of securitisation, in compliance with the rules for maintaining a net economic interest in the securitisation transaction according to the current regulatory requirements (Retention Rule).

Eventually, synthetic securitisations also entail retention of the receivables subject to credit default protection on the balance sheet. Moreover, the financial guarantees purchased as protection of such receivables are also booked on the balance sheet as well as the impacts on the income statement related to them.

The Group's main objectives in its securitisation transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

The crisis in the markets experienced since the second half of 2007 made it advisable to use securitisation as a means of increasing counterbalancing capacity, i.e. the availability of assets that can be readily used to create liquidity, by retaining the securities issued by the vehicle within the Group. Eventually traditional securitisations have been used also for corporate re-organisation's purposes, for assets deleveraging, for business projects' purposes or for recovery's activity and sale of non-performing loans as well.

## Part E - Information on risks and hedging policies

Analysis and realisation of securitisation transactions are carried out within the Parent in close cooperation with the Group originator entities involved and with UniCredit Bank AG, as preferred counterparty, as Arranger and potential Investment Banking. This process requires an economic feasibility study to assess the impact of transactions (according to their nature and aims), on regulatory and economic capital, on risk-adjusted profitability measures and on the level of Group's liquidity. If this initial phase produces a positive result, a technical and operational feasibility study is carried out to identify the assets to be securitised and define the structure of the transaction. Once technical feasibility has been established, the transaction is realised.

Eventually it should be noted that "self-securitisations" and transactions in warehousing phase are not included in the quantitative tables of Part C, as required by regulations.

### **Developments of the period**

The Group makes limited use of this type of transactions. The amount of securitised loans<sup>28</sup>, net of the transactions in which the Group has acquired all the liabilities issued by the SPVs (the so-called self-securitisations), accounts for 2.02% of the Group's credit portfolio. Self-securitisations in turn account for 3.08% of the loan portfolio.

During 2018 the Group carried out four new synthetic transactions by UniCredit S.p.A.:

- Agribond 2;
- Bond del Mezzogiorno 1;
- Bond Italia 5 bis;
- Puglia Sviluppo 1.

Details are given in the tables published in the "Annexes", which also describe transactions, traditional and synthetic, carried out in previous financial years.

It should also be noted that, again during 2018:

- the transactions Locat SV - Serie 2006, Geldilux-TS-2013 and Caesar Finance, all traditional transactions, were closed;
- on November, UniCredit S.p.A. increased the amount of Consumer Three transaction, "self-securitisation" issued in 2016 for counterbalance capacity purpose, with the sale of a new portfolio and the issue of new notes by the vehicle amounting to €2 billion.

### **The Group as sponsor**

The Group defines the role of sponsor as that performed by an entity, other than the transferor, which organises and administers a securitisation or asset-backed commercial paper structure in which financial assets are purchased from third parties.

The Group acts as sponsor of asset backed commercial paper vehicles (i.e. commercial paper issuing conduits) set up in order to allow customers the access to the securitisations' market (multi-seller Customer conduits).

Customer conduits require the formation and management of a bankruptcy-remote company (i.e., one that would be immune from any financial difficulties of the originator) which directly or indirectly buys receivables created by companies outside the Group.

The receivables underlying these transactions are not bought directly by the conduit set up by the Group, but by a purchase company which in turn is wholly funded by the conduit by means of commercial paper or medium term notes.

In some circumstances purchase companies fund further SPVs which buy loan portfolio.

The main purpose of these transactions is to give corporate customers access to the securitisation market and thus to lower funding costs than would be borne with direct funding.

The conduits' purchase of assets is financed by short-term commercial paper and medium-term note issues.

Payment of interest and redemption of the securities issued by the conduit therefore depends on cash flow from the receivables purchased (credit risk) and the ability of the conduit to roll over or replace its market funding on maturity (liquidity risk).

To guarantee prompt redemption of the securities issued by the conduit, these transactions are guaranteed by a standby letter of credit covering the risk of default both of specific assets and of the whole programme.

The underwriters of issued securities also benefit from security provided by specific liquidity lines which the conduit may use if it unable to place new commercial paper to repay maturing paper, e.g. during market turmoil.

These liquidity lines may not however be used to guarantee redemption of securities issued by the conduit in the event of default by the underlying assets.

<sup>28</sup> We refer to loans sold, also synthetically, but not derecognised from balance sheet.

## Part E - Information on risks and hedging policies

In its role as sponsor, the Group selects the asset portfolios purchased by conduits or purchase companies, provides administration of the assets and both standby letters of credit and liquidity lines and purchases commercial papers issued when required by market conditions.

For these services the Group receives fees and also benefits from the spread between the return on the assets purchased by the SPV and the securities issued.

These circumstances put the Group in the condition of having the power over the assets of the conduits and being at the same time exposed to the variability deriving from such assets. Therefore the conduits sponsored by the Group have come within the perimeter of consolidation starting from 2007, in application of the conditions provided for in IFRS10 and previously by SIC12.

In addition to the Customer Conduits, purchase companies may also be consolidated if the Group is exposed to the variability of yields deriving from funding provided directly or indirectly, through the conduit, and also has the power to manage the underlying assets.

### ***The Group as investor***

The Group also invests in structured credit products issued by special-purpose entities that are not consolidated pursuant to the accounting rules in force, insofar as such instruments do not bear most of the risk or receive most of the returns associated with the activity carried out by these special-purpose entities.

With regard to these activities, the Group holds within the Global ABS portfolio exposures of securitisations established by third-parties such as RMBS, CMBS, CDO, CBO/CLO and other ABS.

In line with the development of the financial markets and, specifically, the securitisation market, the Global ABS Portfolio was transformed from a separate portfolio in liquidation to strategic investment portfolio for the Group in 2011 and was integrated into the Markets Strategic Portfolio ("MSP"), managed with a view to generating a profit margin and creating an appreciable capital return through long-term investments in fixed-income securities.

The development of client-related operations is also an integral part of MSP activities and includes actions to strengthen the customer base and support securitisations. This portfolio is subject to monitoring and reporting by the business and risk management functions. All activities relating to the MSP are carried out in conformity with established policies and procedures, specifically credit approval procedures.

The analysis of investments in ABS focuses specifically on the following elements:

- structural analysis of all internal and external risks inherent to a similar investment, e.g. Default Risk, Dilution Risk, Residual Value Risk, Servicer Risk, Interest Rate Risk, Liquidity Risk, Commingling Risk, Legal Risk, Adequacy of performance triggers, etc. These risks may differ according to the underlying assets class;
- analysis of the underlying portfolio, including the analysis of all performance indicators significant for each underlying asset class;
- cash flows/quantitative analysis/modelling;
- credit rating and experience of the participants e.g. vendor/servicer - financial soundness, capacity and availability to service assets.

## Part E - Information on risks and hedging policies

### Quantitative information

The tables below do not include information on the so-called "self-securitisations", i.e. securitisation transactions in which the Group has acquired all the liabilities issued by the SPVs, and transactions in warehousing phase.

#### C.1 Regulatory consolidation - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

(€ '000)

TYPE OF SECURITISED ASSETS /EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS
<b>A. Totally derecognised</b>	<b>493,544</b>	<b>-</b>	<b>250,688</b>	<b>-</b>	<b>95,715</b>	<b>-</b>
A.1 CLO/CBO OTHERS	493,544	-	250,688	-	95,715	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>32,701</b>	<b>-</b>	<b>-</b>	<b>-3,872</b>
B.1 CLO/CBO Others	-	-	32,701	-	-	-3,872
<b>C. Not-derecognised</b>	<b>5,866,022</b>	<b>-</b>	<b>376,946</b>	<b>-</b>	<b>1,014,554</b>	<b>-205,585</b>
C.1 RMBS Prime	626,908	-	199,522	-	334,465	-163,163
C.2 CLO/SME	467,821	-	-	-	8,559	-
C.3 CLO/CBO Others	4,771,293	-	177,424	-	572,512	-42,422
C.4 CONSUMER LOANS	-	-	-	-	-	-
C.5 LEASES	-	-	-	-	99,018	-
C.6 OTHERS	-	-	-	-	-	-

continued C.1 Regulatory consolidation - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS /EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
<b>A. Totally derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
A.1 CLO/CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 CLO/CBO Others	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>304,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO/SME	-	-	-	-	-	-
C.3 CLO/CBO Others	304,000	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-
C.5 LEASES	-	-	-	-	-	-
C.6 OTHERS	-	-	-	-	-	-

continued C.1 Regulatory consolidation - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS /EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
<b>A. Totally derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
A.1 CLO/CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 CLO/CBO Others	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>11,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO/SME	-	-	-	-	-	-
C.3 CLO/CBO Others	11,017	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-
C.5 LEASES	-	-	-	-	-	-
C.6 OTHERS	-	-	-	-	-	-

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2018 only.



## Part E - Information on risks and hedging policies

With reference to transactions with own underlying assets it should be noted that the decrease in balance-sheet net exposures relating to transactions not derecognised and partially derecognised to €1,998 million as at December 2018 from €2,616 million as at December 2017 was due to the natural development of the transactions.

Moreover, the decrease in balance-sheet net exposures concerning synthetic transactions from €8,403 million in December 2017 to €5,292 million in December 2018 was due to the natural development of the transactions, only partially offset by four new transactions called Agribond 2, Bond del Mezzogiorno 1, Bond Italia 5 bis and Puglia Sviluppo 1.

Finally, it should be noted that:

- the net balance-sheet exposure totally derecognised almost entirely refers to the securitisations of FINO Project, for which see the information provided in Consolidated Report on Operations - Other information;
- the net balance-sheet exposure partially derecognised refers to the transaction Pillarstone Italy - Premuda.

### C.2 Regulatory consolidation - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

(€ '000)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/ WRITE-BACKS
A.1 RMBS PRIME	2,110,945	-	6,834	-	-	-
A.2 RMBS NON CONFORMING	44,276	-	21,834	-	-	-
A.3 RMBS US SUBPRIME	484	-	-	-	-	-
A.4 CMBS	33,412	-	25,287	-	-	-
A.5 CDO OF ABS	-	-	-	-	-	-
A.6 CDO - BALANCE SHEET	21,020	-	-	-	-	-
A.7 CDO - PREFERRED STOCK	20,730	-	-	-	-	-
A.8 CDO OTHER	-	-	-	-	-	-
A.9 CLO SME	86,486	-	-	-	-	-
A.10 CLO ARBITRAGE/BALANCE SHEET	-	-	-	-	-	-
A.11 CLO OTHER	2,836,584	-	12,179	-	-	-
A.12 CONSUMER LOANS	1,420,220	-	55,235	-	-	-
A.13 STUDENT LOANS	60,734	-	-	-	722	-
A.14 LEASES	-	-	-	-	-	-
A.15 OTHER	31,155	-	3,902	-	30,794	1,153
A.16 CONDUITS(*)	2,698,098	-	-	-	-	-

**Note:**

(\*) exposure of subsidiaries included in the scope of consolidation, but not belonging to the banking group.

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2018 only.

## Part E - Information on risks and hedging policies

continued C.2 Regulatory consolidation - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS /EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
A.1 RMBS PRIME	-	-	-	-	-	-
A.2 RMBS NON CONFORMING	-	-	-	-	-	-
A.3 RMBS US SUBPRIME	-	-	-	-	-	-
A.4 CMBS	-	-	-	-	-	-
A.5 CDO OF ABS	-	-	-	-	-	-
A.6 CDO - BALANCE SHEET	-	-	-	-	-	-
A.7 CDO - PREFERRED STOCK	-	-	-	-	-	-
A.8 CDO OTHER	-	-	-	-	-	-
A.9 CLO SME	-	-	-	-	-	-
A.10 CLO ARBITRAGE/BALANCE SHEET	-	-	-	-	-	-
A.11 CLO OTHER	-	-	-	-	-	-
A.12 CONSUMER LOANS	-	-	-	-	-	-
A.13 STUDENT LOANS	-	-	-	-	-	-
A.14 LEASES	-	-	-	-	-	-
A.15 OTHER	-	-	-	-	-	-
A.16 CONDUITS	-	-	-	-	-	-

continued C.2 Regulatory consolidation - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS /EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
A.1 RMBS PRIME	-	-	-	-	-	-
A.2 RMBS NON CONFORMING	-	-	-	-	-	-
A.3 RMBS US SUBPRIME	-	-	-	-	-	-
A.4 CMBS	-	-	-	-	-	-
A.5 CDO OF ABS	-	-	-	-	-	-
A.6 CDO - BALANCE SHEET	-	-	-	-	-	-
A.7 CDO - PREFERRED STOCK	-	-	-	-	-	-
A.8 CDO OTHER	-	-	-	-	-	-
A.9 CLO SME	-	-	-	-	-	-
A.10 CLO ARBITRAGE/BALANCE SHEET	-	-	-	-	-	-
A.11 CLO OTHER	-	-	-	-	-	-
A.12 CONSUMER LOANS	-	-	-	-	-	-
A.13 STUDENT LOANS	21,995	-	-	-	-	-
A.14 LEASES	-	-	-	-	-	-
A.15 OTHER	-	-	-	-	1,411	-
A.16 CONDUITS	3,158,348	-	18,707	-	-	-

The transactions with third-party underlying assets are those in which the group acts as sponsor or investor.

With reference to transactions in which the Group acts as sponsor, the total amount of net exposure is equal to €5,875 million (€6,287 million as of 31 December 2017), broken down into asset backed commercial paper and loans for €2,698 million and undrawn credit lines for €3,177 million. It should be noted that the lines of credit shown are the difference between total credit lines granted and the amount of commercial paper underwritten by the Group. This figure is the additional risk exposure incurred by the Group in addition to the underwritten commercial paper.

With reference to transactions in which the Group acts as investor, please refer to the subsequent tables 'Exposures toward other consolidated SPVs' and 'C.4 Banking Group - Non consolidated Securitisation Vehicles' that shows the exposure of the Group toward these SPVs.

With reference to sponsor exposures the following table provides information about exposures held toward conduits in which the Group acts as sponsor.

## Part E - Information on risks and hedging policies

## Exposures sponsored by the Group

(€ '000)

	AMOUNTS AS AT 12.31.2018
<b>Asset Backed Commercial Paper</b>	<b>2,698,098</b>
- Arabella Finance DAC	1,698,058
- Elektra Purchase No. 28 DAC	-
- Elektra Purchase No. 31 DAC	-
- Elektra Purchase No. 32 S.A. - Compartment 1	-
- Elektra Purchase No. 32 S.A. - Compartment 2	-
- Elektra Purchase No. 33 DAC	-
- Elektra Purchase No. 34 DAC	-
- Elektra Purchase No. 36 DAC	-
- Elektra Purchase No. 37 DAC	-
- Elektra Purchase No. 38 DAC	-
- Elektra Purchase No. 39 DAC	410,000
- Elektra Purchase No. 41 DAC	-
- Elektra Purchase No. 43 DAC	-
- Elektra Purchase No. 44 DAC	-
- Elektra Purchase No. 46 DAC	-
- Elektra Purchase No. 48 DAC	-
- Elektra Purchase No. 54 DAC	-
- Elektra Purchase No. 55 DAC	-
- Elektra Purchase No. 56 DAC	-
- Elektra Purchase No. 57 DAC	-
- Elektra Purchase No. 63 DAC	-
- Elektra Purchase No. 718 DAC	590,041
- Elektra Purchase No. 911 Ltd	-
<b>Credit facilities</b>	<b>3,177,055</b>
- Arabella Finance DAC	-
- Elektra Purchase No. 28 DAC	116,026
- Elektra Purchase No. 31 DAC	57,210
- Elektra Purchase No. 32 S.A. - Compartment 1	294,772
- Elektra Purchase No. 32 S.A. - Compartment 2	196,515
- Elektra Purchase No. 33 DAC	117,995
- Elektra Purchase No. 34 DAC	98,257
- Elektra Purchase No. 36 DAC	196,515
- Elektra Purchase No. 37 DAC	61,575
- Elektra Purchase No. 38 DAC	94,327
- Elektra Purchase No. 39 DAC	268,570
- Elektra Purchase No. 41 DAC	30,624
- Elektra Purchase No. 43 DAC	163,762
- Elektra Purchase No. 44 DAC	65,505
- Elektra Purchase No. 46 DAC	45,853
- Elektra Purchase No. 48 DAC	11,154
- Elektra Purchase No. 54 DAC	29,477
- Elektra Purchase No. 55 DAC	98,257
- Elektra Purchase No. 56 DAC	171,629
- Elektra Purchase No. 57 DAC	289,270
- Elektra Purchase No. 63 DAC	150,661
- Elektra Purchase No. 718 DAC	386,506
- Elektra Purchase No. 911 Ltd	232,595

The lines of credit shown are the difference between total credit lines granted and the amount of commercial paper underwritten by the Group. This figure is the additional risk exposure incurred by the Group in addition to the underwritten commercial paper.

Moreover, it should be noted that as at 31 December 2018 there were no SPVs of third parties securitisations, where the group acts as investor, subject to consolidation.

## Part E - Information on risks and hedging policies

## C.3 SPVs for securitisations

(€ 000)

NAME OF SECURITISATION/NAME OF VEHICLE	COUNTRY OF INCORPORATION	CONSOLIDATION	ASSETS			LIABILITIES		
			LOANS AND RECEIVABLES	DEBT SECURITIES	OTHERS	SENIOR	MEZZANINE	JUNIOR
Arabella Finance DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	4,314,629	-	1,930	4,312,211	-	-
Capital Mortgage S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	649,413	-	34,032	495,744	74,000	67,592
Cordusio RMBS Securitisation S.r.l. - Serie 2006	Piazzetta Monte 1 - 37121 Verona	Yes	233,578	-	10,834	72,290	141,700	10,686
Cordusio RMBS Securitisation S.r.l. - Serie 2007	Piazzetta Monte 1 - 37121 Verona	Yes	840,671	-	24,523	554,353	236,400	2,004
Cordusio RMBS - UCFin S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	472,392	-	24,363	272,180	148,000	13,358
Elektra Purchase No. 28 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	176,488	-	-	176,485	-	-
Elektra Purchase No. 31 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	57,069	-	-	57,058	-	-
Elektra Purchase No. 32 S.A. - Compartment 1	52-54 avenue du X Septembre, L-2550 Luxembourg	Yes	230,712	-	-	230,602	-	-
Elektra Purchase No. 32 S.A. - Compartment 2	52-54 avenue du X Septembre, L-2550 Luxembourg	Yes	300,116	-	-	300,093	-	-
Elektra Purchase No. 33 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	169,847	-	-	169,846	-	-
Elektra Purchase No. 34 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	98,661	-	-	98,658	-	-
Elektra Purchase No. 36 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	300,002	-	313	300,000	-	-
Elektra Purchase No. 37 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	92,799	-	3	92,769	-	-
Elektra Purchase No. 38 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	119,235	-	11	119,233	-	-
Elektra Purchase No. 39 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	410,001	-	65	410,000	-	-
Elektra Purchase No. 41 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	46,752	-	4	46,750	-	-
Elektra Purchase No. 43 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	250,002	-	-	250,000	-	-
Elektra Purchase No. 44 Designated Activity Company	11-12 Warrington Place, Dublin 2	Yes	100,001	-	-	100,000	-	-
Elektra Purchase No. 46 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	25,694	-	6	25,692	-	-
Elektra Purchase No. 48 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	17,100	-	493	17,028	-	-
Elektra Purchase No. 54 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	42,999	-	20	42,969	-	-
Elektra Purchase No. 55 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	137,512	-	12	137,511	-	-
Elektra Purchase No. 56 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	233,019	-	-	233,018	-	-
Elektra Purchase No. 57 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	429,745	-	7,098	436,833	-	-
Elektra Purchase No. 63 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	230,053	-	-	230,000	-	-
Elektra Purchase No. 718 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Yes	590,041	-	1	590,040	-	-
Elektra Purchase No. 911 Ltd	OGIER HOUSE, THE ESPLANADE, ST. HELIER, JE4 9WG - Jersey	Yes	355,080	-	-	355,079	-	-
F-E Mortgages S.r.l. - 2003	Piazzetta Monte 1 - 37121 Verona	Yes	110,595	-	26,097	37,649	59,018	7,632
F-E Mortgages S.r.l. - 2005	Piazzetta Monte 1 - 37121 Verona	Yes	181,441	-	14,061	86,154	36,864	32,311
Heliconus S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	55,230	-	12,905	15,678	30,829	8,990
LARGE CORPORATE ONE SRL	Piazzetta Monte 1 - 37121 Verona	Yes	234,272	-	53,484	255,446	-	36,364
SUCCESS 2015 B.V.	Barbara Strozzielaan 101, 1083HN Amsterdam	Yes	343,727	-	60	230,110	-	94,400
ARCOBALENO FINANCE SRL	FORO Buonaparte, 70 - 20121 Milano	No	65,124	-	4,857	21,926	-	54,700
CREDIARC SPV SRL	FORO BUONAPARTE, 70 20121 MILANO	No	31,779	-	2,186	27,766	-	26,411
Elektra Purchase No. 8 Limited	OGIER HOUSE, THE ESPLANADE, ST. HELIER, JE4 9WG - Jersey	No	140,014	-	-	140,000	-	-
Elektra Purchase 17 S.A. RE COMPARTMENT 14	52-54 avenue du X Septembre, L-2550 Luxembourg	No	28,803	-	-	28,800	-	-
Elektra Purchase No. 17 S.A. (Re Compartment 18)	52-54 avenue du X Septembre, L-2550 Luxembourg	No	72,807	-	-	72,800	-	-
Elektra Purchase No. 25 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	No	170,617	-	-	170,600	-	-
Elektra Purchase No. 29 DAC	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	No	328,133	-	-	328,100	-	-
Elektra Purchase No. 45 Designated Activity Company	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	No	120,212	-	-	120,200	-	-
FINO 1 SECURITISATION SRL	Viale Luigi Maino 45, 20122 Milano	No	657,520	-	113,128	545,019	69,640	50,311
FINO 2 SECURITISATION SRL	Viale Luigi Maino 45, 20122 Milano	No	594,570	-	37,499	323,036	200,600	39,554
ONIF FINANCE SRL	Via Alessandro Pesalozza 12/14, 20131 Milano	No	282,572	-	21,443	94,438	117,481	80,877
Pillarstone Italy SPV S.r.l. - Burgo	Via Pietro Mascagni 14, 20122 MILANO	No	182,581	-	8,464	6,959	132,225	27,078
Pillarstone Italy SPV S.r.l. - Premuda	Via Pietro Mascagni 14, 20122 MILANO	No	226,813	-	5,252	4,544	197,347	88,911
Pillarstone Italy SPV S.r.l. - Rainbow	Via Pietro Mascagni 14, 20122 MILANO	No	38,182	-	103	890	37,934	56,405
Sestante Finance S.r.l.	Via Borromei, 5 - 20123 Milano	No	233,586	-	-	166,432	89,502	8,610
YANEZ SPV S.R.L.	Via Vittorio Alfieri 1, 31015 Conegliano	No	1,012,267	-	25,314	1,492	297,066	441,730

## Part E - Information on risks and hedging policies

### C.4 Regulatory consolidation - Special Purpose Vehicles for securitisation not subject to consolidation

As mentioned before in the context of securitisation transactions the Group may operate as investor, sponsor and originator.

The following table provides indication on assets and liabilities recognised in the balance sheet as well as off-balance exposures of the Group toward non-consolidated securitisation vehicles and broken down by role of the Group. The maximum exposure to loss has been calculated by grossing up the difference between assets and liabilities with off balance sheet positions, irrevocable credit lines and financial guarantees, held toward these vehicles and reported in column "difference between maximum exposure to loss and accounting value".

#### Exposures to Securitisation SPVs not subject to consolidation

(€ '000)

AMOUNTS AS AT 12.31.2018							
BALANCE SHEET ITEM/SPV TYPE	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
<b>ABS Issuing vehicles (Investor)</b>		<b>6,827,164</b>		<b>128,774</b>	<b>6,698,390</b>	<b>6,720,385</b>	<b>21,995</b>
	HFT	44,426	Deposits	121,686			
	DFV	-	Securities	-			
	MFV	71,738	HFT	7,088			
	FVOCI	-	DFV	-			
	AC	6,711,000		-			
<b>Commercial Paper Conduits (Sponsor)</b>		<b>-</b>		<b>40,961</b>	<b>(40,961)</b>	<b>887,092</b>	<b>928,053</b>
	HFT	-	Deposits	38,061			
	DFV	-	Securities	-			
	MFV	-	HFT	2,900			
	FVOCI	-	DFV	-			
	AC	-		-			
<b>Own securitisations (Originator)</b>		<b>839,947</b>		<b>154,744</b>	<b>685,203</b>	<b>685,203</b>	<b>-</b>
	HFT	-	Deposits	154,744			
	DFV	-	Securities	-			
	MFV	60,015	HFT	-			
	FVOCI	229,527	DFV	-			
	AC	550,405		-			
<b>Total</b>		<b>7,667,111</b>		<b>324,479</b>	<b>7,342,632</b>	<b>8,292,680</b>	<b>950,048</b>

#### Notes:

HFT = Financial assets held for trading  
 DFV = Financial assets designated at fair value  
 MFV = Financial assets mandatorily at fair value  
 FVOCI = Financial assets at fair value through other comprehensive income  
 AC = Financial assets at amortized cost

Deposits = Deposits from Customers  
 Securities = Debt securities in issue  
 HFT = Financial liabilities held for trading  
 DFV = Financial liabilities designated at fair value

Exposures toward ABS Issuing vehicles are constituted for the most part, €6,785,152 thousand, by exposures in Asset Backed Securities.

The remaining part is constituted by loans.

The good credit quality of this portfolio is borne out by the fact that over 98% of these instruments are rated A or better and over 69% of the portfolio is triple-A rated while at 31 December 2017 over 96% of these exposures were rated A and 65% of the portfolio was rated triple-A.

Over 78% of the exposure is toward countries belonging to European Union. Exposure to Greece, Ireland, Portugal and Spain accounts for 14.94%, most of which concerns exposures to Spanish underlying assets (11.65%).

## Part E - Information on risks and hedging policies

### Structured credit product exposures broken down by rating class

EXPOSURE TYPE	AAA	AA	A	BBB	BB	B	CCC	CC	C	NR
RMBS	39.68%	52.44%	6.95%	0.62%	0.20%	0.11%	0.00%	0.00%	0.00%	0.00%
CMBS	49.36%	20.84%	3.23%	26.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CDO	0.00%	0.00%	84.86%	15.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CLO/CBO	96.64%	3.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other ABS	62.53%	30.00%	3.72%	0.54%	0.34%	0.12%	0.09%	0.00%	0.00%	2.66%
<b>Total</b>	<b>69.43%</b>	<b>25.44%</b>	<b>3.65%</b>	<b>0.65%</b>	<b>0.15%</b>	<b>0.06%</b>	<b>0.02%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.60%</b>

### Structured credit product exposures broken down by geographical area

EXPOSURE TYPE	ITALY	OTHER UE COUNTRIES	OTHER EUROPEAN COUNTRIES (NON UE)	ASIA	USA	REST OF THE WORLD
RMBS	20.80%	78.97%	0.00%	0.00%	0.05%	0.18%
CMBS	0.00%	92.44%	0.00%	0.00%	7.56%	0.00%
CDO	0.00%	0.00%	0.00%	0.00%	49.65%	50.35%
CLO/CBO	2.95%	49.05%	0.00%	0.00%	30.82%	17.18%
Other ABS	17.18%	81.88%	0.00%	0.00%	0.16%	0.78%
<b>Total</b>	<b>11.93%</b>	<b>66.33%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>13.75%</b>	<b>7.99%</b>

The portfolio includes exposures to US Subprime and Alt-A mortgages, which amounted to €1,007 thousand as at 31 December 2018, reduced compared to 31 December 2017 (€1,123 thousand).

Exposures toward Commercial Paper Conduit comprise credit line provided to the purchase companies that acquire the receivables from the originators external to the Group. These credit line are granted by credit enhancements (deferred purchase price and credit insurance) so that the Group does not bear the variability of the underlying portfolio.

Exposures toward own securitisation comprise securities and off balance sheet exposure toward SPV that are not consolidated as the conditions required by IFRS10 are not fulfilled. Absent the conditions requested by IFRS9 the securitised loans have not been derecognised from the balance sheet of the originator.

For further information on these securitisations please refer to the tables published in the "Annexes".

During the period the Group has not provided financial support to any non-consolidated securitisation vehicle in absence of contractual obligation to do so. The Group has not the current intention to provide such support.

The Group does not act as sponsor of securitisation vehicles in which it has not exposures at the end of the reporting period.

## Part E - Information on risks and hedging policies

C.5 Regulatory consolidation - Servicer activity - "in-house" securitisations: collections of securitised loans and redemptions of securities issued by the securitisation's vehicle

**C.5 Regulatory consolidation - Servicer activities – "In-house" securitisations: collections of securitised loans and redemptions of securities issued by the securitisation's vehicle**

(€ '000)

SERVICER	SPECIAL PURPOSE VEHICLE	SECURITISED ASSETS (YEAR END FIGURES)		LOANS COLLECTED DURING THE YEAR		PERCENTAGE OF SECURITIES REDEEMED (YEAR END FIGURES)					
		IMPAIRED	PERFORMING	IMPAIRED	PERFORMING	SENIOR		MEZZANINE		JUNIOR	
						IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS
UniCredit Leasing (Austria) GmbH	SUCCESS 2015 B.V.	5,443	336,242	-	113,202	-	-	-	-	-	-
UniCredit S.p.A.	Capital Mortgage S.r.l.	63,233	586,180	10,187	82,056	-	79.17%	-	-	-	-
	Cordusio RMBS Securitisation S.r.l. - SERIE 2006	15,656	217,921	5,293	87,730	-	96.98%	-	-	-	-
	Cordusio RMBS Securitisation S.r.l. - SERIE 2007	59,548	781,123	13,781	149,617	-	84.89%	-	-	-	-
	Cordusio RMBS UCFin S.r.l.	41,926	430,665	7,517	75,014	-	88.34%	-	-	-	-
	F-E Mortgage S.r.l. - SERIE 2003	8,382	102,214	1,780	17,139	-	97.85%	-	-	-	-
	F-E Mortgage S.r.l. - SERIE 2005	13,748	167,693	2,829	24,753	-	90.95%	-	10.31%	-	10.31%
	Heliconus S.r.l.	3,832	51,398	937	9,146	-	98.52%	-	-	-	-
	Large Corporate One S.r.l.	-	234,272	-	189,516	-	-	-	-	-	-



## Part E - Information on risks and hedging policies

## C.6 Regulatory consolidation - Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ARABELLA FINANCE DAC	CAPITAL MORTGAGE S.R.L.	CORDUSIO RMBS SECURITISATION S.R.L. - SERIE 2006
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Piazzetta Monte 1 37121 Verona	Piazzetta Monte 1 37121 Verona
<b>A. Securitised Assets</b>	<b>4,282,453</b>	<b>649,413</b>	<b>233,578</b>
A.1 Loans	4,282,453	649,413	233,578
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>32,176</b>	-	-
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>20,054</b>	<b>4,551</b>
C.1 Loans (including bank current account)	-	20,054	4,551
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>1,930</b>	<b>13,978</b>	<b>6,283</b>
D.1 Derivatives	1,930	-	-
D.2 Other assets	-	13,978	6,283
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>4,316,559</b>	<b>683,445</b>	<b>244,412</b>
<b>E. Bond issued</b>	<b>4,312,211</b>	<b>595,773</b>	<b>224,677</b>
E.1 Senior	4,312,211	495,744	72,290
E.2 Mezzanine	-	74,000	141,700
E.3 Junior	-	26,029	10,686
<b>F. Loans received</b>	<b>-</b>	<b>41,563</b>	<b>-</b>
F.1 Senior	-	-	-
F.2 Mezzanine	-	-	-
F.3 Junior	-	41,563	-
<b>G. Other liabilities</b>	<b>4,348</b>	<b>46,109</b>	<b>19,735</b>
G.1 Derivatives	-	378	1,537
G.2 Due to originator	-	45,466	569
G.3 Other liabilities	4,169	265	17,629
G.4 Own funds	180	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>4,316,559</b>	<b>683,445</b>	<b>244,412</b>
<b>H. Interest expense</b>	<b>42,078</b>	<b>3,208</b>	<b>2,340</b>
H.1 Interest expense on bond issued	42,078	309	893
H.2 Interest expense on loans received	-	-	-
H.3 Interest expense on derivatives	-	2,899	1,446
<b>I. Commissions and fees related to the transaction</b>	<b>21,700</b>	<b>688</b>	<b>2,301</b>
I.1 for servicing	21,700	488	2,044
I.2 for other services	-	200	257
<b>J. Other charges</b>	<b>3,656</b>	<b>61,445</b>	<b>7,841</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	3,656	61,445	7,841
<b>TOTAL COSTS (H+I+J)</b>	<b>67,434</b>	<b>65,341</b>	<b>12,482</b>
<b>K. Interest generated by securitised assets</b>	<b>31,562</b>	<b>9,729</b>	<b>4,180</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>32,315</b>	<b>55,612</b>	<b>8,301</b>
M.1 Additional returns for exposure junior	-	53,060	7,791
M.2 Other revenues	32,315	2,553	510
<b>TOTAL REVENUES (K+L+M)</b>	<b>63,877</b>	<b>65,341</b>	<b>12,482</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-3,557</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	CORDUSIO RMBS SECURITISATION S.R.L. - SERIE 2007	CORDUSIO RMBS - UCFIN S.R.L.	ELEKTRA PURCHASE NO.28 DAC
COUNTRY OF INCORPORATION	Piazzetta Monte 1 37121 Verona	Piazzetta Monte 1 37121 Verona	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised Assets</b>	<b>840,671</b>	<b>472,592</b>	<b>176,485</b>
A.1 Loans	840,671	472,592	176,485
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>12,490</b>	<b>19,304</b>	<b>-</b>
C.1 Loans (including bank current account)	12,490	19,304	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>12,033</b>	<b>5,059</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	12,033	5,059	-
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>865,194</b>	<b>496,955</b>	<b>176,488</b>
<b>E. Bond issued</b>	<b>792,757</b>	<b>433,538</b>	<b>-</b>
E.1 Senior	554,353	272,180	-
E.2 Mezzanine	236,400	148,000	-
E.3 Junior	2,004	13,358	-
<b>F. Loans received</b>	<b>-</b>	<b>-</b>	<b>176,485</b>
F.1 Senior	-	-	176,485
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>72,437</b>	<b>63,417</b>	<b>2</b>
G.1 Derivatives	3,606	2,875	-
G.2 Due to originator	41,016	58,868	-
G.3 Other liabilities	27,814	1,674	29
G.4 Own funds	-	-	-27
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>865,194</b>	<b>496,955</b>	<b>176,488</b>
<b>H. Interest expense</b>	<b>5,751</b>	<b>3,396</b>	<b>419</b>
H.1 Interest expense on bond issued	2,719	956	-
H.2 Interest expense on loans received	-	-	419
H.3 Interest expense on derivatives	3,032	2,441	-
<b>I. Commissions and fees related to the transaction</b>	<b>3,576</b>	<b>2,738</b>	<b>263</b>
I.1 for servicing	3,258	2,401	263
I.2 for other services	318	338	-
<b>J. Other charges</b>	<b>43,251</b>	<b>34,984</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	43,251	34,984	-
<b>TOTAL COSTS (H+I+J)</b>	<b>52,578</b>	<b>41,119</b>	<b>681</b>
<b>K. Interest generated by securitised assets</b>	<b>12,236</b>	<b>8,799</b>	<b>681</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>40,342</b>	<b>32,320</b>	<b>-</b>
M.1 Additional returns for exposure junior	38,469	31,406	-
M.2 Other revenues	1,873	914	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>52,578</b>	<b>41,119</b>	<b>681</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.31 DAC	ELEKTRA PURCHASE NO.32 S.A. - COMPARTMENT 1	ELEKTRA PURCHASE NO.32 S.A. - COMPARTMENT 2
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	52-54 Avenue du X Septembre, L-2550 Luxembourg	52-54 Avenue du X Septembre, L-2550 Luxembourg
<b>A. Securitised Assets</b>	<b>57,066</b>	<b>230,682</b>	<b>300,023</b>
A.1 Loans	57,066	230,682	300,023
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>3</b>	<b>29</b>	<b>93</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	-
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>57,069</b>	<b>230,712</b>	<b>300,116</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>57,058</b>	<b>230,602</b>	<b>300,093</b>
F.1 Senior	57,058	230,602	300,093
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>11</b>	<b>109</b>	<b>23</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	9	78	23
G.4 Own funds	2	31	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>57,069</b>	<b>230,712</b>	<b>300,116</b>
<b>H. Interest expense</b>	<b>1,430</b>	<b>602</b>	<b>477</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	1,430	602	477
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1,066</b>	<b>1,200</b>	<b>347</b>
I.1 for servicing	1,066	1,200	347
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>24</b>	<b>40</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	24	40
<b>TOTAL COSTS (H+I+J)</b>	<b>2,497</b>	<b>1,826</b>	<b>864</b>
<b>K. Interest generated by securitised assets</b>	<b>2,497</b>	<b>1,826</b>	<b>864</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>2,497</b>	<b>1,826</b>	<b>864</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.33 DAC	ELEKTRA PURCHASE NO.34 DAC	ELEKTRA PURCHASE NO.36 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised Assets</b>	<b>169,779</b>	<b>98,659</b>	<b>300,000</b>
A.1 Loans	169,779	98,659	300,000
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>69</b>	<b>2</b>	<b>2</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>-</b>	<b>31</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	-	31
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>169,847</b>	<b>98,661</b>	<b>300,034</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>169,846</b>	<b>98,658</b>	<b>300,000</b>
F.1 Senior	169,846	98,658	300,000
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>2</b>	<b>3</b>	<b>34</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	-	2	32
G.4 Own funds	2	2	2
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>169,847</b>	<b>98,661</b>	<b>300,034</b>
<b>H. Interest expense</b>	<b>3,548</b>	<b>382</b>	<b>380</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	3,548	382	380
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1,883</b>	<b>2,046</b>	<b>676</b>
I.1 for servicing	1,883	2,046	676
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>5,431</b>	<b>2,428</b>	<b>1,056</b>
<b>K. Interest generated by securitised assets</b>	<b>5,431</b>	<b>1,978</b>	<b>1,056</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>450</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	450	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>5,431</b>	<b>2,428</b>	<b>1,056</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.37 DAC	ELEKTRA PURCHASE NO.38 DAC	ELEKTRA PURCHASE NO.39 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
<b>A. Securitised Assets</b>	<b>92,769</b>	<b>119,233</b>	<b>410,000</b>
A.1 Loans	92,769	119,233	410,000
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>31</b>	<b>2</b>	<b>1</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>3</b>	<b>11</b>	<b>65</b>
D.1 Derivatives	-	-	-
D.2 Other assets	3	11	65
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>92,802</b>	<b>119,246</b>	<b>410,066</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>92,769</b>	<b>119,233</b>	<b>410,000</b>
F.1 Senior	92,769	119,233	410,000
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>33</b>	<b>13</b>	<b>66</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	32	12	65
G.4 Own funds	2	2	2
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>92,802</b>	<b>119,246</b>	<b>410,066</b>
<b>H. Interest expense</b>	<b>265</b>	<b>364</b>	<b>1,380</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	265	364	1,380
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>796</b>	<b>1,640</b>	<b>1,785</b>
I.1 for servicing	796	1,640	1,785
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>1,061</b>	<b>2,004</b>	<b>3,165</b>
<b>K. Interest generated by securitised assets</b>	<b>1,062</b>	<b>2,005</b>	<b>3,167</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>1,062</b>	<b>2,005</b>	<b>3,167</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1</b>	<b>1</b>	<b>2</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.41 DAC	ELEKTRA PURCHASE NO.43 DAC	ELEKTRA PURCHASE NO.44 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	11-12 Warrington Place; Dublin 2
<b>A. Securitised Assets</b>	<b>46,750</b>	<b>250,000</b>	<b>100,000</b>
A.1 Loans	46,750	250,000	100,000
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>2</b>	<b>2</b>	<b>1</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>4</b>	<b>-</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	4	-	-
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>46,756</b>	<b>250,002</b>	<b>100,001</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>46,750</b>	<b>250,000</b>	<b>100,000</b>
F.1 Senior	46,750	250,000	100,000
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>7</b>	<b>2</b>	<b>1</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	5	-	-
G.4 Own funds	2	2	1
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>46,756</b>	<b>250,002</b>	<b>100,001</b>
<b>H. Interest expense</b>	<b>119</b>	<b>320</b>	<b>204</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	119	320	204
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>477</b>	<b>929</b>	<b>457</b>
I.1 for servicing	477	929	457
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>596</b>	<b>1,249</b>	<b>661</b>
<b>K. Interest generated by securitised assets</b>	<b>597</b>	<b>1,250</b>	<b>662</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>597</b>	<b>1,250</b>	<b>662</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2</b>	<b>2</b>	<b>1</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.46 DAC	ELEKTRA PURCHASE NO.48 DAC	ELEKTRA PURCHASE NO.54 DAC
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	Haddington Road, 1-2 Victoria Buildings, D04 XN32 Dublin
<b>A. Securitised Assets</b>	<b>25,600</b>	<b>17,028</b>	<b>42,969</b>
A.1 Loans	25,600	17,028	42,969
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>93</b>	<b>72</b>	<b>30</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>6</b>	<b>49</b>	<b>20</b>
D.1 Derivatives	-	-	-
D.2 Other assets	6	49	20
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>25,700</b>	<b>17,149</b>	<b>43,018</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>25,692</b>	<b>17,028</b>	<b>42,969</b>
F.1 Senior	25,692	17,028	42,969
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>8</b>	<b>121</b>	<b>50</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	7	120	49
G.4 Own funds	2	2	1
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>25,700</b>	<b>17,149</b>	<b>43,018</b>
<b>H. Interest expense</b>	<b>351</b>	<b>153</b>	<b>127</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	351	153	127
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>432</b>	<b>281</b>	<b>500</b>
I.1 for servicing	432	281	500
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>783</b>	<b>434</b>	<b>627</b>
<b>K. Interest generated by securitised assets</b>	<b>784</b>	<b>436</b>	<b>628</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>784</b>	<b>436</b>	<b>628</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2</b>	<b>2</b>	<b>1</b>



## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.55 DAC	ELEKTRA PURCHASE NO.56 DAC	ELEKTRA PURCHASE NO.57 DAC
COUNTRY OF INCORPORATION	Haddington Road, 2 Victoria Buildings, D04 XN32, Dublin 4	1-2 Victoria Buildings, 4 Dublin	1-2 Victoria Buildings, 4 Dublin
<b>A. Securitised Assets</b>	<b>137,511</b>	<b>232,878</b>	<b>429,745</b>
A.1 Loans	137,511	232,878	429,745
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>1</b>	<b>141</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>12</b>	<b>-</b>	<b>7,098</b>
D.1 Derivatives	-	-	7,098
D.2 Other assets	12	-	-
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>137,524</b>	<b>233,019</b>	<b>436,843</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>137,511</b>	<b>233,018</b>	<b>436,833</b>
F.1 Senior	137,511	233,018	436,833
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>13</b>	<b>1</b>	<b>11</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	12	-	10
G.4 Own funds	2	1	1
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>137,524</b>	<b>233,019</b>	<b>436,843</b>
<b>H. Interest expense</b>	<b>232</b>	<b>3,245</b>	<b>1,009</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	232	3,245	1,009
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>247</b>	<b>228</b>	<b>144</b>
I.1 for servicing	247	228	144
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>480</b>	<b>3,474</b>	<b>1,153</b>
<b>K. Interest generated by securitised assets</b>	<b>481</b>	<b>3,475</b>	<b>1,154</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>481</b>	<b>3,475</b>	<b>1,154</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2</b>	<b>1</b>	<b>1</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	ELEKTRA PURCHASE NO.63 DAC	ELEKTRA PURCHASE NO.718 DAC	ELEKTRA PURCHASE NO.911 LTD
COUNTRY OF INCORPORATION	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland	OGIER HOUSE, THE ESPLANADE, ST. HELIER, JE4 9WG - Jersey
<b>A. Securitised Assets</b>	<b>230,000</b>	<b>590,040</b>	<b>355,080</b>
A.1 Loans	230,000	590,040	355,080
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>53</b>	<b>1</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Loans (including bank current account)	-	-	-
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>-</b>	<b>1</b>	<b>-</b>
D.1 Derivatives	-	-	-
D.2 Other assets	-	1	-
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>230,053</b>	<b>590,042</b>	<b>355,080</b>
<b>E. Bond issued</b>	<b>-</b>	<b>-</b>	<b>-</b>
E.1 Senior	-	-	-
E.2 Mezzanine	-	-	-
E.3 Junior	-	-	-
<b>F. Loans received</b>	<b>230,000</b>	<b>590,040</b>	<b>355,079</b>
F.1 Senior	230,000	590,040	355,079
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>53</b>	<b>2</b>	<b>1</b>
G.1 Derivatives	-	-	-
G.2 Due to originator	-	-	-
G.3 Other liabilities	53	-	-
G.4 Own funds	-	2	1
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>230,053</b>	<b>590,042</b>	<b>355,080</b>
<b>H. Interest expense</b>	<b>-</b>	<b>13,383</b>	<b>897</b>
H.1 Interest expense on bond issued	-	-	-
H.2 Interest expense on loans received	-	13,383	897
H.3 Interest expense on derivatives	-	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>-</b>	<b>574</b>	<b>1,065</b>
I.1 for servicing	-	574	1,065
I.2 for other services	-	-	-
<b>J. Other charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	-	-	-
<b>TOTAL COSTS (H+I+J)</b>	<b>-</b>	<b>13,957</b>	<b>1,962</b>
<b>K. Interest generated by securitised assets</b>	<b>-</b>	<b>13,958</b>	<b>1,962</b>
<b>L. Interest income on derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M. Other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
M.1 Additional returns for exposure junior	-	-	-
M.2 Other revenues	-	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>-</b>	<b>13,958</b>	<b>1,962</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>2</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

(€ '000)

SPECIAL PURPOSE VEHICLE	12.31.2018		
	F-E MORTGAGES S.R.L. - 2003	F-E MORTGAGES S.R.L. - 2005	HELICONUS S.R.L.
	COUNTRY OF INCORPORATION Piazzetta Monte 1 - 37121 Verona	Piazzetta Monte 1 - 37121 Verona	Piazzetta Monte 1 - 37121 Verona
<b>A. Securitised Assets</b>	<b>110,595</b>	<b>181,441</b>	<b>55,230</b>
A.1 Loans	110,595	181,441	55,230
A.2 Bonds	-	-	-
<b>B. Loans disbursed</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Use of liquid assets resulting from loan operations</b>	<b>25,921</b>	<b>13,882</b>	<b>12,790</b>
C.1 Loans (including bank current account)	25,921	13,882	12,790
C.2 Bonds	-	-	-
<b>D. Other assets</b>	<b>176</b>	<b>179</b>	<b>115</b>
D.1 Derivatives	30	-	39
D.2 Other assets	146	179	76
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>136,692</b>	<b>195,503</b>	<b>68,135</b>
<b>E. Bond issued</b>	<b>81,333</b>	<b>155,329</b>	<b>45,277</b>
E.1 Senior	14,683	86,154	5,458
E.2 Mezzanine	59,018	36,864	30,829
E.3 Junior	7,632	32,311	8,990
<b>F. Loans received</b>	<b>22,966</b>	<b>-</b>	<b>10,220</b>
F.1 Senior	22,966	-	10,220
F.2 Mezzanine	-	-	-
F.3 Junior	-	-	-
<b>G. Other liabilities</b>	<b>32,394</b>	<b>40,174</b>	<b>12,638</b>
G.1 Derivatives	-	10	-
G.2 Due to originator	29,681	35,877	12,122
G.3 Other liabilities	2,712	4,287	516
G.4 Own funds	-	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>136,692</b>	<b>195,503</b>	<b>68,135</b>
<b>H. Interest expense</b>	<b>528</b>	<b>1,098</b>	<b>212</b>
H.1 Interest expense on bond issued	522	161	211
H.2 Interest expense on loans received	6	-	2
H.3 Interest expense on derivatives	-	936	-
<b>I. Commissions and fees related to the transaction</b>	<b>425</b>	<b>377</b>	<b>270</b>
I.1 for servicing	198	289	95
I.2 for other services	226	88	176
<b>J. Other charges</b>	<b>6,278</b>	<b>12,099</b>	<b>2,543</b>
J.1 Additional positive returns for exposure junior	-	-	-
J.2 Other costs	6,278	12,099	2,543
<b>TOTAL COSTS (H+I+J)</b>	<b>7,231</b>	<b>13,574</b>	<b>3,025</b>
<b>K. Interest generated by securitised assets</b>	<b>1,608</b>	<b>2,772</b>	<b>866</b>
<b>L. Interest income on derivatives</b>	<b>791</b>	<b>-</b>	<b>333</b>
<b>M. Other revenues</b>	<b>4,831</b>	<b>10,802</b>	<b>1,826</b>
M.1 Additional returns for exposure junior	4,352	10,114	1,572
M.2 Other revenues	479	688	254
<b>TOTAL REVENUES (K+L+M)</b>	<b>7,231</b>	<b>13,574</b>	<b>3,025</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

continued – C.6 Regulatory consolidation – Consolidated Securitisation Vehicles

SPECIAL PURPOSE VEHICLE	12.31.2018	
	LARGE CORPORATE ONE SRL	SUCCESS 2015 B.V.
COUNTRY OF INCORPORATION	Piazzetta Monte 1 - 37121 Verona	Barbara Strozziiaan 101, 1083HN Amsterdam
<b>A. Securitised Assets</b>	<b>234,272</b>	<b>343,727</b>
A.1 Loans	234,272	343,727
A.2 Bonds	-	-
<b>B. Loans disbursed</b>	-	-
<b>C. Use of liquid assets resulting from loan operations</b>	<b>37,202</b>	-
C.1 Loans (including bank current account)	37,202	-
C.2 Bonds	-	-
<b>D. Other assets</b>	<b>16,283</b>	<b>60</b>
D.1 Derivatives	783	-
D.2 Other assets	15,499	60
<b>TOTAL ASSETS (A+B+ C+D)</b>	<b>287,756</b>	<b>343,788</b>
<b>E. Bond issued</b>	<b>287,618</b>	<b>324,510</b>
E.1 Senior	251,253	230,110
E.2 Mezzanine	-	-
E.3 Junior	36,364	94,400
<b>F. Loans received</b>	<b>4,192</b>	-
F.1 Senior	4,192	-
F.2 Mezzanine	-	-
F.3 Junior	-	-
<b>G. Other liabilities</b>	<b>-4,054</b>	<b>19,278</b>
G.1 Derivatives	-	-
G.2 Due to originator	-4,337	-
G.3 Other liabilities	283	19,278
G.4 Own funds	-	-
<b>TOTAL LIABILITIES (E+F+G)</b>	<b>287,756</b>	<b>343,788</b>
<b>H. Interest expense</b>	<b>9,044</b>	<b>1,945</b>
H.1 Interest expense on bond issued	8,861	1,945
H.2 Interest expense on loans received	183	-
H.3 Interest expense on derivatives	-	-
<b>I. Commissions and fees related to the transaction</b>	<b>1,020</b>	<b>1,250</b>
I.1 for servicing	611	1,250
I.2 for other services	409	-
<b>J. Other charges</b>	<b>57</b>	<b>4,732</b>
J.1 Additional positive returns for exposure junior	-	4,474
J.2 Other costs	57	257
<b>TOTAL COSTS (H+I+J)</b>	<b>10,121</b>	<b>7,927</b>
<b>K. Interest generated by securitised assets</b>	<b>2,080</b>	<b>7,927</b>
<b>L. Interest income on derivatives</b>	<b>4,704</b>	-
<b>M. Other revenues</b>	<b>3,336</b>	-
M.1 Additional returns for exposure junior	3,336	-
M.2 Other revenues	-	-
<b>TOTAL REVENUES (K+L+M)</b>	<b>10,121</b>	<b>7,927</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-</b>	<b>-</b>

## Part E - Information on risks and hedging policies

### D. Sales Transactions

#### A. Financial assets sold and not fully derecognised

#### Quantitative information

#### D.1 Regulatory consolidation - Financial assets sold and fully recognised and associated financial liabilities: book value

(migliaia di €)

	FINANCIAL ASSETS SOLD AND FULLY RECOGNISED				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION	OF WHICH NON- PERFORMING	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION
<b>A. Financial assets held for trading</b>	<b>3,155,903</b>	-	<b>3,155,903</b>	<b>X</b>	<b>3,138,197</b>	-	<b>3,138,197</b>
1. Debt securities	3,155,903	-	3,155,903	X	3,138,197	-	3,138,197
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	<b>1,844,563</b>	<b>333,835</b>	<b>1,510,066</b>	<b>4,341</b>	<b>1,570,909</b>	-	<b>1,570,909</b>
1. Debt securities	1,821,671	310,943	1,510,066	-	1,570,909	-	1,570,909
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	22,892	22,892	-	4,341	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	<b>28,782,280</b>	-	<b>28,379,347</b>	-	<b>24,840,892</b>	-	<b>24,439,637</b>
1. Debt securities	28,782,280	-	28,379,347	-	24,840,892	-	24,439,637
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>E. Financial assets at amortised cost</b>	<b>31,814,961</b>	<b>20,750,191</b>	<b>9,292,756</b>	<b>864,024</b>	<b>12,679,916</b>	<b>1,869,601</b>	<b>9,376,922</b>
1. Debt securities	19,235,550	8,470,850	9,292,756	-	10,797,402	-	9,376,922
2. Loans	12,579,411	12,279,341	-	864,024	1,882,514	1,869,601	-
<b>Total 12.31.2018</b>	<b>65,597,707</b>	<b>21,084,026</b>	<b>42,338,072</b>	<b>868,365</b>	<b>42,229,914</b>	<b>1,869,601</b>	<b>38,525,665</b>

## Part E - Information on risks and hedging policies

## D.2 Regulatory consolidation - Financial assets sold and partially recognised and associated financial liabilities: book value

		(€ '000)		
	ORIGINAL GROSS VALUE OF ASSETS BEFORE SALE	BOOK VALUE OF ASSETS STILL PARTIALLY RECOGNISED	OF WHICH NON- PERFORMING	BOOK VALUE OF ASSOCIATED FINANCIAL LIABILITIES
<b>A. Financial assets held for trading</b>	-	-	X	-
1. Debt securities	-	-	X	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	X	-
4. Derivative instruments	-	-	X	-
<b>B. Other financial assets mandatory at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>E. Financial assets at amortised cost</b>	<b>59,675</b>	<b>29,501</b>	<b>29,501</b>	<b>6,155</b>
1. Debt securities	-	-	-	-
2. Loans	59,675	29,501	29,501	6,155
<b>Total 12.31.2018</b>	<b>59,675</b>	<b>29,501</b>	<b>29,501</b>	<b>6,155</b>

## D.3 Regulatory consolidation - Sale transactions relating to financial liabilities with repayment exclusively based on assets sold and not fully derecognised: fair value

		(€ '000)	
	FULLY RECOGNISED	PARTIALLY RECOGNISED	TOTAL 12.31.2018
<b>A. Financial assets held for trading</b>	-	-	-
1. Debt securities	-	-	-
2. Equity instruments	-	-	-
3. Loans	-	-	-
4. Derivative instruments	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	<b>334,497</b>	-	<b>334,497</b>
1. Debt securities	311,605	-	311,605
2. Equity instruments	-	-	-
3. Loans	22,892	-	22,892
<b>C. Financial assets designated at fair value</b>	-	-	-
1. Debt securities	-	-	-
2. Loans	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	<b>402,933</b>	-	<b>402,933</b>
1. Debt securities	402,933	-	402,933
2. Equity instruments	-	-	-
3. Loans	-	-	-
<b>E. Financial assets at amortised cost (fair value)</b>	<b>21,321,095</b>	<b>28,038</b>	<b>21,349,133</b>
1. Debt securities	8,470,850	-	8,470,850
2. Loans	12,850,245	28,038	12,878,283
<b>Total associated financial assets</b>	<b>22,058,525</b>	<b>28,038</b>	<b>22,086,563</b>
<b>Total associated financial liabilities</b>	<b>3,704,249</b>	<b>6,155</b>	<b>X</b>
<b>Total net amount 12.31.2018</b>	<b>18,354,276</b>	<b>21,883</b>	<b>18,376,159</b>

## Part E - Information on risks and hedging policies

### *B. Financial assets sold and fully deleted with recognition of continuous involvement*

#### *Qualitative and quantitative information*

At the end of the year there were no disposals of financial assets that had been fully derecognised, which required the recognition of continuing involvement.

#### **D.4 Regulatory consolidation - Covered Bond Transactions**

In 2008 the Group initiated a Covered Bond (OBG or *Obbligazioni Bancarie Garantite*) Programme with residential mortgage loans as the underlying assets, in line with Law 130/99, the MEF decree dated 14 December 2006 and Banca d'Italia instructions dated 17 May 2007 as amended on 24 March 2010 and on 24 June 2014.

Under this programme:

- UniCredit S.p.A. is issuer and also acts as transferor of suitable assets and servicer;
- UniCredit BpC Mortgage S.r.l. (a special purpose vehicle set up within the banking group as expressly authorised by Banca d'Italia) is guarantor of the OBG holders, within the limits of the cover pool; and
- the auditing firm BDO S.p.A. is Asset Monitor.

The Group's main aims in issuing OBGs are to diversify its funding sources and fund at competitive rates. As with the securitisations, the difficulties in the markets made it advisable to use securitisation as a means of increasing the Group's counterbalancing capacity by retaining with the Group part of the securities issued by the vehicle.

An integral feature of OBG Programme management is maintaining a balance between the characteristics of the assets sold and the issues. This is necessary to maintain the efficacy of the guarantee given by the SPV to the bondholders.

Given the complexity of the transaction, a system of first- and second-level controls and procedures has been set up, as required by Banca d'Italia instructions, to identify units, functions, duties and responsibilities, and specific policies have been issued to this end.

The policies were as approved by the competent committees, the Statutory Auditors and the Board of Directors of UniCredit S.p.A.

As required by Banca d'Italia instructions on controls:

- UniCredit's Risk Management function is charged with the management of the issuer's risks and checks:
  - the quality, suitability and integrity of the assets sold to guarantee the OBGs;
  - that the maximum ratio of OBGs issued to assets sold to guarantee them is adhered to;
  - that limits on sales and supplementary sales procedures are followed;
  - the effectiveness and adequacy of the hedges provided by any derivatives contracts entered into in relation to the Programme; and
  - the trend in the balance between the cash flow arising from the cover pool and that absorbed by the OBGs in issue;
- the Asset Monitor is an outside independent entity charged with checking at least annually the regularity of the transactions and the integrity of the guarantee to the bondholders;
- UniCredit's internal audit department is responsible for a complete audit (to be conducted at least once a year) of the adequacy of the controls performed;
- the results of the audits performed by the Asset Monitor and the issuer's internal audit department are submitted to the governing bodies.

Moreover, in order to create counterbalancing capacity, at the end of January 2012 UniCredit S.p.A. initiated a new 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. The contractual and supervisory structure and the counterparties of this programme are modeled on the pre-existing programme, with the exception of references to Ratings Agencies and the use of a new Special Purpose Vehicle, UniCredit OBG S.r.l. During 2014 the New OBG Programme was restructured after which the method of reimbursing OBGs was converted from Soft-bullet to Conditional Pass-through and a rating of AA+ was assigned by the rating agency Fitch. Starting from 2015 both issues placed to institutional investors and issues retained for counterbalancing capacity creation were executed on the New OBG Programme. During 2017 Fitch rating was substituted by Moody's rating that assigned a rating of Aa2 to the New OBG Programme. In October 2018 Moody's revised this rating to Aa3.



## Part E - Information on risks and hedging policies

At 31 December 2018 the series of covered bonds issued under the two programmes totalled 35 and were worth €31,606 million, of which €21,250 million was repurchased by UniCredit S.p.A..

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE)
Originator:	UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A.)
Issuer:	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.
Arranger:	UniCredit Bank AG, London Branch
Target transaction:	Funding
Type of asset:	Private Mortgage loans
Quality of Asset:	performing
Book value of the underlying assets at the end of accounting period (€):	9,660,860,766.36
Covered Bonds issued at the end of accounting period (€):	7,606,000,000.00
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loans of total 10,245,370,819.11 euro.
Rating Agencies:	S & P - Moody's - Fitch
Rating:	A+ (since 07/26/2017) - Aa3 (since 10/23/2018) - AA (since 04/27/2017)

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE) II PROGRAMME
Originator:	UniCredit S.p.A.
Issuer:	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.
Arranger:	UniCredit Bank AG, London Branch
Target transaction:	Funding - Counterbalancing Capacity
Type of asset:	Private Mortgage loans
Quality of Asset:	Performing
Book value of the underlying assets at the end of accounting period (€):	24,768,554,499.33
Covered Bonds issued at the end of accounting period (€):	24,000,000,000.00
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of total 27,031,139,584.46 euro.
Rating Agencies:	Moody's
Rating:	Aa3 (since 10/23/2018)

## Part E - Information on risks and hedging policies

### *Information on Sovereign Exposure*

It should be noted that, as a result of IFRS9 adoption since 1 January 2018, Sovereign debt securities have been classified in the new categories specified by the standard in consideration of the business model followed and the related cash flow features (Solely Payment of Principal and Interests - SPPI Test).

In particular, it should be noted that in the context of IFRS9 first time adoption:

- most of the Sovereign debt securities classified as "Financial assets available for sale" have been reclassified as "Financial assets at fair value through other comprehensive income" in light of the persisting "held to collect and sell" business model;
- most of the Sovereign debt securities classified as "Loans and Receivables with customers" and "Financial assets held to maturity" have been reclassified as "Financial assets at amortised cost" in light of the persisting "held to collect" business model;
- Sovereign debt securities for which fair value option was applied continue to be measured at fair value through profit or loss as a result of the application of a business model other than "held to collect" or "held to collect and sell";
- the remaining portion of the Sovereign debt securities has not been classified in the mentioned categories even in presence of a "held to collect and sell" or "held to collect" business model since the related cash flow features have required these instruments to be measured at the fair value through profit or loss.

For further information related to the classification options adopted in accounting standard first time application, please refer to the Notes to the Consolidated Accounts - Part A Accounting policies - Section 5 - Other matters.

It should also be noted that during the year:

- no changes have been made to the business models adopted on the 1 January and, consequently, the sovereign debt securities have not been subject to reclassification
- the changed market circumstances also suggested the adoption of a "held to collect" business model for new purchases of Italian sovereign debt securities which, consequently, have to be measured at amortized cost subject to verification of the features of the related cash flows.

With reference to the Group's sovereign exposures<sup>29</sup>, the book value of sovereign debt securities as at 31 December 2018 amounted to €117,275 million<sup>30</sup>, of which about the 90% concentrated in eight countries; Italy, with €58,087 million, represents about 50% of the total. For each of the eight countries, the table below shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 31 December 2018.

<sup>29</sup> Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. ABSs are not included.

<sup>30</sup> Information on Sovereign exposures refers to the scope of the UniCredit Consolidated Financial Statements as at 31 December 2018, determined under IAS/IFRS.

Based on these accounting principles, the Koç/Yapı Kredi Group (Turkey), being subject to joint control, is consolidated using the equity method and therefore the Sovereign exposures of the mentioned Group are not included in this section.

For information on Sovereign exposures with reference to the regulatory scope of consolidation see UniCredit Group Disclosure (Pillar III) as at 31 December 2018 – Credit Risk.

## Part E - Information on risks and hedging policies

## Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 12.31.2018		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>- Italy</b>	<b>56,847,484</b>	<b>58,086,680</b>	<b>58,174,028</b>
financial assets/liabilities held for trading (net exposures *)	2,233,062	2,091,211	2,091,211
financial assets designated at fair value	3	3	3
financial assets mandatorily at fair value	799,685	806,766	806,766
financial assets at fair value through other comprehensive income	35,618,765	36,784,852	36,784,852
financial assets at amortised cost	18,195,969	18,403,848	18,491,196
<b>- Spain</b>	<b>16,608,569</b>	<b>17,959,634</b>	<b>17,995,477</b>
financial assets/liabilities held for trading (net exposures *)	61,168	63,774	63,774
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	13,469,287	14,445,107	14,445,107
financial assets at amortised cost	3,078,114	3,450,753	3,486,596
<b>- Germany</b>	<b>11,076,061</b>	<b>11,239,705</b>	<b>11,276,295</b>
financial assets/liabilities held for trading (net exposures *)	330,152	336,573	336,573
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	8,599,909	8,708,862	8,708,862
financial assets at fair value through other comprehensive income	986,000	1,030,668	1,030,668
financial assets at amortised cost	1,160,000	1,163,602	1,200,192
<b>- Austria</b>	<b>6,127,330</b>	<b>6,724,724</b>	<b>6,732,400</b>
financial assets/liabilities held for trading (net exposures *)	156,722	183,566	183,566
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	80,000	94,984	94,984
financial assets at fair value through other comprehensive income	5,588,690	6,139,787	6,139,787
financial assets at amortised cost	301,918	306,387	314,063
<b>- Japan</b>	<b>5,689,324</b>	<b>5,785,255</b>	<b>5,791,406</b>
financial assets/liabilities held for trading (net exposures *)	11	12	12
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	79,460	79,653	79,653
financial assets at fair value through other comprehensive income	2,669,845	2,697,291	2,697,291
financial assets at amortised cost	2,940,008	3,008,299	3,014,450
<b>- Hungary</b>	<b>1,747,730</b>	<b>1,920,018</b>	<b>1,919,503</b>
financial assets/liabilities held for trading (net exposures *)	109,465	108,208	108,208
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,539,413	1,714,242	1,714,242
financial assets at amortised cost	98,852	97,568	97,053
<b>- Romania</b>	<b>1,873,207</b>	<b>1,905,388</b>	<b>1,905,388</b>
financial assets/liabilities held for trading (net exposures *)	134,997	138,037	138,037
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,738,210	1,767,351	1,767,351
financial assets at amortised cost	-	-	-
<b>- Bulgaria</b>	<b>1,568,356</b>	<b>1,745,159</b>	<b>1,744,972</b>
financial assets/liabilities held for trading (net exposures *)	2,733	3,019	3,019
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,563,805	1,740,308	1,740,308
financial assets at amortised cost	1,818	1,832	1,645
<b>Total on-balance sheet exposures</b>	<b>101,538,061</b>	<b>105,366,563</b>	<b>105,539,469</b>

## Notes:

(\*) Including exposures in Credit Derivatives.

Negative amount indicates the prevalence of liabilities positions.

## Part E - Information on risks and hedging policies

The weighted duration of the sovereign bonds shown in the table above, divided by the banking<sup>31</sup> and trading book, is the following:

### Weighted duration

(years)

	BANKING BOOK	TRADING BOOK	
		assets positions	liabilities positions
- Italy	3.25	3.22	3.71
- Spain	3.51	10.95	8.99
- Germany	3.02	4.81	4.89
- Austria	3.40	11.72	18.82
- Japan	4.01	1.91	-
- Hungary	3.18	3.51	7.05
- Romania	3.93	4.30	5.80
- Bulgaria	4.96	4.77	6.15

The remaining 10% of the total of sovereign debt securities, amounting to €11,909 million with reference to the book values as at 31 December 2018, is divided into 35 countries, including Croatia (€1,391 million), Czech Republic (€1,184 million), Poland (€1,093 million), Serbia (€876 million), United States of America (€662 million), Slovakia (€605 million), Portugal (€573 million) and Russia (€561 million). The sovereign exposure to Greece is immaterial.

With respect to these exposures, as at 31 December 2018 there were no indications that impairment may have occurred.

It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at 31 December 2018 there are also debt securities towards Supranational Organizations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €2,778 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

(€ '000)

	AMOUNTS AS AT 12.31.2018					TOTAL
	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		
Book value	3	10,547,134	78,170,428	27,626,880		116,344,445
% Portfolio	2.83%	50.45%	88.55%	4.77%		16.90%

<sup>31</sup> The banking book includes financial assets designated at fair value, those mandatorily at fair value, those at fair value through other comprehensive income and those at amortised cost.

## Part E - Information on risks and hedging policies

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

The table below shows the total amount as at 31 December 2018 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

(€ '000)

COUNTRY	AMOUNTS AS AT
	12.31.2018 BOOK VALUE
- Germany (*)	6,467,589
- Austria (**)	6,384,774
- Italy	5,184,745
- Croatia	2,196,061
- Czech Republic	710,917
- Qatar	312,297
- Slovenia	240,777
- Indonesia	199,998
- Bulgaria	189,105
- Laos	169,378
- Bosnia and Herzegovina	169,011
- Turkey	160,521
- Kenya	147,175
- Hungary (***)	146,355
- Angola	139,260
- Gabon	135,824
- Oman	130,282
<b>Total on-balance sheet exposures</b>	<b>23,084,069</b>

#### Notes:

(\*) of which 2,114,056 thousands in financial assets held for trading and those mandatorily at fair value.

(\*\*) of which 292,642 thousands in financial assets held for trading and those mandatorily at fair value.

(\*\*\*) of which 2,889 thousands in financial assets mandatorily at fair value.

Lastly, it should be noted that derivatives are traded within the ISDA master agreement and accompanied by Credit Support Annexes, which provide for the use of cash collaterals or low-risk eligible securities.

For more details on the sensitivity analysis of credit spreads and on the results of stress tests see the "Widespread Contagion", "Protectionism, China slowdown & Turkey shock" and "Interest Rate Shock" scenarios in chapter Stress test of the Section 2.2 - Market risk below and for liquidity management policies see Section 2.4 Liquidity risk below.

#### Other transactions

With reference to the indications of Banca d'Italia/Consob/IVASS document No.6 of 8 March 2013 - Booking of "long-term structured repos" instructions, there are no transactions of this kind to report.

In September 2016 the available-for-sale financial assets portfolio including investments in Italian and Spanish government bonds held by the Irish subsidiary UniCredit Bank Ireland P.l.c. simultaneously financed with maturity match repos (so-called "long-term structured repos") has entirely matured.

The accounting treatment of these transactions, with respect to their individual contractual components (an investment in securities shown under item "Available-for-sale financial assets" of assets, a series of repos classified under item "Deposits from banks" of liabilities and derivative contracts shown under "Hedging derivatives"), was in line with the economic purpose, represented by the will to:

- assume a sovereign risk exposure;
- optimise the absorption of liquidity through a maturity match funding;
- create a positive contribution for the duration of the transaction as difference between bond yield and repo funding cost, maximising the return on net interest margin;
- maintain the right to change the funding structure of the position on sovereign risk according to any changes in market conditions or in the bank's liquidity position.

The changes in market values were not representative of the economic result that would be generated if all the individual contracts were analysed in terms of synthetic derivative, also in line with the business model that, providing for the dynamic and separate management of the individual components does not consider trading choices based on these variables.

<sup>32</sup> Tax items are not included.

## Part E - Information on risks and hedging policies

In addition, with reference to an investment of UniCredit S.p.A. in a debt security issued by the Italian Republic maturing on 30 August 2019 (ITALY 19EUR FRN) subscribed for during placement for a nominal amount of €750 million and with a book value of €750 million at 31 December 2018 (classified in the "mandatorily-at-fair value" portfolio in accordance with SPPI test result), a term repo (conducted in two stages) for a total nominal amount of €750 million, with a book value of liabilities of €824 million at 31 December 2018, was completed in 2012.

At the same time, a 4.25% BTP maturing in September 2019 was purchased under a term reverse repo (conducted in 2 stages) for a total nominal value of €750 million and a book value of €824 million at 31 December 2018, with the economic purpose of obtaining the availability of more liquid securities (compared with the security ITALY 19EUR FRN), with the same maturity and similar underlying risks, that can be therefore used more easily for refinancing operations.

The term repo and the term reverse repo are subject to netting (whose value is collateralised by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause is accounted for as a financial guarantee issued, in accordance with the nature of the commitments of the parties. The fair value at trade date, €22 million, was initially recorded in other liabilities and is amortised on a pro-rata basis according to the current accounting rules.

### *Information on structured trading derivatives with customers and exposures in the renewable energy sector*

#### *1. OTC Trading derivatives with customers*

The business model governing OTC derivatives trading with customers provides for the centralisation of market risk in the CIB Division - Markets Area, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g. structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

UniCredit group trades OTC derivatives on a wide range of underlying, e.g. interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalisation: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and controls in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not (usually) entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to 'credit-risk mitigation' (CRM) techniques, by using netting and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:

- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong-Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit & loan-credit default swaps, in order to obtain a value in terms of 'expected loss' (EL) to be used for items designated and measured at fair value maximising the usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flows according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

## Part E - Information on risks and hedging policies

Here follows the breakdown of balance-sheet asset item “20a. Financial assets held for trading” and of balance-sheet liability item “20. Financial liabilities held for trading”.

For the purpose of the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular 262 as for its 6<sup>th</sup> update of 30 November 2018 (which was used for the preparation of the accounts) was used as a reference.

Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross-currency swaps) and/or leverage effects.

Fair values of OTC derivatives managed through Central Clearing counterparties are reported on a net basis. The related reduction of balances is €13.533 million and €17.198 million on trading asset and liabilities, respectively.

The balance of item “20. Financial assets held for trading” of the Consolidated accounts with regard to derivative contracts totaled €32,155 million (with a notional value of €1,199,850 million) including €19,385 million with customers. The notional value of derivatives with customers amounted to €729,607 million including €716,137 million in plain vanilla (with a fair value of €18,848 million) and €13,470 million in structured derivatives (with a fair value of €537 million).

The notional value of derivatives with banking counterparties totaled €470,242 million (fair value of €12,770 million) including €19,497 million relating to structured derivatives (fair value of €531 million).

The balance of item “20. Financial liabilities held for trading” of the consolidated accounts with regard to derivative contracts totaled €27,467 million (with a notional value of €1,002,184 million) including €10,984 million with customers. The notional value of derivatives with customers amounted to €533,332 million including €526,542 million in plain vanilla (with a fair value of €10,753 million) and €6,789 million in structured derivatives (with a fair value of €231 million).

The notional value of derivatives with banking counterparties totaled €468,853 million (fair value of €16,483 million) including €16,826 million relating to structured derivatives (fair value of €263 million).

### 2. Exposures in the renewable energy sector

Through Ocean Breeze Energy GmbH & Co. KG (OBKG), a fully consolidated subsidiary of UniCredit Bank AG, UniCredit group owns a wind farm named BARD Offshore1 (BO1) with the following characteristics:

GEOGRAPHICAL LOCATION	OWNER	PERCENTAGE OF OWNERSHIP	DATE WHEN THE PLANT STARTED TO PRODUCE ENERGY	PERCENTAGE OF COMPLETION	INSTALLED CAPACITY	TOTAL VALUE OF THE ASSET AS AT 12.31.2018
German EEZ <sup>(1)</sup> , 100 km before the island of Borkum	Ocean Breeze Energy GmbH & Co. KG	100%	December 2010, final taking into operation August 2013	100%	400 MW	€1.24 billion

**Note:**

(1) Exclusive economic zone.

This power plant has been developed by the BARD Group on behalf of OBKG and has been classified as tangible asset since 31 December 2013 in OBKG's balance sheet.

The BARD Group itself has been fully financed by UniCredit Bank AG and, starting from 31 December 2013, fully consolidated by UniCredit Bank AG.

The total value of the wind farm and other ancillary tangible assets amounts to €1.24 billion and is net of €53 million grants provided by the European Union which have been classified as government grants in accordance with IAS20 and, in compliance with IAS20.24, deducted from the initial cost of the power plant on the assets side of the balance sheet.

The current book value of the wind farm has been confirmed by an appraisal exercise performed by an independent expert by 31 December 2018; no trigger events have been experienced in 2018 potentially affecting wind farm's carrying value.

To cover dismantling/refurbishing costs of BO1 it has been posted a provision of about €43 million (€26 million as at December 2017) by OBKG.

Grid connection is available and very stable; wind farm availability has improved steadily since 2015, and has reached industry standard levels of 94-95%.

A compensation claims against grid operator (TenneT) over a 2014 grid outage is still running (€72 million according to relevant compensation regime). Such amount have neither been recognised in income nor capitalised as receivables on the balance sheet.



## Part E - Information on risks and hedging policies

### *E. Prudential perimeter - Credit risk measurement models*

At the end of December 2018 the expected loss on the credit risk perimeter was 0.38% of total UniCredit Group credit exposure. The result does not include the exposures which have migrated to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario. The ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 2.86% with reference date end of December 2018.

As far as UniCredit S.p.A. quantitative information, reference is made to the paragraph Part E - Notes to the accounts of the parent company UniCredit S.p.A.- Section 1 - Credit Risk - Quantitative information - F. Credit risk measurement models, which is herewith quoted entirely.

### **2.2 Market risk**

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading Book, as well as those posted in the Banking Book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within the UniCredit group accordingly includes all the activities relating to cash transactions and capital structure management, both for the Parent Company, as well as for the individual companies making up the Group.

The current organisational model guarantees the ability to steer, to coordinate and to control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centres (Portfolio Risk Managers), completely focused and specialised on such risks, under a Group and interdivisional perspective.

According to this organisation, the structure at first level of reporting to "Group Risk Management", dedicated to market risk governance is the "Group Financial Risk" department.

### ***Risk management strategies and processes***

The Parent Company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent Company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to the risks assumed.

The Parent Company has defined Global Rules in order to manage and control market risk, including strategies and processes to be followed. Market risk strategies are set by the Parent Company at least on an annual basis, in line with the definition of the overall Group Risk appetite and then cascaded to the Leal Entities. Market risk appetite is also fundamental for the development of the Group's business strategy, ensuring the consistence between the budgeted revenues and the setting of Value-at-Risk limits.

In this context, on an annual basis Market Risk Management function of the Parent Company agrees with the local Market Risk functions possible changes to the Group Market Risk Framework. Changes to the Group Market Risk Framework can include changes to the perimeter for the calculation of managerial market risk metrics and methodological changes in the limit monitoring framework.

To this end, Market Risk Management of the Parent Company gathers the information needed to set up the Group Market Risk Strategy for the following year. In particular, Group Market Risk Management receives from the competent function the Group Risk Appetite Framework, which sets, among others, Market Risk KPIs and from local Market Risk functions, among others, the list of Legal Entities (LEs)/Business Lines allowed to assume market risk exposures, the severities of the related limits and the proposals for the review of market risk levels.

Based on these inputs, the Group Market Risk strategy is defined including the following information:

- the proposed Market Risk Takers Map;
- limits and Warning Levels (WLs) proposal in accordance with the proposed Market Risk Takers Map;
- any change occurred to the risk limit framework compared to the previous year;
- overview on the macro-economic scenario and related risks for the Group;
- market Risk RWA history and expected development;
- market Risk KPIs benchmarking;
- the business strategy and key initiatives to support the limit proposal.

After that all the Group relevant Bodies have approved the Group Market Risk Strategy and given the relevant NBOs for local market risk limits, the approval is communicated to local functions.

In terms of monitoring, the LEs carries out periodical activities (e.g. daily monitoring of VaR, weekly monitoring of IRC and SVaR, monthly monitoring of Stress Test Warning Level) under the coordination of the Parent Company Market Risk Management function and the breaches are timely escalated locally to Senior Management and to the Parent Company.

Ultimately, it has to be highlighted that detailed Global Rules on market risk strategy definition, limits setting, monitoring, escalation and reporting activities are in place and applied at Group level.



## Part E - Information on risks and hedging policies

### Trading Book

In accordance with the Capital Requirements Regulation, and as defined in the current policy “Eligibility Criteria for the Regulatory Trading Book assignment”, the Trading Book is defined as all positions in financial instruments and commodities held either with trading intent, or in order to hedge positions held with trading intent. Books held with trading intent are composed of:

- positions arising from client servicing and market making;
- positions intended to be resold in the short term;
- positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

In addition, Trading Book may include internal or intra-group hedging derivatives transferring risk from Banking Book into Trading Book, entitled to manage the relevant risk and having access to the derivatives market.

The essential requirement for the Regulatory Trading Book assignment is a clear “trading intent”, as defined above, which the trader has to commit to and has to confirm on an ongoing basis. Additionally, the so called “tradability”, “marketability” and “hedgeability” requirements have to be assessed in order to evaluate the appropriateness for the Trading Book assignment:

- tradability refers to positions free of restrictions on their tradability and coherently reflected within the “Trader Mandate” of the risk taker;
- marketability refers to the positions for which a reliable Fair Value can be evaluated based to the largest extent on independently verified observable market parameters;
- hedgeability refers to positions for which a hedge could be put in place. The hedgeability is meant to concern the “material” risks of a position which implies not necessarily that all the various risk features are to be hedgeable.

When opening a new book, the book manager makes the proposal whether the book should be managed as a Trading Book or a Banking Book based on the planned trading activity. This has to be in line with the bank's internal rules and criteria for the assignment to either Trading Book or Banking Book. The book manager is required to clearly declare the trading intent and therefore to explain the business strategy behind the request for the Regulatory Trading assignment. The book manager is then responsible for all the positions held in his book and the eligibility criteria are expected to be fulfilled on an ongoing basis.

Concerning the monitoring phase, to demonstrate adequate trading intent, the following minimum criteria have to be fulfilled at book level and are checked at least on a quarterly basis:

- minimum of 5 trades during the past 90 trading days;
- minimum of 5% of the volume of each book traded during the past 90 trading days with reference to the last day of the period.

In case a breach of the trading intent criteria, the possibility to re-classify the book has to be assessed.

With reference to the methodology used to ensure that the policies and procedures implemented for the management of the Trading Book are appropriate, first of all it has to be noted that any new/updated regulation has to be preliminary shared with the main impacted functions/LEs in order to collect their feedback. The competent Group function also assesses the compliance risks with reference to the regulations falling within its direct scope of competence. In addition, before the issuance, the owner of the rule submits to the competent Body/function for the approval.

The financial instruments (an asset or a liability, cash or derivative) held by the Group are exposed to changes over time driven by moves of market risk factors. The market risk factors are classified in the following five standard market risk asset classes:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes, issuer correlation and recovery rates;
- Equity risk: the risk that the value of the instrument decreases due to increase/decrease of index/stock prices, equity volatilities, implied correlation;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes, basis risk, interest rates volatility;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes, foreign exchange rates volatility;
- Commodity risk: the risk that the value of the instrument changes of the commodity prices, e.g. gold, crude oil, commodity prices volatility

Market risk in UniCredit group is measured and limited mainly through two sets of metrics: Broad Market Risk measures and Granular Market Risk measures:

- **Broad Market Risk measures:** these measures are meant to set a boundary to the economic and/or regulatory capital absorption and to the economic loss accepted for Trading Book and/or the overall Trading Book+Banking Book activities. Limitations on Broad Market Risk measures must be reviewed at least annually in the context of the drafting of the Group and Local Market Risk Strategies and must be consistent with assigned budget of revenues, the defined risk taking capacity (ICAAP process) and Group Risk Appetite KPIs. The set of all limitations on Broad Market Risk measures assigned to a specific market risk taker must be consistent with each other.

## Part E - Information on risks and hedging policies

The consistency must be checked whenever a level for a Broad Market Risk Measure is defined. The Legal Entity Market Risk Function needs to provide evidence of such consistency when required. Broad Market Risk measures are:

- Value at Risk ("VaR"), the potential 1-day loss in value of a portfolio for a 99% single-tail confidence interval; calculated through historical simulation in full revaluation using last 500 equally weighted daily observations;
- Stressed VaR ("SVaR"), the VaR of a portfolio calculated using a 250-day period of significant financial stress;
- Incremental Risk Charge ("IRC"), the amount of regulatory capital aimed at addressing the credit shortcomings (migration and default risks) that can affect a portfolio in one year at a 99.9% confidence level;
- 60 Days PL, set as the 60 calendar days rolling period Accumulated Economic P&L without resetting at year end; the limitation on this metrics is called Loss Warning Level ("LWL");
- Worst Stress Test result, defined as the worst conditional loss on a given portfolio resulting from the application of a predefined set of scenarios; the limitation on this metrics is called Stress Test Warning Level ("STWL"); for all STWL included in the Market Risk Taker Maps, Holding Company monitoring is based on the set of scenarios defined in the Group Market Risk Strategy; Legal Entities are allowed to add specific scenarios for local monitoring purposes.

- **Granular Market Risk measures:** these measures allow for a more detailed and stringent control of risk exposures than Broad Market Risk measures. Limitations on Granular Market Risk measures (so-called Granular Market Limits, GMLs) are specific limits to individual risk factors or group of risk factors:
  - sensitivity levels, which represent the change in the market value of a financial instrument due to small moves of the relevant market risk asset classes/factors. Among others, and not limited to, particularly relevant considering the asset and liability structure of the commercial bank are the Basis Point Value Sensitivity, that measures the change in the present value of the interest rate sensitive positions resulting from a 1bp parallel shift to interest rate, and the Credit Point Value Sensitivity, that measure the change in the present value of the credit risk sensitive positions resulting from a 1bp parallel shift to credit spread (per issuer, rating or industry);
  - stress scenario levels, which represent the change in the market value of a financial instrument due to large moves of the relevant market risk asset classes/factors;
  - nominal levels, which are based on the notional value of the exposure.

The main objectives of Granular Market Limits are:

- to support the management of market risk
- to ensure desk's focus to exposure under their mandate
- to restrict risk concentration, i.e. to prevent the build-up of positions that, although consistent with allocated VaR limits, could become unmanageable in case of turmoil or in case of reduced market liquidity
- to complement VaR when it does not cover sufficiently a specific risk factor
- to facilitate interaction with traders, who manage their books according to sensitivities or scenario analysis
- to limit P&L volatility due to a specific risk factor
- to complement the compliance framework (e.g. Volcker rule and the German Trennbanken act)

GMLs must be consistent with limitations on Broad Market Risk measures.

### Banking Book

The main components of market risk in the Banking Book are: credit spread risk, pure interest rate risk and FX risk.

Credit spread risk originates mainly from government bond portfolios held for liquidity purposes. The market risk of the bond portfolio is restricted based on notional, sensitivity measures and Value at Risk. The main credit spread exposure relates to Italian sovereign risk in the Italian perimeter.

The second risk type is the interest rate risk. The exposure is measured in terms of economic value sensitivity and the net interest income sensitivity. On a daily basis the treasury functions manages the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored on a daily basis by the risk management functions. The Asset & Liability Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non-interest earning assets and non-interest bearing liabilities. The management of Banking Book interest rate risk aims at optimising, in an on-going scenario, the risk/return profile and long-term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility. The main target of IRRBB strategy is the reduction of net interest income volatility in a multiyear horizon. The strategy does not imply any intended directional or discretionary positioning to generate additional earnings, unless approved by the relevant bodies and separately monitored. The only exceptions is for the functions authorised to carry interest rates positions within an approved level of limitations.

The management strategy on the structural mismatch involving non-interest earning assets and non-interest bearing liabilities (free funds), aims to balance the trade-off between a stable flow of earnings in a multiyear horizon and the opportunity cost of having a fixed rate investment.

## Part E - Information on risks and hedging policies

The interest rate management strategy takes into account the main impact from prepayments. The prepayment behavior is estimated based on historical prepayment data as well as trend analysis. In Italy the prepayment expected profile is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk for the German mortgage portfolio is driven by the level of the interest rates and by the behavior of the customers independent of the level of the interest rates. The interest rate sensitive prepayments are rather small at the current level of the interest rates and are hedged via swaptions. The non-interest rate sensitive prepayments are hedged via swaps according to the Interest Rate Risk strategy of the bank. The prepayment risk in Austrian and CEE countries loan portfolio is deemed residual therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on Banking Book perimeter is periodically reviewed, at least on a monthly basis, by the group ALCO. The committee's involvement in interest rate risk management includes:

- the definition of granular interest rate Banking Book limits;
- the initial approval and fundamental modifications for the measurement and control system of Banking Book interest rate risks with the support of internal validation function (where necessary);
- the optimisation of the Group profile for Banking Book interest rate risk;
- the definition of the operational strategies (e.g. replicating portfolio) and application of the internal transfer prices within the Italian perimeter;
- the consultancy and suggestion to Group Risk & Internal Control Committee with respect to the contribution to Risk Appetite Framework, Global Policy for Interest Rate Banking Book definition and changes of behavioral models for Interest Rate Banking Book and other critical/important issues with potential impact on Banking Book interest rate.

A third risk type is FX risk. The sources of this exposure mainly refer to capital investment in foreign currency. The current strategy is not to hedge capital investments. The general policy is to hedge the foreign currency exposures from dividends and contributions to consolidated net profit (loss) taking into account hedging cost and market circumstances. The exposure is most relevant for CEE Legal Entities. The FX exposure is hedged using forwards and options that are classified as Trading Book. This general rule is valid for the Parent Company. The hedge strategy is reviewed by the relevant risk committees on a periodic basis.

### **Structure and organisation**

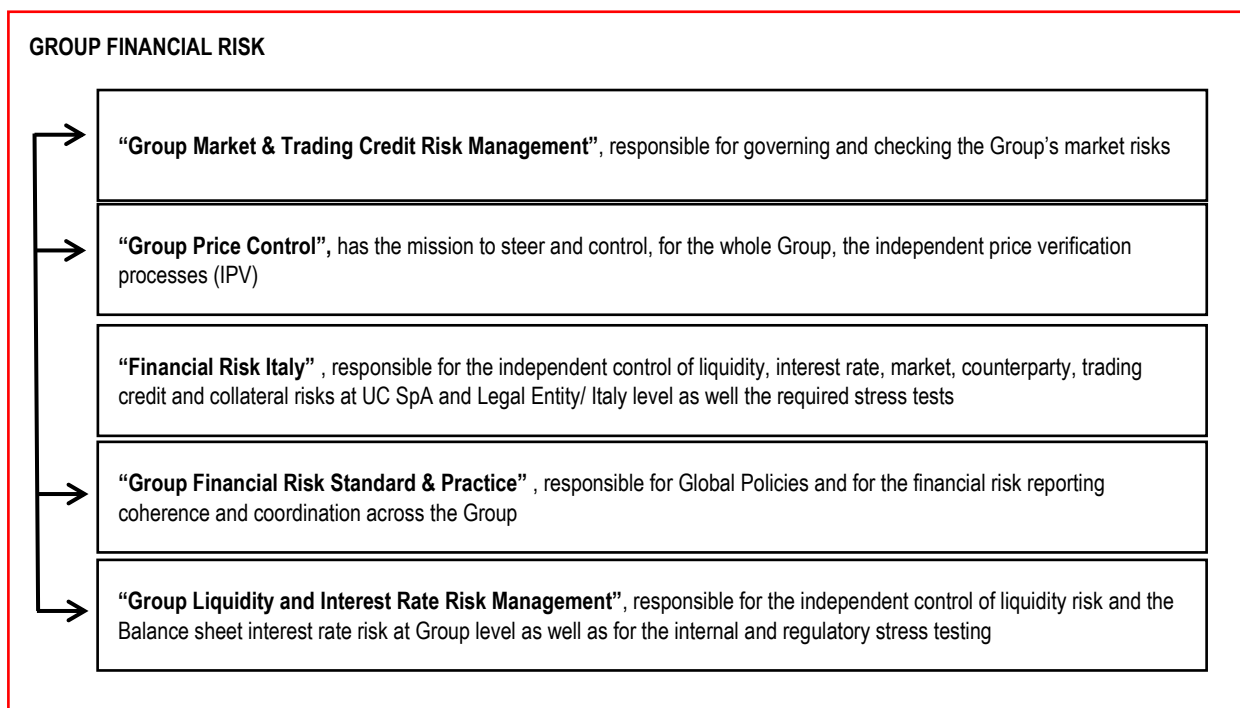
The Group Financial Risk department is responsible for ensuring the implementation of strategies and processes relating to market risk at group-wide level. In terms of main issues relating to market risk matters, the department is accountable for:

- governing and controlling the Group's financial risks through the evaluation of strategies and the proposal to relevant the Bodies of risk limits and Global/Local Rules;
- providing decisions and NBO, when specifically required by Global Rules and sub-delegation of powers, for liquidity, interest rate, market, counterparty and trading credit risks of the Group;
- ensuring compliance of the Financial Risk Management framework to regulatory requirements.

The development and maintenance of Group methodologies, models and architectures regarding financial risk and behavioural as well as the pricing models validation are in charge of Group Financial Risk Methodologies & Models which reports to Group Risk Models & Credit Risk Governance.

## Part E - Information on risks and hedging policies

The department is composed of the following organisational structures with focus on market risk:



With reference to the communication mechanism between the different parties involved in market risk management, the responsible Committees are:

- Group Market Risk Committee;
- Group Assets & Liabilities Committee.

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

The "Group Assets and Liabilities Committee" is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and Banking Book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities. It also ensures the consistency of the practices and methodologies relating to liquidity, FX and Banking Book interest rate across Business Functions and Legal Entities, with the aim of optimising the usage of financial resources (e.g. liquidity and capital) in line with Risk Appetite and Business Strategies.

### **Risk measurement and reporting systems**

#### **Trading Book**

In 2018, UniCredit group continued to improve and consolidate market risk models in order to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurements, more details can be find in paragraph "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book", while for both monthly and daily reporting process, Global Process Regulation are periodically updated.

Within the organisational context described above, the policy implemented by UniCredit group within the scope of market risk management is aimed at gradually adopting and using common principles, rules and processes in terms of appetite for risk, ceiling calculations, model development, pricing and risk model scrutiny.

The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.

## Part E - Information on risks and hedging policies

The main tool used by UniCredit group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.

Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to Top Management and regulators regarding the market risk profile at consolidated level.

In addition to VaR and Basel II risk measures, stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

### Banking Book

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking Book lies in the Bank's competent Bodies. For instance, the Parent Company is in charge of monitoring market risks for the Banking Book at consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.

The Banking Book interest rate risk measures cover both the economic value and net interest income risk aspects.

More precisely, the different and complementary perspectives involve:

- economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition the economic value sensitivity for a 200bps parallel shock is included.
- earnings at Risk perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost relating to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bps parallel shock of rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Additional stress test scenarios are performed on a regular basis to estimate the basis risk and non-parallel shocks.

Next to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such foreign exchange risk, equity risk, value risk due to credit spread fluctuations. In addition through economic value sensitivity measures and other granular indicators, these risk types are captured in a value at risk measure that includes all market risk factors. These values at risk measures are based on a historical simulation.

### Hedging policies and risk mitigation

#### Trading Book

On a quarterly basis a set of risk indicators is provided to the Group Risk Committee through the Enterprise Risk Management Report and, on a monthly basis, to the Group Market Risk Committee through the Market Risk Overview report; these include VaR, Stressed VaR and IRC limit usages, Sensitivities, Sovereign Exposure, Stress Test results and P&L.

At the same time limit breaches are reported both to the Group Market Risk Committee and to the Group Risk Committee (according to their severity); the escalation process being ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to be involve to establish the most appropriate course of action to restore exposure within the approved limits.

If required, focus is provided from time to time on the activity of a specific business line/desk in order to ensure the highest level of comprehension and discussion of the risks in certain areas which are deemed to deserve particular attention.

#### Banking Book

The ALCO evaluates the main market risk drivers on a monthly basis. Group Risk Management reports to the committee on the Banking Book risk measures both from a value and income perspective. It proposes and monitors limits and warning levels that have been approved by the relevant competent bodies.

Breaches of limits and warning levels are reported, upon occurrence, to the relevant bodies. Consequently the escalation process is activated in line with the procedures set in the Policy, to establish the most appropriate course of action to restore exposure within the approved limits.

Execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. Strategic transactions in the Banking Book is managed by the Asset and Liability Management department, ALM.

## Part E - Information on risks and hedging policies

### **Internal model for price, interest rate and exchange rate risk of the regulatory trading book**

The current Market Risk internal model is based on Value-at-Risk (VaR) framework, integrated with other risk measures: incremental risk capital charge (IRC) and stressed Value-at-Risk (SVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk, in line with European directives in force.

All the regulatory requirements in the market risk arena have been addressed via internal development of the necessary model and IT infrastructure as opposed to the external acquisition of ready-made solutions.

This enabled UniCredit to craft solutions that in many aspects can be considered on the sophisticated end of the spectrum of practices that can be found in the Industry. In this respect one distinctive feature of the market (and counterparty) risk frameworks implemented in UniCredit group is the full revaluation approach employing the same pricing libraries used in the Front Office.

UniCredit group calculates both VaR and SVaR for market risk on trading positions using the historical simulation method. Under the historical simulation method positions are revaluated (in full revaluation approach) on the basis of trends in market prices over an appropriate observation period. The empirical distribution of profits/losses deriving therefrom is analysed to determine the effect of extreme market movements on the portfolios.

For a given portfolio, probability and time horizon, VaR is defined as a threshold value so that the probability that the mark-to-market loss on the portfolio, over the given time horizon, not exceeding this value (assuming no trading in the portfolio) has the given confidence level. Current configuration of the internal model defines VaR at a 99% confidence level on the 1 day P&L distribution obtained from equally weighted historical scenarios covering the last 500 days. Historical scenarios are built relying on proportional shocks for Equities and FX rates, and on absolute shocks for Interest Rates and Credit Spreads. UniCredit VaR Model simulates all the risk factors, both referring to general and specific risk, thus providing diversification in a straightforward approach. The model is recalibrated on a daily basis. The use of a 1-day time-horizon makes the immediate comparison with realised profits/losses possible and such comparison is the core of the back-testing exercise.

The VaR measure identifies a consistent measure across all the portfolios and products, since it:

- allows a comparison of risk among different businesses;
- provides a means of aggregating and netting position within a portfolio to reflect correlation and offsets between different assets classes;
- facilitates comparisons of our market risk both over time and against daily results.

Although a valuable guide to risk, VaR should always be viewed within its limitations:

- historical simulation relies on past occurrences to forecast potential losses. In case of regime shifts this might not be appropriate;
- the length of the time window used to generate the forecasted distribution will necessarily embed a trade-off between the responsiveness of the metric to recent market evolutions (short window) and the spectrum of scenarios that will embed (long window);
- assuming a constant one/ten day horizon there is no discrimination between different risk-factor liquidity.

Stressed VaR calculation is based on the very same methodology and architecture of the VaR, and it is analogously calculated with 99% confidence level and 1 day time horizon on a weekly basis, but over a stressed observation period of 250 days. The chosen historical period identifies the 1-year observation window which produces the highest resulting measure for the current portfolio.

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

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

The IRC capital charge captures default risk as well as migration risk for un-securitised credit products held in the Trading Book. The internally developed model simulates via multivariate version of a Merton-type model the rating migration events of all the issuers relevant to the Group trading positions over a capital horizon of one year. The transition probabilities and the sector correlations are historically calibrated, while



## Part E - Information on risks and hedging policies

idiosyncratic correlations are derived from the IRB correlation formula. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In so doing a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1 year.

In each scenario all the relevant product inventory is revaluated under such spread and default events producing a simulated Profit or Loss (P&L) that fully reflects convexity, basis risk, portfolio effects and portfolio concentration risks.

In this way a high-number of paths Monte Carlo simulation generates a P&L distribution for the Group (and each leaf of its portfolio tree). IRC is defined as the 99.9 percentile of such loss distribution.

Additional capital charge for securitisations and credit products not covered by IRC is evaluated through the standardised approach.

The following table summarises the main characteristics of the different measures that define the capital requirement for market risk in UniCredit.

MEASURE	RISK TYPE	HORIZON	QUANTILE	SIMULATION	CALIBRATION
VaR	All Market Risk Factors	1d	99%	Historical	2Y window, equally weighted
SVaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
IRC	Rating Migration & Default	1Y	99.9%	Monte Carlo	Through-the-cycle (min 8Y)

The IRC Model is subject to a quarterly program of Stress Tests aimed at evaluating the robustness of the model. The relevant parameters as Recovery Rates, Transition Probabilities, idiosyncratic correlation are shocked and the impact on the IRC measure is computed.

“Group Internal Validation” performed its analyses in order to evaluate the conceptual soundness of the IRC model, to supplement the available analyses on that topic and to ensure the compliance of the resulting risk management environment with all the relevant regulatory requirements and internal standards.

As already remarked by the regulation, traditional back-testing procedures, regarding the 99.9% one-year soundness standard for IRC, are not applicable due to the 1-year time horizon of the measure. Consequently, while validation of the IRC model relied heavily on indirect methods (including stress tests, sensitivity analysis and scenario analysis) in order to assess the qualitative and quantitative reasonableness of the model, special focus has indeed been given to the specific situation of UniCredit portfolios.

Group Internal Validation kept the scope of their analyses as wide as possible in order to comprise the many diverse issues that are acting concurrently in such a model (general model design, regulatory compliance, numerical implementation, outcomes explanation).

Group Internal Validation performed a full spectrum of validation analyses on the IRC measure calculation using its internal replica libraries.

The replica allows a simple verification of the results provided by the productive environment, and in addition opens up the door to a more dynamical and tailored implementation of the needed tests. The spectrum of analysis encompassed Monte Carlo stability, correlation analysis and stressing, calculation of parameters sensitivity, marginal contribution analysis, alternative models comparisons. All major parameters were tested, i.e. correlation matrices, transition probabilities matrices, transition shocks, recovery rates, probabilities of default, number of scenarios. To understand the overall performance of the model in replicating the real-world migration and default phenomena, Group Internal Validation performed also a historical performance exercise comparing the migrations and defaults predicted by UniCredit IRC model with the ones actually observed since 1981 (due to data availability).

Banca d'Italia authorised UniCredit group to use internal models for the calculation of capital requirements for market risk. As of today CEE countries are the main companies of the Group that are using the standardised approach for calculating capital requirements related to trading positions. However, the VaR measure is used for the management of market risk in these latter companies.

For Trading Book VaR, Stressed VaR and IRC, the bank differentiates between regulatory and managerial views. The managerial measure, are used for Risk monitoring and Business steering purposes as prescribed by Market Risk Framework: in particular VaR limits represent the main metric translating the Risk Appetite into the Market Risk framework.

The managerial VaR has a wider scope: it is used to monitor both Trading Book and Overall perimeter (Trading Book + Banking Book), also including Legal Entities for which the standardised measurement method is applied for Regulatory purposes, in order to have a complete picture of risk.

The standardised measurement method is also applied to the calculation of capital covering the risk of holding Banking Book exposure in foreign currencies for the Legal Entities (namely UniCredit S.p.A.) that do not have an approval for FX Risk simulation under Internal Model. In this respect the FX risk for both Trading and the Banking Book is included in VaR and SVaR for Regulatory purposes as for the approved Legal Entities (UniCredit Bank AG and UniCredit Bank Austria AG); as regards the managerial view the FX Risk of Banking Book is included in the Overall (Trading Book + Banking Book) VaR.

## Part E - Information on risks and hedging policies

To sum up the Internal Model approach is used for Regulatory purposes for UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit Bank Austria group, while it is used for all Legal Entities (including CEE countries) for managerial purposes.

Finally Trading portfolios are subject to Stress tests according to a wide range of simple and complex scenarios. Simple scenarios which envisage the shock of single asset classes, are defined in the context of Interest Rate Risk/Price Risk/Exchange Rate Risk/Credit Spread Risk Sensitivity. Complex scenarios apply simultaneous changes on a number of risk factors. Both simple and complex scenarios are applied to the whole Trading Book. Detailed descriptions are included in paragraph on the Stress Test.

Stress tests results are calculated in the Group Market Risk system (UGRM), thus ensuring a common methodological approach across the Group. Results are calculated applying a full revaluation approach meaning that all positions are revalued under stressed conditions; no ad hoc models or pricing functions are applied for stress testing.

According to national regulations, some relevant scenarios are also a matter of regulatory reporting on a quarterly basis.

In addition a set of scenarios is run monthly on overall Group perimeter, thus covering both Trading and Banking Book positions. Results are discussed monthly in Market Risk Stress Test Open Forum involving Market Risk function's representatives of all the Legal Entities and Business' representatives. Results are analysed in depth in the monthly report "Monthly Overview on Market Stress Test".

Stress test Warning levels Usage is monitored monthly. More details on Warning Levels and Strategy are given in the previous paragraph Risk management strategies and processes.

### VaR, SVaR and IRC

Diversified VaR, SVaR and IRC are calculated taking into account the diversification arising from positions taken by different companies within the Imod perimeter (i.e. for which the use of the internal model for the risk calculation is approved). VaR, SVaR and IRC measures are however in place for all the LEs and their values are reported thereafter for information purpose, together with Undiversified Group VaR, SVaR and IRC, calculated as sum of the values of all LEs (without considering Diversification Benefit), considering the Regulatory perimeter when applicable.

The increasing trend in the VaR time series, during the first semester 2018, is mainly due to higher volatilities in the financial markets, while the decreasing trend, during the second semester, is mainly driven by a decrease of the position subject to the Credit Spread Risk of Republic of Italy in the Trading Book of UniCredit S.p.A. This is also the main driver of the decreasing trend in the stressed VaR and IRC time series.

#### Risk on trading book

##### Daily VaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF DECEMBER 2018	AVERAGE LAST 60 DAYS	2018			2017
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	7.7	9.0	9.7	15.1	5.8	13.5

##### Daily VaR on Managerial Trading Book

(€ million)

STANDARDIZED APPROACH PERIMETER	END OF DECEMBER 2018	AVERAGE LAST 60 DAYS	2018			2017
			AVERAGE	MAX	MIN	AVERAGE
Russia	0.7	1.1	1.5	4.6	0.6	2.1
Turkey	3.4	1.2	1.1	3.9	0.4	0.6
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.1	0.1	0.1	0.1	0.0	0.1
Romania	0.3	0.3	0.4	0.6	0.2	0.3
Bulgaria	0.1	0.2	0.1	0.2	0.1	0.2
Hungary	0.4	0.3	0.5	0.9	0.3	0.7
Czech Republic	1.9	3.0	3.7	5.1	1.3	2.9
Croatia	0.2	0.2	0.2	0.5	0.1	0.2
Slovenia	0.1	0.1	0.1	0.2	0.1	0.1
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Fineco	0.1	0.1	0.1	0.4	0.0	0.3
<b>Undiversified UniCredit group</b>	<b>16.8</b>	<b>17.8</b>	<b>20.0</b>	<b>31.1</b>	<b>13.0</b>	<b>23.6</b>



## Part E - Information on risks and hedging policies

### Risk on trading book

#### SVaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF DECEMBER 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	25.7	29.1	37.4	59.2	21.6	29.4

#### SVaR on Managerial Trading Book

(€ million)

STANDARDIZED APPROACH PERIMETER	END OF DECEMBER 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	AVERAGE
Russia	8.3	7.6	13.3	21.3	4.2	13.9
Turkey	2.3	2.2	2.8	5.4	1.2	1.9
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.8	1.0	1.1	1.7	0.4	0.8
Romania	1.8	2.2	2.7	4.6	1.0	2.5
Bulgaria	0.6	0.8	0.6	1.0	0.5	0.7
Hungary	1.7	1.6	3.0	5.7	1.1	2.4
Czech Republic	6.2	5.6	5.8	8.7	4.0	3.5
Croatia	0.4	0.8	0.7	1.2	0.3	0.4
Slovenia	0.3	0.3	0.3	0.4	0.2	0.1
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Undiversified UniCredit group	59.6	58.7	75.1	99.0	50.1	69.6

### Risk on trading book

#### IRC on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF DECEMBER 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	176.2	224.5	282.9	479.8	176.2	301.9

#### IRC on Managerial Trading Book

(€ million)

STANDARDIZED APPROACH PERIMETER	END OF DECEMBER 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	AVERAGE
Russia	15.9	19.1	25.7	112.5	0.1	10.7
Turkey	3.5	3.2	3.7	5.2	3.1	3.8
Serbia	11.0	12.9	12.9	18.9	3.8	10.2
Romania	10.3	15.2	14.4	22.2	3.7	20.0
Bulgaria	0.8	4.2	1.8	5.2	0.0	0.3
Hungary	22.2	20.5	25.5	43.0	14.4	27.6
Czech Republic	1.8	2.4	1.7	4.3	1.0	1.0
Croatia	3.3	4.3	4.7	8.1	3.0	4.1
Undiversified UniCredit group	344.5	442.1	532.3	786.9	344.5	509.7

#### EU MR4 - Comparison of VaR estimates with gain/losses

The following graph shows back-testing results referred to the market risk on the Trading Book, in which VaR results for the last twelve months are compared to the hypothetical "profit and loss" results for Group (I-Mod Perimeter).

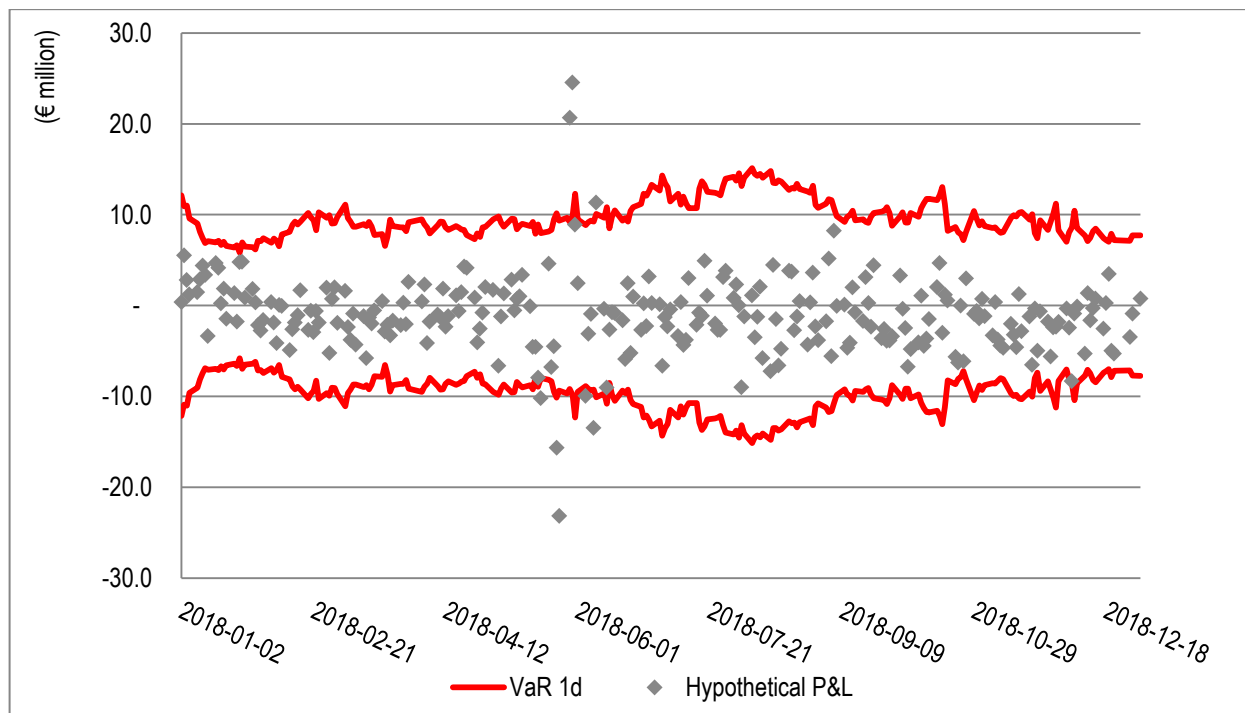
In 2018, six VaR overshootings were observed for UniCredit group:

- 7 June 2018
- 4 June 2018
- 28 May 2018
- 25 May 2018
- 24 May 2018
- 18 May 2018

## Part E - Information on risks and hedging policies

The overshooting were mostly caused by the Republic of Italy spread widening, explained by the increased political risk perception in the Eurozone, as a result of the new Italian government agenda.

Additional material drivers were US dollar appreciation against Euro, a widening in credit spread for UniCredit, a larger spread between Federal Republic of Germany and several other sovereigns and supranationals, a decrease in Euro interest rates.



### Managerial VaR

Below are reported the Managerial Diversified Trading Book VaR as of end of December 2018 at Group and Regional Centre levels and the Undiversified Trading Book VaR at Group level, calculated as sum of the values of all LEs (without considering Diversification Benefit). Difference with Regulatory Trading Book was described above.

#### Daily VaR on Managerial Trading Book

(€ million)

TRADING BOOK	END OF DECEMBER 2018
<b>Diversified UniCredit group as per internal model</b>	<b>8.8</b>
RC Germany	5.6
RC Italy	3.7
RC Austria	0.4
RC CEE	4.9
<b>Undiversified UniCredit group</b>	<b>16.8</b>

## Part E - Information on risks and hedging policies

### Marginal Regulatory VaR

The table below provides a breakdown of 10-days VaR figure (i.e. referred to a 10-days' time horizon) according to the different market risks (debt, equity, FX, commodities) and its evolution during the year, in the form of template C24 of COREP.

#### Risk on trading book by instruments classes

##### 10-days VaR on Regulatory Trading Book

(€ million)

	2018				2017
	Q1	Q2	Q3	Q4	Q4
Traded Debt Instruments	28.8	40.7	42.0	30.5	31.9
TDI - General Risk	14.2	16.9	21.2	16.7	17.2
TDI - Specific Risk	22.0	32.9	37.0	22.6	25.1
Equities	5.4	6.6	6.1	5.8	5.9
Equities - General Risk	-	-	-	-	-
Equities - Specific Risk	5.4	6.6	6.1	5.8	5.9
Foreign Exchange Risk	10.4	9.9	8.5	5.1	14.9
Commodities Risk	5.5	8.1	9.1	10.2	4.5
<b>Total Amount For General Risk</b>	<b>14.2</b>	<b>16.9</b>	<b>21.2</b>	<b>16.7</b>	<b>17.2</b>
<b>Total Amount For Specific Risk</b>	<b>22.3</b>	<b>30.7</b>	<b>34.8</b>	<b>21.7</b>	<b>26.5</b>

In the fourth quarter 2018, there has been an decrease of the specific risk on traded debt instruments, mainly due to a decrease of the position subject to the Credit Spread Risk of Republic of Italy in the Trading Book of UniCredit S.p.A.

### CVA

The CVA charge data values for the Trading Book for the Group are reported below (as sum of the individual Legal Entities charges since the diversification benefit is not considered). The charge accounts for the credit-spread volatility affecting regulatory CVA. It consists of a VaR figure computed over the current window (CVA VaR) and a VaR figure computed over a stressed window (CVA SVaR). For exposures not covered by the CCR Internal model (used to calculate CVA exposure profiles) the standardised approach (SA) is used.

In the second semester of 2018, the Own Fund Requirements due to CVA under Advance model remains relatively stable with respect of the level reached in the second quarter 2018. The main evolutions of the second half of 2018 occurred at the level of the CEE under standardized model, mainly in Turkey.

#### Risk on trading book

##### CVA trading book

(€ million)

	2018				2017
	Q1	Q2	Q3	Q4	Q4
<b>CVA</b>	169.9	145.7	182.1	157.7	250.6
<b>CVA VaR</b>	22.0	13.9	12.0	11.1	32.8
<b>CVA SVaR</b>	101.5	92.3	92.1	94.8	167.8
<b>CVA SA</b>	46.4	39.5	78.0	51.8	50.0

## Part E - Information on risks and hedging policies

### 2.2.1 Interest rate risk and price risk - Regulatory trading book

#### Qualitative information

##### Interest rate risk

###### A. General information

Interest rate risk arises from financial positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion. Regardless of use of the internal models in calculating capital requirements on market risks, risk positions in the Group are monitored and subject to limits assigned to the portfolios on the bases of managerial responsibilities and not purely on regulatory criteria.

###### B. Risk Management Processes and Measurement Methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

As regards Stress Test refer to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to Stress Test paragraph.

In addition to the monitoring of Granular Market Limits, Group Market Risk functions conduct sensitivity analysis at least on monthly basis, in order to determine the effect on the income statement of changes in the value of individual risk factors or several risk factors of the same type.

Additionally to the sensitivity of financial instruments to changes in the underlying risk factor, the sensitivity to the volatility of interest rates is also calculated assuming positive and negative shifts of 30% in volatility curves or matrices.

##### Price risk

###### A. General information

Price risk relating to equities, commodities, investment funds and related derivative products included in the Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.

Price risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTCs and recourse to security lending. Volatility trading strategies are implemented using options and complex derivatives

###### B. Risk Management Processes and Measurement Methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models.

As regards Stress Test refers to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to the Stress Test paragraph

#### Quantitative information

##### 1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

The table is not reported since a table showing Interest Rate sensitivity is described below, in accordance with Internal Model.

##### 2. Regulatory trading portfolio: distribution of equity exposures and equity indices for the main listing countries

The table is not reported since a table showing price risk sensitivity is described below, in accordance with Internal Model.

##### 3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

## Part E - Information on risks and hedging policies

### Interest rate risk

#### Interest Rate Risk Sensitivity

Sensitivity to changes in interest rates is determined using both parallel shifts of interest-rate curves, and changes in the curve itself.

The curves are analysed using parallel shifts of  $\pm 1\text{bp}/\pm 10\text{bps}$  and  $\pm 100\text{bps}$ .

For each 1bp shift, sensitivity is calculated for a series of time-buckets. Sensitivity for changes in the steepness of the rate curve is analysed by clockwise turning (Turn CW), i.e. an increase in short-term rates and a simultaneous fall in long-term rates, and by counter-clockwise turning (Turn CCW), whereby short-term rates fall and long-term rates rise.

In particular, clockwise and counter-clockwise turning use the following changes in absolute terms:

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

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

The tables below show trading book sensitivities.

(€ million)														
INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
<b>Total</b>	-0.1	-0.2	0.3	0.2	1.1	-0.7	-0.1	0.4	-2.9	0.4	-100.7	-23.7	-4.3	3.0
of which:														
EUR	-0.1	-0.4	0.4	0.3	0.8	-0.8	-0.2	0.0	-0.1	-0.2	-66.0	-26.6	3.8	-5.0
USD	-0.0	0.1	-0.2	0.0	0.2	-0.1	-0.1	0.0	0.8	-0.6	5.6	-10.5	2.8	-2.0
GBP	0.0	-0.0	-0.0	-0.0	-0.1	0.3	0.2	0.3	-2.6	2.5	-29.8	22.2	-12.8	11.9
CHF	0.0	-0.0	0.0	-0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	-0.4	0.3	-0.0	0.1
JPY	0.0	0.0	-0.0	-0.1	0.1	-0.0	0.0	0.0	-0.3	0.3	-3.1	3.0	1.0	-1.0
(€ million)														
												-30%	+30%	
<b>Interest Rates</b>													<b>20.3</b>	<b>-22.6</b>
EUR													19.4	-20.8
USD													0.8	-1.6

## Part E - Information on risks and hedging policies

### Price risk

#### Share-price sensitivity

Share-price sensitivity is expressed in two ways:

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

The Delta cash-equivalent and the Delta 1% (i.e. the economic impact of a 1% rise in spot prices) are calculated both for each geographical region (assuming that all stock markets in the region are perfectly correlated) and on the total (assuming therefore that all stock markets are perfectly correlated). The sensitivity arising from changes of 10% and 20% is calculated solely on the total.

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

In addition, sensitivity to commodity price changes is calculated according to the above criteria. Given its secondary importance as compared to other risk exposures, this is calculated as a single class.

The tables below show trading book sensitivities.

(€ million)

EQUITIES ALL MARKETS	DELTA CASH-EQUIVALENT	-20%	-10%	-1%	+1%	+10%	+20%
Europe	45.8	-	-	-	0.5	-	-
USA	9.7	-	-	-	0.1	-	-
Japan	0.8	-	-	-	0.0	-	-
Asia ex-Japan	17.3	-	-	-	0.2	-	-
Latin America	1.2	-	-	-	0.0	-	-
Other	-46.7	-	-	-	-0.5	-	-
<b>Total</b>	<b>28.1</b>	<b>-71.4</b>	<b>-9.4</b>	<b>0.4</b>	<b>0.3</b>	<b>-9.6</b>	<b>-3.5</b>
<b>Commodity</b>	<b>-2.9</b>	<b>-6.5</b>	<b>-2.9</b>	<b>-0.2</b>	<b>0.0</b>	<b>1.7</b>	<b>1.8</b>

(€ million)

	-30%	+30%
<b>Equities</b>	<b>-16.0</b>	<b>6.8</b>

## Part E - Information on risks and hedging policies

### 2.2.2 Interest rate risk and price risk - Banking book

#### Qualitative information

#### Interest rate risk

##### A. General aspects, operational processes and methods for measuring interest rate risk

Interest rate risk consists of changes in interest rates that are reflected in:

- interest income sources, and thus, the bank's earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The Group measures and monitors this risk within the framework of a Banking Book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on, with regard to the sensitivity of net interest income and the Group's economic value. Interest rate risk has an impact on all owned positions resulting from business operations and strategic investment decisions (Banking Book).

The main sources of interest rate risk can be classified as follows:

- gap risk: it arises from the term structure of banking book instruments, and describes the risk arising from the timing of instrument rate changes. The extent of gap risk depends also on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). Gap risk also encompasses: Repricing risk, defined as the risk of changes in interest rate earned at the time a financial contract's rate is reset. It emerges if interest rates are settled on liabilities for periods which differ from those on offsetting assets. Repricing risk also refers to the Yield curve risk, occurring when a shift in the yield curve affects the values of interest rate sensitive assets and interest rate bearing liabilities;
- basis risk can be broken down in:
  - tenor risk: resulting from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar rate change characteristics;
  - currency risk: defined as the risk of potentially offsetting interest rate sensitivities arising from interest rate exposures in several currencies;
- option risk: risk resulting from option derivative positions or from the optional elements embedded in many bank positions, where the bank or its customers can alter the level and timing of their cash flows.

Limits and threshold are defined in terms of Sensitivity for each Group Bank or Company. The set of metrics is defined depending on the level of sophistication of the Company's business.

Each of the Group's banks or companies assumes responsibility for managing exposure to interest rate risk within its specified limits. At consolidated level, the functions of Group Risk Management is in charge of interest rate risk measurement.

Interest rate risk measurement includes:

- Net Interest Income analysis: this involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition a simulation analysis includes the analysis of the impact on income from different shocks for the interest rates. Reference shock for a rate rise scenario is an instantaneous and parallel shock of +100bp. While the shocks for the rate fall scenario are applied in an asymmetric way. The currencies to which a shock of -30bp is applied are: EUR, BGN, JPY and CHF. For HUF, whose rates are only marginally negative, a shock of -60bp is applied. For other currencies the shock is -100bp. Additional scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift and other non-parallel shocks.

The interest rate risk is monitored in terms of Economic value sensitivity for an instantaneous and parallel shock of +1 basis point value of the interest rate term structure. The function responsible for interest rate risk management verifies the limit usage of 1 basis point value sensitivity on a daily basis. On a monthly basis the Economic Value sensitivity for larger parallel and non-parallel shocks in the interest rate term structure and Net Interest Income Sensitivity are measured.

The Treasury hedges interest rate risk exposure from commercial transactions. The Treasury interest rate risk exposure is monitored through a set of limits and threshold levels. The same holds for the overall interest rate exposure of the balance sheet, taking into account also the strategic investment positions of the bank, e.g. transactions not directly related to hedging the commercial business.

## Part E - Information on risks and hedging policies

### Price risk

#### A. General aspects, operational processes and methods for measuring price risk

Banking Book price risk primarily originates from equity interests held by the Parent Company and its subsidiaries as stable investments, as well as units in mutual investment funds not included in the Trading Book as they are also held as stable investments.

As regards Stress Test refer to the introduction on Risk Management Strategies and Processes paragraph and for the complex scenarios' description to Stress Test paragraph.

### Quantitative information

#### 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2018							
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE MATURITY
<b>1. On-balance sheet assets</b>	<b>148,623,053</b>	<b>325,238,024</b>	<b>53,841,107</b>	<b>51,698,221</b>	<b>163,639,293</b>	<b>70,581,617</b>	<b>31,632,529</b>	<b>1,148,412</b>
1.1 Debt securities	593,315	39,050,286	12,449,631	14,765,848	72,496,835	34,210,213	7,235,159	13,646
- With prepayment option	53,042	199,331	162,282	-	97,688	153,715	-	-
- Other	540,273	38,850,955	12,287,349	14,765,848	72,399,147	34,056,498	7,235,159	13,646
1.2 Loans to banks	29,263,748	67,815,420	8,997,300	7,632,712	6,362,608	150,561	6,876,782	494,154
1.3 Loans to customers	118,765,990	218,372,318	32,394,176	29,299,661	84,779,850	36,220,843	17,520,588	640,612
- Current accounts	32,312,320	2,149,457	167,851	1,262,256	1,248,661	44,993	637,746	1,820
- Other loans	86,453,670	216,222,861	32,226,325	28,037,405	83,531,189	36,175,850	16,882,842	638,792
- With prepayment option	11,000,102	59,010,641	8,109,873	3,511,029	19,142,756	7,964,766	7,986,436	4
- Other	75,453,568	157,212,220	24,116,452	24,526,376	64,388,433	28,211,084	8,896,406	638,788
<b>2. On-balance sheet liabilities</b>	<b>413,751,273</b>	<b>212,695,225</b>	<b>30,862,728</b>	<b>29,201,759</b>	<b>98,192,599</b>	<b>22,414,276</b>	<b>13,492,168</b>	<b>899,961</b>
2.1 Deposits from customers	386,124,691	81,352,299	11,111,955	10,510,060	11,225,495	1,894,229	687,731	396,399
- Current accounts	352,183,487	818,582	23,209	4,500	10,401	494	2,325	-
- Other	33,941,204	80,533,717	11,088,746	10,505,560	11,215,094	1,893,735	685,406	396,399
- With prepayment option	123,335	-	-	-	-	-	-	-
- Other	33,817,869	80,533,717	11,088,746	10,505,560	11,215,094	1,893,735	685,406	396,399
2.2 Deposits from banks	24,022,899	93,359,809	9,376,224	7,938,517	49,996,360	6,003,451	1,050,857	67,769
- Current accounts	12,233,979	26,697	-	14,576	-	-	-	-
- Other	11,788,920	93,333,112	9,376,224	7,923,941	49,996,360	6,003,451	1,050,857	67,769
2.3 Debt securities in issue	993,636	37,084,452	10,371,190	10,722,349	36,842,200	14,413,408	11,753,580	435,620
- With prepayment option	-	2,579,147	527,030	1,505,839	3,347,571	1,495,017	658,954	-
- Other	993,636	34,505,305	9,844,160	9,216,510	33,494,629	12,918,391	11,094,626	435,620
2.4 Other liabilities	2,610,047	898,665	3,359	30,833	128,544	103,188	-	173
- With prepayment option	2,413	-	-	-	-	-	-	-
- Other	2,607,634	898,665	3,359	30,833	128,544	103,188	-	173
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	72,170	47,140	103,871	425,669	205,706	843,177	-
+ Short positions	-	75,091	30,489	101,908	320,416	238,964	755,489	-
- Other derivatives								
+ Long positions	581,432	9,471,311	222,075	599,756	2,196,376	828,116	269,786	-
+ Short positions	581,432	9,842,711	222,135	554,109	5,308,963	913,468	269,786	-
3.2 Without underlying security								
- Option								
+ Long positions	30,576	8,746,355	1,505,425	4,114,530	27,073,702	16,543,400	18,016,883	244,973
+ Short positions	30,576	4,273,591	1,281,371	3,602,865	24,978,358	16,940,903	19,259,076	245,095
- Other derivatives								
+ Long positions	40,347,221	407,687,500	74,558,855	90,572,087	368,623,817	89,624,138	18,194,857	2,878,822
+ Short positions	8,966,183	461,291,610	67,105,218	95,836,377	355,960,264	60,437,694	33,900,218	4,313,115
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	84,185,243	24,946,521	3,844,413	17,044,288	12,140,397	927,186	2,963,508	560,457
+ Short positions	87,434,255	23,573,527	1,308,449	12,999,037	3,847,633	333,606	2,061,286	529,194



## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: euro

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2018							
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE MATURITY
<b>1. On-balance sheet assets</b>	<b>125,986,395</b>	<b>281,966,457</b>	<b>48,360,635</b>	<b>42,950,030</b>	<b>141,951,852</b>	<b>66,081,791</b>	<b>28,522,803</b>	<b>1,023,107</b>
1.1 Debt securities	574,707	36,306,909	11,434,865	13,511,709	66,045,679	32,285,349	5,910,041	13,646
- With prepayment option	53,042	176,784	162,282	-	97,688	153,715	-	-
- Other	521,665	36,130,125	11,272,583	13,511,709	65,947,991	32,131,634	5,910,041	13,646
1.2 Loans to banks	25,211,153	48,195,061	7,787,064	7,024,889	5,099,543	142,607	6,876,782	406,258
1.3 Loans to customers	100,200,535	197,464,487	29,138,706	22,413,432	70,806,630	33,653,835	15,735,980	603,203
- Current accounts	29,548,579	1,376,273	151,655	1,261,297	1,241,955	44,993	619,715	-
- Other loans	70,651,956	196,088,214	28,987,051	21,152,135	69,564,675	33,608,842	15,116,265	603,203
- With prepayment option	10,986,834	58,951,594	8,064,418	3,446,170	19,105,737	7,964,442	7,985,340	-
- Other	59,665,122	137,136,620	20,922,633	17,705,965	50,458,938	25,644,400	7,130,925	603,203
<b>2. On-balance sheet liabilities</b>	<b>375,071,177</b>	<b>181,715,385</b>	<b>27,340,736</b>	<b>25,418,604</b>	<b>87,194,707</b>	<b>20,695,596</b>	<b>11,769,712</b>	<b>857,152</b>
2.1 Deposits from customers	351,026,575	62,909,898	8,921,472	7,976,329	8,320,489	1,584,842	681,751	394,187
- Current accounts	317,912,006	222,870	48	34	861	-	21	-
- Other	33,114,569	62,687,028	8,921,424	7,976,295	8,319,628	1,584,842	681,730	394,187
- With prepayment option	121,780	-	-	-	-	-	-	-
- Other	32,992,789	62,687,028	8,921,424	7,976,295	8,319,628	1,584,842	681,730	394,187
2.2 Deposits from banks	20,636,295	82,571,997	8,131,130	7,395,596	48,314,915	5,821,688	1,047,555	27,183
- Current accounts	10,941,253	21,798	-	-	-	-	-	-
- Other	9,695,042	82,550,199	8,131,130	7,395,596	48,314,915	5,821,688	1,047,555	27,183
2.3 Debt securities in issue	958,687	35,533,169	10,287,385	10,022,863	30,474,802	13,185,878	10,040,406	435,620
- With prepayment option	-	2,579,147	527,030	1,505,839	3,347,571	1,495,017	658,954	-
- Other	958,687	32,954,022	9,760,355	8,517,024	27,127,231	11,690,861	9,381,452	435,620
2.4 Other liabilities	2,449,620	700,321	749	23,816	84,501	103,188	-	162
- With prepayment option	2,413	-	-	-	-	-	-	-
- Other	2,447,207	700,321	749	23,816	84,501	103,188	-	162
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	68,791	47,140	103,871	425,669	205,706	843,177	-
+ Short positions	-	71,712	30,489	101,908	320,416	238,964	755,489	-
- Other derivatives								
+ Long positions	92,499	1,331,874	2,431	19,322	743,538	94,684	92,000	-
+ Short positions	92,499	1,205,139	1,411	18,960	743,538	84,684	92,000	-
3.2 Without underlying security								
- Option								
+ Long positions	30,576	8,746,355	1,505,425	4,114,530	27,073,702	16,010,247	18,016,883	122,813
+ Short positions	30,576	4,273,591	1,281,371	3,602,865	24,978,358	16,940,903	19,259,076	121,598
- Other derivatives								
+ Long positions	40,191,519	359,255,656	60,091,395	85,229,705	347,115,958	84,927,451	15,737,951	446,342
+ Short positions	8,851,735	393,122,967	61,124,470	92,511,636	338,079,087	57,810,978	33,082,877	2,090,886
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	80,323,764	23,492,836	2,152,242	1,806,964	7,514,824	630,069	841,992	307,276
+ Short positions	83,792,099	22,732,742	584,042	590,612	2,918,773	268,126	744,474	302,457

## Part E - Information on risks and hedging policies

### 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: other currencies

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2018							
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE MATURITY
<b>1. On-balance sheet assets</b>	<b>22,636,658</b>	<b>43,271,567</b>	<b>5,480,472</b>	<b>8,748,191</b>	<b>21,687,441</b>	<b>4,499,826</b>	<b>3,109,726</b>	<b>125,305</b>
1.1 Debt securities	18,608	2,743,377	1,014,766	1,254,139	6,451,156	1,924,864	1,325,118	-
- With prepayment option	-	22,547	-	-	-	-	-	-
- Other	18,608	2,720,830	1,014,766	1,254,139	6,451,156	1,924,864	1,325,118	-
1.2 Loans to banks	4,052,595	19,620,359	1,210,236	607,823	1,263,065	7,954	-	87,896
1.3 Loans to customers	18,565,455	20,907,831	3,255,470	6,886,229	13,973,220	2,567,008	1,784,608	37,409
- Current accounts	2,763,741	773,184	16,196	959	6,706	-	18,031	1,820
- Other loans	15,801,714	20,134,647	3,239,274	6,885,270	13,966,514	2,567,008	1,766,577	35,589
- With prepayment option	13,268	59,047	45,455	64,859	37,019	324	1,096	4
- Other	15,788,446	20,075,600	3,193,819	6,820,411	13,929,495	2,566,684	1,765,481	35,585
<b>2. On-balance sheet liabilities</b>	<b>38,680,096</b>	<b>30,979,840</b>	<b>3,521,992</b>	<b>3,783,155</b>	<b>10,997,892</b>	<b>1,718,680</b>	<b>1,722,456</b>	<b>42,809</b>
2.1 Deposits from customers	35,098,116	18,442,401	2,190,483	2,533,731	2,905,006	309,387	5,980	2,212
- Current accounts	34,271,481	595,712	23,161	4,466	9,540	494	2,304	-
- Other	826,635	17,846,689	2,167,322	2,529,265	2,895,466	308,893	3,676	2,212
- With prepayment option	1,555	-	-	-	-	-	-	-
- Other	825,080	17,846,689	2,167,322	2,529,265	2,895,466	308,893	3,676	2,212
2.2 Deposits from banks	3,386,604	10,787,812	1,245,094	542,921	1,681,445	181,763	3,302	40,586
- Current accounts	1,292,726	4,899	-	14,576	-	-	-	-
- Other	2,093,878	10,782,913	1,245,094	528,345	1,681,445	181,763	3,302	40,586
2.3 Debt securities in issue	34,949	1,551,283	83,805	699,486	6,367,398	1,227,530	1,713,174	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	34,949	1,551,283	83,805	699,486	6,367,398	1,227,530	1,713,174	-
2.4 Other liabilities	160,427	198,344	2,610	7,017	44,043	-	-	11
- With prepayment option	-	-	-	-	-	-	-	-
- Other	160,427	198,344	2,610	7,017	44,043	-	-	11
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	3,379	-	-	-	-	-	-
+ Short positions	-	3,379	-	-	-	-	-	-
- Other derivatives								
+ Long positions	488,933	8,139,437	219,644	580,434	1,452,838	733,432	177,786	-
+ Short positions	488,933	8,637,572	220,724	535,149	4,565,425	828,784	177,786	-
3.2 Without underlying security								
- Option								
+ Long positions	-	-	-	-	-	533,153	-	122,160
+ Short positions	-	-	-	-	-	-	-	123,497
- Other derivatives								
+ Long positions	155,702	48,431,844	14,467,460	5,342,382	21,507,859	4,696,687	2,456,906	2,432,480
+ Short positions	114,448	68,168,643	5,980,748	3,324,741	17,881,177	2,626,716	817,341	2,222,229
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	3,861,479	1,453,685	1,692,171	15,237,324	4,625,573	297,117	2,121,516	253,181
+ Short positions	3,642,156	840,785	724,407	12,408,425	928,860	65,480	1,316,812	226,737

### 2. Banking book: internal models and other methods for sensitivity analysis

#### Interest Rate Risk

As at 31 December 2018, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€916 million.

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€3,351 million as 31 December 2018<sup>33</sup>.

<sup>33</sup> The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

## Part E - Information on risks and hedging policies

### 2.2.3 Exchange rate risk

#### Qualitative information

##### A. General information, risk management processes and measurement methods

Exchange rate risk originates both from banks in the Group operating in currency areas other than the Eurozone and from positions taken by specialist centres holding the Group's market risk within the limits assigned.

Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC. Volatility trading strategies are implemented using options. Exchange rate risk is constantly monitored and measured by using internal models developed by Group companies.

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models. These models are also used to calculate capital requirements on market risks due to the exposure to such risk.

As regards Stress Test refer to the introduction on *Risk Management Strategies and Processes* paragraph and for the complex scenarios' description to *Stress Test* paragraph.

##### B. Hedging exchange rate risk

The exchange risk hedging activity within the trading book is aimed at keeping the FX risk within the defined Granular and Global limits.

Regarding banking book the Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone, taking into account market circumstances for the hedging strategies.

#### Quantitative information

##### 1. Distribution by currency of assets and liabilities and derivatives

(€ '000)

ITEMS	AMOUNTS AS AT 12.31.2018					
	CURRENCIES					
	CZECH REPUBLIC KORUNA	U.S. DOLLAR	SWITZERLAND FRANC	JAPAN YEN	POLAND ZLOTY	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>693,553</b>	<b>46,213,496</b>	<b>8,707,190</b>	<b>6,232,706</b>	<b>1,581,556</b>	<b>163,706,223</b>
A.1 Debt securities	-	5,758,472	424,425	5,785,256	253,515	28,963,073
A.2 Equity securities	-	652,331	167,617	12,506	417,711	407,539
A.3 Loans to banks	583,643	11,457,562	630,483	141,169	548,229	24,852,562
A.4 Loans to customers	109,478	28,317,644	7,429,416	292,293	360,869	109,181,362
A.5 Other financial assets	432	27,487	55,249	1,482	1,232	301,687
<b>B. Other assets</b>	<b>724</b>	<b>1,120,905</b>	<b>5,441</b>	<b>2,308</b>	<b>1,087</b>	<b>1,726,778</b>
<b>C. Financial liabilities</b>	<b>77,584</b>	<b>46,091,006</b>	<b>908,134</b>	<b>218,287</b>	<b>476,692</b>	<b>161,773,846</b>
C.1 Deposits from banks	34,867	16,982,518	211,709	47,842	116,779	63,769,767
C.2 Deposits from customers	42,686	21,079,529	548,856	68,606	317,054	76,625,984
C.3 Debt securities in issue	-	7,789,233	144,824	100,720	42,754	20,177,079
C.4 Other financial liabilities	31	239,726	2,745	1,119	105	1,201,016
<b>D. Other liabilities</b>	<b>859</b>	<b>80,999</b>	<b>2,868</b>	<b>435</b>	<b>782</b>	<b>1,631,831</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	38,990	8,928,267	60,234	7,602	302	1,676,484
+ Short positions	19,748	6,788,562	13,788	6,855	9,243	1,691,376
- Other derivatives						
+ Long positions	230,039	115,271,391	8,901,205	10,130,906	1,225,203	127,392,164
+ Short positions	236,523	116,499,123	21,009,511	17,813,217	939,223	117,759,645
<b>Total assets</b>	<b>963,306</b>	<b>171,534,059</b>	<b>17,674,070</b>	<b>16,373,522</b>	<b>2,808,148</b>	<b>294,501,649</b>
<b>Total liabilities</b>	<b>334,714</b>	<b>169,459,690</b>	<b>21,934,301</b>	<b>18,038,794</b>	<b>1,425,940</b>	<b>282,856,698</b>
<b>Difference (+/-)</b>	<b>628,592</b>	<b>2,074,369</b>	<b>(4,260,231)</b>	<b>(1,665,272)</b>	<b>1,382,208</b>	<b>11,644,951</b>

## Part E - Information on risks and hedging policies

### 2. Internal models and other methodologies for sensitivity analysis

Transactional FX risk (impact of fluctuations in foreign exchange rates on the Group's Profit & Loss in the period) measurement and reporting is part of the Group's market risk framework.

In UGRM, transactional exchange risk exposures are incorporated in the relevant risk calculation, limit monitoring and reporting.

Every Legal Entity is required to setup, as part of the respective Market Risk framework, a sound limit system for managing and controlling Transactional Exchange Risk. As a minimum requirement, the limit system shall envisage FX Delta limits for the main currencies which the business is exposed to or for aggregation of currencies.

FX Delta limits are part of the Granular Market Risk Limits and are ruled by the Group Policy "Market Risk Limits".

### **Credit spread risk**

#### *Qualitative information*

##### *A. General Information*

Risk relating to credit spreads and related credit derivative products included in Trading Book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.

Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC.

##### *B. Risk Management Processes and Measurement Methods*

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to introduction on internal models.

As regards Stress Test refer to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to Stress Test paragraph

## Part E - Information on risks and hedging policies

### Quantitative information

#### Credit spread sensitivity

Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp/+10bp/+100bps in the credit spread curves.

These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

The table below shows trading book sensitivities.

(€ million)

	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	+10BP	+100BP
<b>Total</b>	0.0	-0.1	-0.1	-0.3	-0.1	0.2	-0.1	-0.4	-4.2	-41.2
<b>Rating</b>										
AAA	0.0	0.0	-0.0	0.0	0.2	0.1	-0.0	0.2	1.8	19.2
AA	0.0	0.0	-0.0	-0.1	-0.1	0.0	0.1	-0.1	-0.9	-9.6
A	0.0	-0.0	-0.0	-0.1	0.0	-0.0	0.0	-0.1	-0.7	-6.5
BBB	0.0	-0.0	-0.1	-0.1	-0.1	0.2	-0.2	-0.3	-3.5	-35.4
BB	0.0	0.0	0.0	-0.0	-0.0	0.0	0.0	-0.1	-0.6	-5.5
B	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	-0.1	-1.1
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-2.4
<b>Sector</b>										
<b>Sovereigns &amp; Related</b>	0.0	-0.0	-0.1	-0.0	0.2	0.2	-0.1	0.2	1.7	17.3
<b>ABS and MBS</b>	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	-0.0	-0.1	-0.8
<b>Financial Services</b>	0.0	0.0	-0.1	-0.2	-0.2	0.0	-0.0	-0.5	-5.0	-49.4
<b>All Corporates</b>	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0	-0.1	-0.8	-8.3
<i>Basic Materials</i>	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	-0.2	-2.0
<i>Communications</i>	0.0	0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.2	-1.9
<i>Consumer Cyclical</i>	0.0	0.0	0.0	-0.0	0.0	-0.0	0.0	-0.0	-0.2	-1.6
<i>Consumer Non cyclical</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.1	-0.8
<i>Energy</i>	0.0	0.0	0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.2	-1.6
<i>Technology</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.3
<i>Industrial</i>	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	-0.0	-0.3
<i>Utilities</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.1	-1.0
<i>All other Corporates</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.2

## Part E - Information on risks and hedging policies

### **Stress test**

Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

The description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors is reported below. For the description of simple scenarios, refer to the previous paragraphs.

As far as complex scenarios are concerned, different scenarios have been applied to the whole Group Trading Book on a monthly basis and reported to the Top Management.

### *Widespread contagion*

In this scenario, we assume an intensification of political risks across the EU. Confidence of financial markets, businesses and households sours, leading to tighter financial conditions and lower economic activity.

UK growth, which is already suffering from an increase in uncertainty following the vote to leave the EU, would be hit by an intensification of political risks in the rest of the EU. Uncertainty will weigh on UK business investment, trade and capital flows, with knock-on effects on consumer confidence. It could also prolong negotiations over the UK's exit status from the EU beyond the end of the transition period, set at end-2020.

In GDP space, Italy and Spain are most impacted. France follows suit, while Germany is the least affected. At the eurozone level, GDP growth is seen slowing to 0.3% in 2019, followed by a 0.5% contraction in 2020 and a slow recovery to 0.5% in 2021. Overall, the cumulative loss vs. baseline over the three years is 3.8pp.

Inflation in the eurozone would remain low in 2019-2021, reflecting a wider output gap and lower oil prices, while the weaker euro is expected to partially offset some of these drags. The unemployment rate would already resume rising in 2019, putting downward pressure on nominal wage growth.

The ECB would cut the deposit rate, now de facto the true policy rate, by 10bp to -0.50%, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears likely at a time of meaningful deviation from the price stability target. The slow growth recovery in 2021 is unlikely to allow the ECB to raise the deposit rate to mitigate the negative impact on banks' profitability.

Brexit, along with an escalation of political risks in the EU, significantly weighs on business investment and consumer confidence in the UK. Economic activity slows in 2019 and 2020 (0.5%) and reaccelerates moderately thereafter. The opening up of a sizable output gap and the fall in sterling import prices (with lower USD oil prices more than offsetting sterling depreciation) means inflation stays subdued for longer. The rise in unemployment and the lower inflation level moderates wage growth. Capital outflows induce some adjustment of the UK's large current account deficit. The response of fiscal authorities is to ease policy, while the BoE cuts rates to 0.00%.

The US economy should be less affected than EU. The reason is that most of the growth in the US comes from domestic demand, notably consumer spending, therefore direct and indirect trade linkages with Europe are not going to be a huge drag, even when accounting for the spillover on US investment activity. The main transmission channel of the shock is lower stock prices, which directly affect US household finances and balance sheets. After hiking rates to 3% in 2019, the shock will increase pressure on the Fed to ease more aggressively (to 2%) than in the baseline scenario.

### *Protectionism, China slowdown & Turkey shock*

In this risk scenario, we assume the introduction of protectionist policies in the US (this, however, does not escalate into a global trade war), which intensify downward pressure on GDP growth in emerging markets, especially China, where growth slows from just below 6.5% to 3% by the end of 2019. On top of this, we assume a large growth shock in Turkey, mainly related to the deterioration of the domestic political picture.

This scenario implies a more global shock than Widespread Contagion and the main transmission channels are trade and financial markets, the latter predominantly via an aggressive sell-off in risky assets and its negative impact on confidence and investment plans. Moreover, as China is a big commodity importer, its slowdown is expected to increase downward pressure on commodity prices, damaging commodity producers like Russia.

## Part E - Information on risks and hedging policies

The drag on Eurozone GDP via the trade channel is supposed to account for a smaller share of the total growth shock, as most of the hit comes from the financial and confidence channel. In general, we assume the overall drag to reflect the openness of the economy and the weight of China as an export destination, with China accounting for 3-4% of total Eurozone exports (i.e. intra + extra EMU exports). Among the main Euro area countries, Germany has by far the largest exposure to trade and China. The latter accounts for about 6% of German exports, followed by France (about 4%), Italy (about 2.5%) and Spain (less than 2.0%). As a consequence, Germany is expected to be the most damaged country in this risk scenario, while Spain is likely to be the least impacted. Austria is treated differently, because it has only a small direct trade exposure to China, but very large exposure to Germany. In our estimates, this implies a growth shock that exceeds that for the Eurozone.

In this risk scenario, eurozone growth is assumed to turn negative in 2019 (-0.5%), with the recession set to deepen in 2020 (-1.1%) and only a slow recovery in 2021 (+0.2%). Over three years, the cumulative GDP loss vs. baseline would be 5.5pp. Germany would experience a GDP contraction of 1.4% in 2019, 2.1% in 2020 and 0.1% in 2021. The negative impact of the trade and financial shock on the German economy is assumed to be partly mitigated by fiscal policy (with the main aim to support labor income), while in the other eurozone countries, where room for maneuver on fiscal policy is smaller, the fiscal deficit deterioration will largely reflect automatic stabilizers, like an increase in unemployment benefits. Lower oil prices work as automatic stabilizer, reducing the scale of the GDP shock in energy-importing countries.

Inflation in the eurozone will likely be lower compared to "Widespread Contagion", as higher tariffs on international trade are more than offset by the large decline in oil prices and increasing economic slack.

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 20bp to -0.60%, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears likely at a time of meaningful deviation from the price stability target.

The UK is an open economy, although the trade exposure to China is small. We assume a large adverse growth impact via the shock to global confidence and capital flows. The UK economy stagnates in 2019 and enters a recession in 2020. The steep fall in oil prices and other global commodity prices results in a lower path for UK inflation. Unemployment rises as the economy slows.

The US economy should be less affected than the eurozone, due to some short term positive impact of protectionist measures and to its stronger reliance on domestic demand. However, in this scenario of a more global shock, weaker global growth is expected to slow the US recovery in 2019 (GDP at 1.3% in 2019) and to cause a recession in 2020 through weaker exports and a cutback in investment activity, which eventually will weigh on the labor market and thus on consumer spending as well. The Federal Reserve is likely to pause at 2.50% in 2019 and cut rates aggressively (to 1.50%) in 2020.

### *Interest rate shock*

In this risk scenario, we assume that interest rates (IR) in the eurozone move sharply higher, by 250bps at the short end (refi rate) and by 300bps at the long end (10Y). Importantly, this IR increase is assumed to be totally exogenous, i.e. not driven by macro fundamentals like faster growth or inflation, therefore this scenario should mainly be seen as a purely technical exercise. We also assume that the IR increase is totally passed on to households and firms, meaning that there is no ECB facility that is capable to stop the full pass-through to the real economy. In the second year of the forecast horizon, IR start responding endogenously to macro developments and we assume that the ECB eases monetary policy to counter the material deterioration in the growth and inflation outlook triggered by the IR jump. We assume that about half of the refi rate increase is reversed in 2020 – the refi rate falls to 1.50% at the end of 2020, followed by a further decline that takes the refi rate to 0.50% at the end of 2021.

The sharp rise in IR along with its pass-through is highly damaging for growth in the eurozone (GDP: -0.6% in 2019, -1.6% in 2020, -0.1% in 2021), with a 6.4pp cumulative loss vs. baseline over the three years. Within the eurozone, Italy is hit mainly because of high public debt while Spain because of the still high (although falling) leverage of the private sector. The growth damage is smaller in Germany, where leverage (both private and public) is relatively low. The recession causes a clear deterioration of the labor market, with the eurozone unemployment rate seen rising back to an average of 8.9% in 2019, 10.0% in 2020 and 11.4% in 2021.

The eurozone witnesses broadly flat growth in consumer prices in all three years, due to the mix of falling oil prices and widening output gap.

## Part E - Information on risks and hedging policies

The substantial tightening of financial conditions in the euro area is transmitted to the UK economy via the significant trade and capital flows between the two economic areas. UK GDP growth slows to 0.4% in 2019 and the economy enters a mild recession in 2020 that lowers GDP by 0.7%, dragged down by high household and public debt. Inflation slows to just above 1% in 2019 and fluctuates around 0% in 2020 and 2021 as a result of the fall in oil prices and growing spare capacity. The external nature of the shock hits exports. Nonetheless, the current account deficit improves slightly faster than in the baseline scenario as capital markets force a more pronounced adjustment. The BoE cuts the Bank Rate to 0.50% in 2019 and to 0.00% in 2020, remaining on hold thereafter.

The US economy should remain relatively less affected than the eurozone also in this scenario. The main transmission channel of this shock are higher interest rates and lower stock prices, which directly affect household finances and balance sheets. In particular, this shock with its sizeable negative impact on the stock market should have the largest effect on economic activity in the US, with GDP recording the largest cumulative deviation from the baseline (-3.8pp over three years). The Federal Reserve is expected to cut rates by 25bps in 2019 (to 2.25%) and by a further 125bps in 2020 (to 1.00%), remaining on hold thereafter.

### Stress Test on Trading Book

(€ million)

	END OF DECEMBER 2018		
	WIDESPREAD CONTAGION	PROTECTIONISM	IR SHOCK
<b>UniCredit group total</b>	<b>-223</b>	<b>-381</b>	<b>-40</b>
RC Germany	-185	-362	-80
RC Italy	-44	-40	-5
RC Austria	-7	-5	7
RC CEE	14	26	38

Most of conditional losses in Trading Book are in UCB AG and UniCredit S.p.A. and are mainly driven by CIB Fixed Income & Currencies and Equity and Derivative Trade business lines in scenarios Widespread Contagion and Protectionism. In Interest Rate Shock scenario conditional losses are lower due to positive contribution of CIB Fixed Income & Currencies business line, driven by Interest Rate shocks defined in this scenario. Conditional profits in Regional Center CEE are driven by impacts of FX and IR defined in scenarios.



## Part E - Information on risks and hedging policies

### 2.3 Derivative instruments and hedging policies

#### 2.3.1 Trading financial derivatives

##### A Financial Derivatives

#### A.1 Trading financial derivatives: end-of-period notional amounts

(€ '000)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Debt securities and interest rate indexes</b>	<b>1,340,946,831</b>	<b>421,798,429</b>	<b>119,977,852</b>	<b>54,714,776</b>
a) Options	-	127,432,558	22,951,956	6,987,445
b) Swap	1,092,534,735	293,565,871	95,925,107	-
c) Forward	242,602,965	800,000	16,727	-
d) Futures	5,809,131	-	883,002	47,727,331
e) Other	-	-	201,060	-
<b>2. Equity instruments and stock indexes</b>	<b>-</b>	<b>29,092,991</b>	<b>3,061,101</b>	<b>57,783,418</b>
a) Options	-	19,626,823	2,890,005	34,110,547
b) Swap	-	9,466,168	1,298	-
c) Forward	-	-	-	-
d) Futures	-	-	-	23,672,821
e) Other	-	-	169,798	50
<b>3. Gold and currencies</b>	<b>1,040,716</b>	<b>358,345,514</b>	<b>107,721,941</b>	<b>104,560</b>
a) Options	-	51,091,858	11,007,476	-
b) Swap	-	145,679,097	22,872,847	-
c) Forward	1,040,716	60,590,945	46,930,154	-
d) Futures	-	-	-	104,560
e) Other	-	100,983,614	26,911,464	-
<b>4. Commodities</b>	<b>-</b>	<b>2,711,820</b>	<b>2,647,957</b>	<b>6,491,989</b>
<b>5. Other</b>	<b>-</b>	<b>64,358</b>	<b>841,769</b>	<b>2,422,786</b>
<b>Total</b>	<b>1,341,987,547</b>	<b>812,013,112</b>	<b>234,250,620</b>	<b>121,517,529</b>

This table refers to the notional values of financial derivatives according to classification within accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to Banking Group.

## Part E - Information on risks and hedging policies

## A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ '000)

TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Positive fair value</b>				
a) Options	-	3,129,640	1,971,589	2,017,370
b) Interest rate swap	13,201,001	15,889,144	4,240,883	-
c) Cross currency swap	-	4,903,831	973,966	-
d) Equity swap	-	-	9	-
e) Forward	5,797	607,491	914,242	-
f) Futures	224	-	1,339	510,242
g) Other	-	1,047,587	496,180	2,231
<b>Total</b>	<b>13,207,022</b>	<b>25,577,693</b>	<b>8,598,208</b>	<b>2,529,843</b>
<b>2. Negative fair value</b>				
a) Options	-	4,961,348	278,750	1,974,134
b) Interest rate swap	14,448,013	15,135,465	861,870	-
c) Cross currency swap	-	4,808,667	735,505	-
d) Equity swap	-	-	4	-
e) Forward	11,539	783,704	1,016,423	-
f) Futures	5	-	560	2,947,368
g) Other	-	1,097,534	474,974	20
<b>Total</b>	<b>14,459,557</b>	<b>26,786,718</b>	<b>3,368,086</b>	<b>4,921,522</b>

This table presents distribution by product of the gross positive and negative financial derivatives' fair values according to classification within accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

## Part E - Information on risks and hedging policies

## A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ '000)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	14,728,973	27,348,383	77,900,496
- Positive fair value	X	215,179	358,122	5,219,615
- Negative fair value	X	193,124	427,711	280,163
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	302,562	1,679,347	1,079,192
- Positive fair value	X	25,558	264,308	5,020
- Negative fair value	X	56,879	9,480	78,608
<b>3) Gold and currencies</b>				
- Notional amount	X	28,303,170	28,287,080	51,131,691
- Positive fair value	X	270,318	670,948	868,612
- Negative fair value	X	412,358	478,181	966,524
<b>4) Commodities</b>				
- Notional amount	X	413	242,728	2,404,816
- Positive fair value	X	165,270	24,204	460,073
- Negative fair value	X	178,439	5,255	100,541
<b>5) Other</b>				
- Notional amount	X	277,664	322,700	241,405
- Positive fair value	X	977	189	49,815
- Negative fair value	X	3,040	129,047	48,736
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	1,340,946,831	256,370,770	106,991,757	58,435,902
- Positive fair value	13,206,523	11,522,054	3,151,794	3,567,751
- Negative fair value	14,452,693	14,127,413	4,044,743	944,017
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	20,006,790	9,086,201	-
- Positive fair value	-	580,624	91,224	-
- Negative fair value	-	671,078	246,775	-
<b>3) Gold and currencies</b>				
- Notional amount	1,040,716	277,759,864	56,980,249	23,605,401
- Positive fair value	499	4,236,998	994,425	1,270,568
- Negative fair value	6,864	4,931,188	992,677	594,386
<b>4) Commodities</b>				
- Notional amount	-	256,550	79,973	2,375,297
- Positive fair value	-	14,426	10,325	137,504
- Negative fair value	-	17,156	10,930	107,796
<b>5) Other</b>				
- Notional amount	-	-	64,358	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	98,559

This table presents distribution by counterparty of the notional amount and gross positive and negative financial derivatives' fair values according to classification within accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

## Part E - Information on risks and hedging policies

### A.4 OTC financial derivatives - residual life: notional amounts

(€ '000)				
UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	630,664,441	703,201,334	548,857,336	1,882,723,111
A.2 Financial derivative contracts on equity securities and stock indexes	15,010,655	12,779,792	4,363,647	32,154,094
A.3 Financial derivative contracts on exchange rates and hold	310,672,231	114,783,737	41,651,938	467,107,906
A.4 Financial derivative contracts on other values	4,321,138	1,013,474	25,166	5,359,778
A.5 Other financial derivatives	558,124	297,704	50,300	906,128
<b>Total 12.31.2018</b>	<b>961,226,589</b>	<b>832,076,041</b>	<b>594,948,387</b>	<b>2,388,251,017</b>

### B. Credit derivatives

#### B.1 Trading credit derivatives: end of period notional amounts

(€ '000)		
CATEGORY OF TRANSACTIONS	TRADING DERIVATIVES	
	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
<b>1. Protection buyer's contracts</b>		
a) Credit default products	7,088,924	6,308,603
b) Credit spread products	-	-
c) Total rate of return swap	548,538	-
d) Other	-	-
<b>Total 12.31.2018</b>	<b>7,637,462</b>	<b>6,308,603</b>
<b>2. Protection seller's contracts</b>		
a) Credit default products	6,702,261	6,460,849
b) Credit spread products	-	-
c) Total rate of return swap	690,883	-
d) Other	-	-
<b>Total 12.31.2018</b>	<b>7,393,144</b>	<b>6,460,849</b>

This table refers to the notional values of credit derivatives according to classification within accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to Banking Group.

#### B.2 Trading credit derivatives: positive and negative gross fair value - breakdown by product

(€ '000)	
TYPES OF DERIVATIVE INSTRUMENTS	AMOUNTS AS AT
	12.31.2018
<b>1. Positive fair value</b>	
a) Credit default products	202,709
b) Credit spread products	-
c) Total rate of return swap	7,884
d) Other	-
<b>Total</b>	<b>210,593</b>
<b>2. Negative fair value</b>	
a) Credit default products	214,580
b) Credit spread products	-
c) Total rate of return swap	139,297
d) Other	-
<b>Total</b>	<b>353,877</b>

This table presents distribution by product of the gross positive and negative credit derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

## Part E - Information on risks and hedging policies

### B.3 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ '000)

	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	X	370,752	177,786	-
- Positive fair value	X	715	-	-
- Negative fair value	X	9,967	14,181	-
<b>2) Protection seller's contracts</b>				
- Notional amount	X	668,602	22,281	-
- Positive fair value	X	7,169	-	-
- Negative fair value	X	111,641	3,508	-
<b>Contracts included in netting agreement</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	50,000	7,123,372	6,224,155	-
- Positive fair value	28	43,337	23,496	-
- Negative fair value	154	63,343	82,353	-
<b>2) Protection seller's contracts</b>				
- Notional amount	42,400	6,044,255	7,076,455	-
- Positive fair value	322	52,038	83,488	-
- Negative fair value	384	38,216	30,130	-

This table presents distribution by counterparty of the notional amount and gross positive and negative credit derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

### B.4 OTC trading credit derivatives - residual life: notional amounts

(€ '000)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
1. Protection buyer's contracts	6,830,464	6,844,574	178,956	13,853,994
2. Protection seller's contracts	6,564,585	6,937,879	443,601	13,946,065
<b>Total 12.31.2018</b>	<b>13,395,049</b>	<b>13,782,453</b>	<b>622,557</b>	<b>27,800,059</b>

This table refers to the notional values of credit derivatives according to classification within accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to Banking Group.

### B.5 Credit derivatives linked to fair value option: annual changes

No data to be disclosed.

#### 2.3.2 Hedging policies

##### Qualitative information

Hedging derivative transactions are used to manage the exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations and are executed in accordance with internal policies.

Derivatives are mainly used to manage of the banking book interest rate risk with the following goals:

- reducing banking book interest rate risk profile according to *Risk Appetite Framework* approved by the Board of Directors and limits defined by relevant Committees or risk functions. Within *Risk Appetite Framework*, the banking book exposure to interest rate risk is defined either in terms of *Net Interest Income Sensitivity* and *Economic Value Sensitivity*;
- optimizing the natural hedge between the risk profile of assets and liabilities using derivatives to manage the mismatch, even temporary, between the volume and the rates of assets and liabilities with different repricing schedules;
- minimizing the net exposure of derivatives used for hedging either assets and liabilities.

##### A Fair value hedging operations

The objective of fair value hedge on assets/liabilities is to hedge the exposure to changes in fair value coming from the embedded risk factor subject to an hedging transaction.

The fair value hedge is applied both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, fixed rate loans and non-maturity deposits).

## Part E - Information on risks and hedging policies

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

The hedging strategy on identified financial instruments classified as *Held-to-Collect* (HTC) and *Held-to-Collect & Sell* (HTCS) considers the contractual features of each instruments and business intent.

The hedging strategy on portfolios of financial instruments refers to the amounts of money contained in the portfolio of interest rate exposures that are not already subject to "micro/specific" hedging and mirrors to the nominal amount and financial conditions of hedging derivatives

The objective of fair value hedge on assets/liabilities denominated in foreign currency is to hedge the exposure to changes in fair value by converting to Euro denominated assets/liabilities.

The hedging instruments used mainly consist of interest rate swaps, basis swaps, caps, floors and cross currencies swaps.

### *B. Cash flow hedging operations*

The objective of cash flow hedge on floating rate assets/liabilities is to hedge the exposure to changes in cash flows from borrowings/lendings that bear a floating interest rate.

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

The hedging instruments used mainly consist of interest rate swaps, caps, floors, cross-currency swaps with a maturity up to 20-30year for some commercial assets.

### *C. Foreign net investments hedge activities*

No hedging strategy is in place on an investment in entities whose functional currency differs from the Group's functional currency.

The Group put in place some economic hedges on forecasted foreign currency revenues stemming from those entities. The objective of the economic hedge on is to reduce the volatility on the income statement coming from the foreign exchange risks. FX risk on forecasted foreign currency revenues is continuously monitored and hedging strategies are periodically assessed. The hedging strategy and the percentage to be hedged is defined on a case by case basis considering, inter alia, the diversification effect and taking into account the volatility and correlation in the FX rates.

The derivatives used consist mainly of currency options. These derivatives may not qualify or should be not qualify for hedge accounting even though achieves substantially the same economic results. The impact of economic hedge is accounted in Line 80 - Trading Income line.

### *D. Hedging instruments and E. Hedged elements*

Prospective hedge effectiveness is established by the fact that all derivatives must, at inception, have the effect of reducing interest rate risk in term of *Economic Value Sensitivity* (Fair Value Hedge) or *Net Interest Income Sensitivity* (Cash Flow Hedge) in the specific/portfolio of hedged underlyings.

Retrospectively the hedge effectiveness is quarterly measured by referring to the most stable portion of assets / liabilities using a portfolio hedge approach or by referring to the portion of risk being hedged using a micro/specific approach.

Sources of ineffectiveness comes from (i) the Euribor/Eonia basis for hedging derivatives transactions subject to a collateral agreement, (ii) Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair values, (iii) shortfall arising in the underlying's specifically associated with that hedge in term of nominal or reverse sensitivity due to prepayment or default on commercial assets or withdrawals on liabilities included such as commercial non maturity deposits and are presented in Line 90 - Net Gains (Losses) on Hedge Accounting.

## Part E - Information on risks and hedging policies

## Quantitative information

## A. Cash flow hedging derivatives

## A.1 Cash-flow hedging derivatives: end-of-period notional amounts

(€ '000)

	AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Debt securities and interest rate indexes</b>	<b>86,190,738</b>	<b>15,732,336</b>	<b>268,690,121</b>	<b>4,100,000</b>
a) Options	-	2,412,400	-	-
b) Swap	85,633,738	13,319,936	11,331,121	-
c) Forward	557,000	-	-	-
d) Futures	-	-	257,359,000	4,100,000
e) Other	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Gold and currencies</b>	-	<b>9,013,489</b>	<b>3,258,793</b>	-
a) Options	-	-	-	-
b) Swap	-	7,703,445	3,258,793	-
c) Forward	-	1,310,044	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other</b>	-	-	-	-
<b>Total</b>	<b>86,190,738</b>	<b>24,745,825</b>	<b>271,948,914</b>	<b>4,100,000</b>

This table refers the notional value of cash-flow hedging derivatives according to classification within the accounting hedging portfolio applied in the separate financial statements of the Legal Entities belonging to the banking Group.

## A.2 Cash-flow hedging derivatives: positive and negative gross fair value - breakdown by product

(€ '000)

TYPE OF DERIVATIVES	AMOUNT AS AT 12.31.2018				AMOUNT AS AT 12.31.2018 CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS
	POSITIVE AND NEGATIVE FAIR VALUE			ORGANISED MARKETS	
	OVER THE COUNTER				
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			
WITH NETTING AGREEMENT		WITHOUT NETTING AGREEMENT			
<b>1. Positive fair value</b>					
a) Options	-	17,763	-	-	-
b) Interest rate swap	2,668,029	280,051	293,483	-	-
c) Cross currency swap	-	61,507	32,312	-	-
d) Equity swap	-	-	-	-	-
e) Forward	-	3,755	-	-	-
f) Futures	-	-	98,971	15	-
g) Other	-	-	-	17,661	-
<b>Total</b>	<b>2,668,029</b>	<b>363,076</b>	<b>424,766</b>	<b>17,676</b>	-
<b>2. Negative fair value</b>					
a) Options	-	61,243	-	-	-
b) Interest rate swap	993,655	507,694	148,145	-	-
c) Cross currency swap	-	357,108	50,512	-	-
d) Equity swap	-	-	-	-	-
e) Forward	6	-	-	-	-
f) Futures	-	-	99,485	13	-
g) Other	-	-	-	947	-
<b>Total</b>	<b>993,661</b>	<b>926,045</b>	<b>298,142</b>	<b>960</b>	-

## Part E - Information on risks and hedging policies

This table presents distribution by product of the gross positive and negative cash-flow hedging derivatives' fair values according to classification within the accounting hedging portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

### A.3 OTC Cash-flow hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ '000)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	268,089,619	600,502	-
- Positive fair value	X	346,201	46,253	-
- Negative fair value	X	240,514	7,116	-
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	X	2,316,947	941,846	-
- Positive fair value	X	32,127	185	-
- Negative fair value	X	47,069	3,443	-
<b>4) Commodities</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>5) Other</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	86,190,738	11,969,584	3,264,787	497,965
- Positive fair value	2,668,029	225,280	57,169	15,365
- Negative fair value	993,661	252,088	224,108	92,741
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	-	7,780,921	1,232,568	-
- Positive fair value	-	55,814	9,448	-
- Negative fair value	-	356,251	857	-
<b>4) Commodities</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>5) Other</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

This table presents distribution by counterparty of the notional amount and the gross positive and negative cash-flow hedging derivatives' fair values according to classification within the accounting hedging portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.



## Part E - Information on risks and hedging policies

## A.4 OTC Cash-flow hedging derivatives - residual life: notional amounts

		(€ '000)			
UNDERLYING/RESIDUAL MATURITY		UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1	Financial derivative contracts on debt securities and interest rates	115,602,056	214,224,254	40,786,889	370,613,199
A.2	Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3	Financial derivative contracts on exchange rates and gold	6,682,870	5,482,383	107,027	12,272,280
A.4	Financial derivative contracts on other values	-	-	-	-
A.5	Other financial derivatives	-	-	-	-
<b>Total</b>	<b>12.31.2018</b>	<b>122,284,926</b>	<b>219,706,637</b>	<b>40,893,916</b>	<b>382,885,479</b>

## B. Hedging credit derivatives

No data to be disclosed.

## C. Hedging instruments not derivatives

Note that, as provided by the 5th update of Circular 262 of Banca d'Italia, the present table is not disclosed as the Group has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

## D. Hedges instruments

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

In this context the following table provides the required information about hedged instruments

## Part E - Information on risks and hedging policies

## Micro hedging and macro hedging: breakdown by hedged item and risk type

	AMOUNT AS AT 12.31.2018	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
(€ '000)		
<b>A) Fair value hedge</b>		
<b>1. Assets</b>		
<b>1.1 Financial assets measured at fair value through other comprehensive income</b>	<b>60,161,041</b>	<b>2,498</b>
1.1.1 Interest rate	59,919,701	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	241,340	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
<b>1.2 Financial assets measured at amortised cost</b>	<b>16,038,647</b>	<b>2,569,834</b>
1.2.1 Interest rate	16,038,647	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
<b>2. Liabilities</b>		
<b>2.1 Financial liabilities measured at amortised costs</b>	<b>3,151,517</b>	<b>3,615,172</b>
2.1.1 Interest rate	3,151,517	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
<b>B) Cash flow hedge</b>		
<b>1. Assets</b>	<b>6,317</b>	<b>X</b>
1.1 Interest rate	6,317	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
<b>2. Liabilities</b>	<b>64,438</b>	<b>X</b>
2.1 Interest rate	64,438	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
<b>C) Hedge of net investments in foreign operations</b>	-	<b>X</b>
<b>D) Portfolio - Assets</b>	<b>X</b>	<b>956,850</b>
<b>E) Portfolio - Liabilities</b>	<b>X</b>	<b>1,234,406</b>

## E. Effects of hedging policy at equity

This table has to be filled in only by entities that apply IFRS9 hedge accounting rules.

## Part E - Information on risks and hedging policies

### 2.3.3 Other information on derivatives instruments (trading and hedging)

#### A. Financial and credit derivatives

##### A.1 OTC financial and credit derivatives: net fair value by counterparty

(€'000)

	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>A. Financial derivatives</b>				
<b>1) Debt securities and interest rates</b>				
- Notional amount	1,420,431,961	558,254,956	136,981,548	130,225,215
- Positive net fair value	12,361,813	12,319,111	2,562,218	8,477,412
- Negative net fair value	11,930,810	14,847,698	3,433,996	1,147,482
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	25,269,439	10,925,927	1,045,758
- Positive net fair value	-	786,385	361,287	3,583
- Negative net fair value	-	797,977	261,728	78,246
<b>3) Gold and currencies</b>				
- Notional amount	1,040,716	305,454,743	85,610,485	70,020,955
- Positive net fair value	499	4,462,056	1,660,926	1,845,348
- Negative net fair value	6,864	5,537,219	1,451,824	1,446,023
<b>4) Commodities</b>				
- Notional amount	-	354,695	255,285	3,228,838
- Positive net fair value	-	179,697	32,429	492,285
- Negative net fair value	-	195,595	13,855	155,349
<b>5) Other</b>				
- Notional amount	-	13,755,647	5,396,978	12,700,219
- Positive net fair value	-	977	3,104	480,981
- Negative net fair value	-	108,662	262,122	189,542
<b>B. Credit derivatives</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	50,000	7,494,124	6,401,941	-
- Positive net fair value	28	44,052	23,496	-
- Negative net fair value	155	73,310	96,534	-
<b>2) Protection seller's contracts</b>				
- Notional amount	42,401	6,712,857	7,098,736	-
- Positive net fair value	323	59,206	83,488	-
- Negative net fair value	384	150,036	33,639	-

## Part E - Information on risks and hedging policies

### 2.4 Liquidity risk

#### **Qualitative information**

##### *A. General aspects, operational processes and methods for measuring liquidity risk*

Liquidity risk is defined as the risk that the Group may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardizing its day-to-day operations or its financial condition.

#### **The key principles**

##### *The liquidity reference banks*

The Group aims to maintain liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.

To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, the Holding Company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at Group-wide level, to ensure that liquidity position of any Entity meets the requirements of the Group.

For these reasons, the Group is organised on a managerial perspective, according to the concept of the liquidity reference bank.

The liquidity reference banks are legal entities that act in their responsibility as liquidity hub. They are in charge:

- of the liquidity management and concentration process of liquidity flows of the legal entities falling within their perimeter of responsibility;
- of the funding optimisation carried out on the relevant local markets and are responsible to coordinate the access to short-term and medium long term markets of the legal entities belonging to their perimeter;
- finally, of the implementation of the Group's liquidity rules at local level in line with Group's Governance Guideline and Policy and with local regulations.

A particularly important role is played by the Holding Company, as a "supervisory and overarching liquidity reference bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Holding Company has the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or legal entities. In particular, Holding Company functions are responsible for the following:

- outlining Group overall liquidity risk management strategies;
- developing liquidity risk metrics and methodologies;
- setting specific limits for liquidity risk exposures, in line with the Group risk appetite;
- optimizing liquidity allocation amongst legal entities, in compliance to the local regulations and transferability limitation;
- coordinating access to financial markets for liquidity management;
- outlining the yearly Group funding and contingency funding plan, coordinating and monitoring their execution;
- assessing the adequacy of the liquidity reserves buffers at legal entity and Group level;
- coordinating the refinancing transactions with the ECB;
- defining, periodically reviewing the Group ILAAP and approving the Group ILAAP Report on yearly basis.
- The Holding Company, moreover, acts as the liquidity reference bank Italy.

##### *The principle of "self-sufficiency"*

This organisational model allows self-sufficiency of the Group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Holding Company, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group<sup>34</sup>.

As a general rule, the large exposure regime, which came into force on 31 December 2010, limits interbank exposures to a maximum of 25% of own funds: this rule is also applicable to intra-group exposures.

However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many CEE countries the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the National law, the "25% of own funds limit" is not applied to exposures towards the parent company, if located in the European Economic Area; finally, in Germany the national Regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.

<sup>34</sup> Also Banca d'Italia Rules, Circolare 285, foresees that the Group should ensure the maintenance through the time of adequate reserves in each legal entity, in order to take into account possible regulatory constraints (First Part, Title IV, Chapter 6, Section III, paragraph 7).

## Part E - Information on risks and hedging policies

In the absence of official limits valid at national level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their national banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.

For these reasons, the “Liquidity management & control group policy” provides for a further principle in order to enhance a sound liquidity risk management; that is, each legal entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition to this, the Group rule states that each LE (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This self-sufficiency principle is reflected in a specific “limit structure”: limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among legal entities.

This type of organisation promotes the self-sufficiency of the legal entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimizing: i) the liquidity surpluses and deficits within the Group’s legal entities ii) the overall costs of funding across the Group.

### *Roles and responsibilities*

At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the “Group Planning, Finance, Shareholding And Investor Relations” function, and the “Treasury” function (within the “Markets” Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d’Italia).

Specifically, the Risk Management function is responsible for the independent control of liquidity risk and of balance sheet interest rate and FX risk at Group level and for the internal and regulatory stress testing. In detail:

- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independent internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the risk tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the risk appetite framework;
- assessing and monitoring liquidity risk exposure trends at Group and Country level and confronting them with the respective limits and triggers;
- verifying the correct implementation of the agreed mapping rules;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- developing and performing the liquidity stress test at Group level, analysing the outcome, delineating new scenarios to be taken into account and centralizing the action plan related to the stress test results; it is also responsible of periodically reviewing the liquidity stress test framework;
- monitoring and regularly reporting intragroup liquidity metrics of each legal entity towards and from the other members of the Group;
- definition of a minimum set of common managerial reporting standards, perimeters of applications and layouts at Group level, centralizing, if needed, the database in order to consolidate the Group liquidity positions and release the related reporting and analysis;
- monitoring the liquidity risk and producing regular risk reporting at Group Level in alignment with Basel Committee’s “Principles for effective risk data aggregation and risk reporting”, setting common standards in terms of presentations and communications.
- performing internal validation activities at Group level on systems for measuring liquidity risks on related processes and data quality and IT components, as well as on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;
- developing and back-testing the behavioural models for the measurement of the liquidity risk;
- validating, controlling the implementation and releases independent assessments on the models to map the liquidity profile of balance sheet items (i.e. deposit stickiness, prepayment, behavioural models, etc.).

Group Treasury acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group’s legal entities, and applies the appropriate transfer prices to such funds movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.

Group planning, finance, shareholding and investor relations competence line is responsible for the coordination of the overall financial planning process at Group, liquidity reference banks and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term Group’s funding strategy (including securitisation operations), coordinating the access to national and international capital markets for all the liquidity reference banks and relevant LEs, exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources.

## Part E - Information on risks and hedging policies

Moreover, all the relevant issues that concern the liquidity risk and management perspective of the Group are discussed in GALCO (Group assets & liabilities committee). The main responsibilities of GALCO are:

- participating by advising and proposing the definition of the strategies, policies, methodologies and limits for liquidity risk, fund transfer pricing, funding plan and contingency funding plan;
- contributing to the definition of the Risk Appetite in terms of thresholds for liquidity risk, interest rate risk of the banking book and FX risk;
- optimizing the liquidity risk profile of the Group within the defined limits;
- controlling the liquidity risk, including the periodical reports that have to be delivered to regulators;
- approving and validate the liquidity stress test scenarios and the relative assumptions;
- approving the ILAAP proposal and the regulatory reporting to be submitted to Group risk & internal control committee (GR&ICC);
- approving the operative strategies for the evolution of the balance sheet and the application of fund transfer price for Italian perimeter.

Optimisation of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual liquidity reference banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the Group's Risk Management to ensure that they comply with the metrics and the objectives of the Group's liquidity framework. Moreover, the regional rules must conform to national law and regulatory requirements.

### **Risk measurement and reporting systems**

#### *Techniques for risk measurement*

The different types of liquidity risk managed by the bank are:

- short term liquidity risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year).
- market liquidity risk is the risk that the bank may face a considerable (and unfavourable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions.
- intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions".
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution.
- contingency risk, or stress liquidity is related to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business.
- intragroup liquidity risk, that might generate from an excessive exposure or dependency towards / from specific Group counterparts;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems.
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

The exposure of the Group and its legal entities to any of these risks is measured by associating to any of them a metric or a set of metrics. Every legal entity of the Group is exposed to the above mentioned risks at a different extent: a materiality analysis is performed in order to define the perimeter of the liquidity risk management and control.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators, among which: loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1Y maturity onwards.

## Part E - Information on risks and hedging policies

### *Strategies and processes to manage the liquidity risk*

The Group's liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterised by the following fundamental principles:

- **short-term liquidity risk management (operational liquidity)**, which considers the events that will impact upon the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimizing the relevant costs.
- **structural liquidity risk management (structural risk)**, which considers the events that will impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding.
- **stress tests**: Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks related to the transformation of maturity.

Moreover, the liquidity risk is included in the Group's risk appetite framework through some specific liquidity indicators.

### *Short-term liquidity management*

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:

- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilization (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the liquidity reference banks.

The *operative maturity ladder* is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostr Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.

The *operative maturity ladder* is composed of the following building-blocks:

- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The counterbalancing capacity is considered at its "liquidity value" (i.e. the market value minus the applicable haircut).
- cumulative gap, which is the sum of the previous components.
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the Group risk appetite framework, with a limit of 0 on the 3 months bucket.

The Group adopts also the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

### *Structural liquidity management*

The Group's structural liquidity management aims to limit refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, national markets, currencies of issuance and instruments used (realisation of the yearly funding plan).



## Part E - Information on risks and hedging policies

The main metric used to measure the medium/long-term position is the net stable funding ratio, as described by Basel III.

In general, the net stable funding ratio is calculated as the ratio between liabilities and assets. All the balance sheet items are mapped according to their contractual maturity. Furthermore, they are assigned a weight that reflect, for the liabilities, their stability within the balance sheet and, for the assets, the portion that is rolled-over by the bank or that, more in general, cannot be traded on the market in exchange of liquidity that would generate relief to the institution. The internal limit set at 101% means that stable liabilities have to fully cover the requirements of funding generated by the assets.

A key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap (an improved loans-to-deposits gap). It measures the need of funding, the bank has to finance on the wholesale market. The indicator is integrated in the risk appetite framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through Treasury/Finance activity.

### *Liquidity under stress*

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular the results of the stress tests are used to:

- determine liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the liquidity reference banks, the Group has a centralised approach to stress testing, requiring each local liquidity reference bank to run the same scenario set under the coordination of the Group risk management. The Group runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

At macro level the Group identifies three different types of potential liquidity crisis:

- market (systemic, global or sector): market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events related to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or other Group legal entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the committed lines is considered.

The *combined scenario* is defined as a general negative development in the market environment and also as a factual or market-hypothesized problem specific to the Group.

During 2018 the Group liquidity stress test result on the combined scenario was always positive.

In addition to the internal stress test, the bank adopts and monitors also the liquidity coverage ratio (LCR). The liquidity coverage ratio is calculated in accordance with the provisions of Implementing Regulation (EU) 2016/322 in force from 1 October 2016. It is the ratio between the high quality liquid assets (HQLA) and the net cash outflows expected over the coming 30 days, under stress test conditions. The compliance with this regulatory requirement is constantly monitored by setting, in the risk appetite framework, internal limitations above the binding minimum level of 100%.

Among the liquidity outflows that occur in a stress scenario, the bank has monitor on a monthly basis the impact in terms of additionally required collateral that the bank may be required to provide given a downgrade of its own credit rating. All relevant rating agencies are considered. The testing is carried out on a legal entity level, but consolidated reporting is available to analyse the impact on group wide basis. Specific attention is dedicated to exposures towards special purpose vehicles (SPV).

At the Group level the amount of material outflows due to deterioration of own credit quality, included in the components of the Liquidity Coverage Ratio, is equal to €5,235 million as of December 2018.



## Part E - Information on risks and hedging policies

### **Risk Mitigation**

#### *Monitoring and reporting*

In the Group the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions - managerial and regulatory - aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels.

The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

In case of limit breach or warning level activation at Group level, the Group risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

#### *Mitigation factors*

Liquidity risk is considered a relevant risk category for the risk appetite determination of the Group. The practices and processes are included in the "Liquidity management & control Group policy", that defines the principles that Holding Company and legal entities have to apply for hedging and mitigating this risk and the roles to be interpreted by the different committees and functions.

In addition to have an adequate liquidity buffer to face unexpected outflows and robust and regular up-to-date stress testing performed on a regular basis, the main liquidity mitigation factors for UniCredit group are:

- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective contingency liquidity policy with feasible and up-to-date contingency action plan to be executed in case of crisis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Group to restore its safe liquidity profile.

#### *Funding plan*

The funding plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The funding plan, defined at each level (i.e. Group, liquidity reference bank and legal entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position.

The funding plan is updated at least on a yearly basis and is approved by the Board of Directors. Moreover, it is aligned with the budgeting process and the risk appetite framework.

The Holding Company accesses the market for Group capital instruments.

The Holding Company coordinates the market access of the liquidity reference banks and legal entities, while the liquidity reference banks coordinate the access of the legal entities falling within their perimeter.

Each legal entity or liquidity reference bank can access the markets for medium and long-term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialisation, safeguarding the optimisation of cost of funds of the Group.

Group planning, finance, shareholding and investor relations function is responsible for the elaboration of the funding plan. Risk management is responsible for providing an independent assessment of the funding plan.

#### *Group contingency liquidity management*

The liquidity crises usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.

The ability to act in time is essential to minimise the potentially disruptive consequences of a liquidity crisis. The analysis of the stress tests will form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with the early warning Indicators the organisation may be able to reduce the negative liquidity effects in the initial stages of a crisis.

Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined. In order to be able to proceed timely, a set of mitigating actions have been pre-defined. Depending on the situation some of these actions can then be approved for execution.

The *Group contingency liquidity management* global policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions and communications.

## Part E - Information on risks and hedging policies

This is achieved through:

- a set of early warning indicators that may help to identify emerging vulnerabilities in the Group liquidity risk position;
- activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- a set of available standby mitigating liquidity actions;
- consistent internal and external communication.

A relevant part of the contingency liquidity management is the contingency funding plan. Such a plan consists of a set of potential but concrete management actions to be performed in time of crisis. Such actions are described in terms of size, instrument, and timing of execution aimed at improving the bank's liquidity position during time of crisis. The contingency funding plan is developed on the basis of the annual Funding Plan. A specific early warning indicators dashboard is in place, both at the Group and at the relevant legal entities level, in order to continuously monitor situations of stress, which may, among others, be originated by market, sector or name specific events. They are based either on macroeconomic or market indicators that also reflect the monetary policy stance of the Central Banks variables, or on specific internal metrics. The system of early warning indicators helps to identify emerging vulnerabilities in the Group's liquidity risk position or potential funding needs, triggering a potential response by the senior management. A "traffic light approach" is adopted for each metric in order to have sufficient time to inform senior management of a deteriorating situation and allow to put in place adequate actions aimed at restoring the business-as-usual state.

### **Adequacy of the Liquidity Risk Management**

In the yearly process of the ILAAP, the senior management is requested to give a judgement on the adequacy of the liquidity position and stability of funding, called Liquidity Adequacy Statement (LAS). This assessment aims at showing the main drivers that had modified the liquidity position throughout the year and provides comment also on the evolution of the main metrics that are used to steer the different aspects of the liquidity risk. At the end of 2018, the Group liquidity situation is deemed adequate and the liquidity risk management arrangements of the institution ensure that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The framework of measurement systems and of limits in place aims to ensure that the Group has always an internal liquidity buffer/reserve that allows it to face expected and unexpected payments.

In the daily Treasury activity, the (managerial) liquidity reserve is represented by the Counterbalancing Capacity (CBC). Group Treasury, in its role of operative liquidity management function is entitled to monetize also the bonds belonging to the trading book, if this is necessary to restore the liquidity positions, prevailing on any existing business or risk management strategies.

From a regulatory perspective, the liquidity reserve is represented by the amount of high quality liquid assets (HQLA). This is the numerator of the LCR and is made of assets, which can be easily and immediately converted into cash at little or no loss of value even in periods of severe idiosyncratic and market stress. These assets are unencumbered, which means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign them.

The adequacy of the liquidity reserve under both perspectives is monitored and controlled through the limitations set on the operative maturity ladder (managerial) and on the liquidity coverage ratio (regulatory), as described above.

During 2018, the operative maturity ladder of the Group, measured considering the impediments in the transfer of liquidity among legal entities, was constantly above the Risk Appetite Trigger, defined at a level that ensures that the Group would have enough liquidity to survive to a period of stress.

Similarly the Group liquidity coverage ratio (LCR) was always well above the trigger (set above the minimum regulatory requirement of 100%), confirming that its liquidity reserve was large enough to cover one month of stress designed according to the regulatory hypothesis.

While the operative maturity ladder and the LCR restrictions ensure that the liquidity reserves are adequate, the respect of the funding gap and other structural liquidity metrics restrictions ensure that the bank maintains an appropriate balance between assets and liabilities in the medium-long term (beyond one year), preventing additional pressure on the short term liquidity position.

In 2018, both the funding gap and the net stable funding ratio were above the limitations set in the risk appetite framework, thus confirming the relative stability of the funding source of the Group.

## Part E - Information on risks and hedging policies

## Quantitative information

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€ '000)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2018									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>102,269,348</b>	<b>32,468,136</b>	<b>26,289,392</b>	<b>34,953,248</b>	<b>71,245,829</b>	<b>40,062,042</b>	<b>65,092,540</b>	<b>268,074,559</b>	<b>218,156,933</b>	<b>8,668,132</b>
A.1 Government securities	697,307	324,616	119,905	3,845,625	2,923,510	2,521,056	11,095,745	62,220,396	33,707,534	-
A.2 Other debt securities	263,484	9,666	152,103	1,116,327	1,695,421	2,220,575	6,451,782	32,137,152	29,211,476	71,975
A.3 Units in investment funds	1,074,933	-	-	-	-	-	-	-	-	2,736,347
A.4 Loans	100,233,624	32,133,854	26,017,384	29,991,296	66,626,898	35,320,411	47,545,013	173,717,011	155,237,923	5,859,810
- Banks	33,345,225	12,175,577	8,557,320	5,649,075	29,141,835	9,227,745	8,521,960	9,085,078	8,756,481	3,334,997
- Customers	66,888,399	19,958,277	17,460,064	24,342,221	37,485,063	26,092,666	39,023,053	164,631,933	146,481,442	2,524,813
<b>B. On-balance sheet liabilities</b>	<b>400,891,595</b>	<b>51,160,189</b>	<b>27,445,595</b>	<b>36,196,966</b>	<b>66,952,481</b>	<b>21,116,536</b>	<b>30,218,246</b>	<b>129,906,861</b>	<b>55,576,242</b>	<b>5,703,735</b>
B.1. Deposits and current accounts	388,963,905	13,565,850	14,141,321	22,210,012	41,813,971	11,586,792	14,541,266	28,525,727	8,889,170	429,249
- Banks	29,235,605	9,125,451	7,142,190	7,798,171	15,375,519	3,558,134	5,073,263	15,808,097	6,965,654	35,258
- Customers	359,728,300	4,440,399	6,999,131	14,411,841	26,438,452	8,028,658	9,468,003	12,717,630	1,923,516	393,991
B.2 Debt securities	340,231	197,589	1,592,972	2,919,776	6,077,180	4,490,954	5,810,075	39,519,119	31,262,790	5,115,206
B.3 Other liabilities	11,587,459	37,396,750	11,711,302	11,067,178	19,061,330	5,038,790	9,866,905	61,862,015	15,424,282	159,280
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	792,606	9,967,548	8,937,455	12,393,687	24,591,846	20,572,951	15,023,610	49,892,166	26,206,757	309
- Short positions	792,465	10,573,476	8,929,560	12,351,576	23,256,998	20,290,978	14,862,123	51,070,671	22,146,996	310
C.2 Financial derivatives without capital swap										
- Long positions	26,245,908	3,683,516	2,783,866	5,511,654	16,786,302	10,000,143	24,276,071	33,870,734	23,696,283	3,197
- Short positions	24,190,234	3,831,728	2,665,607	5,347,074	18,981,920	9,929,210	24,599,941	33,285,757	22,262,984	3,197
C.3 Deposits and loans to be received										
- Long positions	18,554	18,427,902	-	-	54,538	315,537	124,306	-	-	-
- Short positions	-	9,160,911	2,123,184	4,524,757	1,414,117	1,593,561	-	124,306	-	-
C.4 Commitments to disburse funds										
- Long positions	70,828,192	1,012,432	145,972	754,304	4,841,145	7,189,021	3,673,580	13,547,197	5,754,321	575,657
- Short positions	74,554,713	237,408	38,417	416,117	5,238,901	5,790,990	2,391,423	10,357,517	5,237,435	532,613
C.5 Financial guarantees given	1,662,262	363,318	72,567	530,265	704,363	1,421,227	14,905,042	6,501,056	1,777,082	4,800
C.6 Financial guarantees received	9,762,171	103,560	2,179	97,173	134,055	227,391	338,580	13,331,080	16,489,018	646,106
C.7 Credit derivatives with capital swap										
- Long positions	-	548,538	-	13,000	1,332,000	2,661,000	2,588,000	6,823,000	17,000	-
- Short positions	-	548,538	-	13,000	1,497,000	2,485,000	2,405,000	6,285,000	92,000	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	19,000	5,000	36,500	-	533,600	2,062,717	-
- Short positions	-	-	-	-	325,000	36,500	-	96,600	2,039,717	-

## Part E - Information on risks and hedging policies

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: euro

(€ '000)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2018									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>81,338,442</b>	<b>25,706,578</b>	<b>19,859,412</b>	<b>30,484,242</b>	<b>62,043,480</b>	<b>34,543,598</b>	<b>58,056,322</b>	<b>238,620,023</b>	<b>196,498,838</b>	<b>8,485,852</b>
A.1 Government securities	692,983	282,732	108,822	3,723,260	2,634,655	2,424,632	10,707,587	55,573,222	28,325,300	-
A.2 Other debt securities	263,398	6,649	143,648	1,113,226	1,688,487	2,114,484	6,356,927	31,403,331	27,847,124	63,145
A.3 Units in investment funds	1,014,268	-	-	-	-	-	-	-	-	2,666,315
A.4 Loans	79,367,793	25,417,197	19,606,942	25,647,756	57,720,338	30,004,482	40,991,808	151,643,470	140,326,414	5,756,392
- Banks	28,719,346	6,473,733	3,059,820	3,587,550	23,958,576	7,936,761	7,807,017	7,703,222	8,285,176	3,272,223
- Customers	50,648,447	18,943,464	16,547,122	22,060,206	33,761,762	22,067,721	33,184,791	143,940,248	132,041,238	2,484,169
<b>B. On-balance sheet liabilities</b>	<b>362,974,602</b>	<b>48,421,321</b>	<b>21,592,941</b>	<b>24,216,873</b>	<b>56,989,532</b>	<b>15,710,675</b>	<b>25,561,264</b>	<b>117,700,554</b>	<b>50,378,858</b>	<b>5,682,759</b>
B.1. Deposits and current accounts	351,864,448	10,877,998	8,558,159	10,676,806	33,332,718	7,547,605	11,415,862	23,059,974	6,977,419	408,273
- Banks	26,270,540	8,032,992	5,733,174	5,573,431	11,519,994	2,353,661	4,078,416	13,085,224	5,368,802	14,296
- Customers	325,593,908	2,845,006	2,824,985	5,103,375	21,812,724	5,193,944	7,337,446	9,974,750	1,608,617	393,977
B.2 Debt securities	340,061	175,823	1,532,612	2,799,351	5,038,993	3,922,290	5,333,888	33,685,585	28,664,259	5,115,206
B.3 Other liabilities	10,770,093	37,367,500	11,502,170	10,740,716	18,617,821	4,240,780	8,811,514	60,954,995	14,737,180	159,280
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	148,379	5,248,952	4,587,681	4,667,587	7,011,710	9,179,284	4,300,705	18,420,176	13,619,290	309
- Short positions	116,930	4,289,545	2,730,996	5,821,271	8,066,778	8,000,565	5,947,508	19,284,850	9,496,578	310
C.2 Financial derivatives without capital swap										
- Long positions	24,640,038	1,672,441	2,111,329	2,680,730	13,184,257	5,727,801	14,462,294	16,409,108	14,575,355	3,197
- Short positions	22,394,048	2,548,569	1,838,562	3,305,192	13,863,254	6,273,452	11,013,161	14,548,947	13,869,927	3,197
C.3 Deposits and loans to be received										
- Long positions	-	18,380,300	-	-	54,538	315,537	124,306	-	-	-
- Short positions	-	9,160,348	2,119,696	4,517,526	1,363,171	1,589,634	-	124,306	-	-
C.4 Commitments to disburse funds										
- Long positions	69,313,783	1,006,335	135,422	398,084	3,776,353	2,058,996	1,820,808	11,447,167	3,922,625	305,895
- Short positions	72,872,994	141,432	32,834	354,875	4,410,016	963,031	1,161,613	8,568,424	3,712,183	305,876
C.5 Financial guarantees given	1,434,240	360,104	49,517	403,433	355,014	603,392	790,612	2,655,084	941,002	4,800
C.6 Financial guarantees received	9,503,893	103,494	1,774	96,738	122,645	200,660	295,202	13,071,295	15,692,254	15,630
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	604,000	1,527,000	973,000	5,517,000	17,000	-
- Short positions	-	-	-	-	500,000	1,557,000	884,000	5,092,000	89,000	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	5,000	36,500	-	38,600	1,996,717	-
- Short positions	-	-	-	-	5,000	36,500	-	96,600	2,039,717	-

## Part E - Information on risks and hedging policies

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: other currencies

(€ '000)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2018									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>20,930,906</b>	<b>6,761,558</b>	<b>6,429,980</b>	<b>4,469,006</b>	<b>9,202,349</b>	<b>5,518,444</b>	<b>7,036,218</b>	<b>29,454,536</b>	<b>21,658,095</b>	<b>182,280</b>
A.1 Government securities	4,324	41,884	11,083	122,365	288,855	96,424	388,158	6,647,174	5,382,234	-
A.2 Other debt securities	86	3,017	8,455	3,101	6,934	106,091	94,855	733,821	1,364,352	8,830
A.3 Units in investment funds	60,665	-	-	-	-	-	-	-	-	70,032
A.4 Loans	20,865,831	6,716,657	6,410,442	4,343,540	8,906,560	5,315,929	6,553,205	22,073,541	14,911,509	103,418
- Banks	4,625,879	5,701,844	5,497,500	2,061,525	5,183,259	1,290,984	714,943	1,381,856	471,305	62,774
- Customers	16,239,952	1,014,813	912,942	2,282,015	3,723,301	4,024,945	5,838,262	20,691,685	14,440,204	40,644
<b>B. On-balance sheet liabilities</b>	<b>37,916,993</b>	<b>2,738,868</b>	<b>5,852,654</b>	<b>11,980,093</b>	<b>9,962,949</b>	<b>5,405,861</b>	<b>4,656,982</b>	<b>12,206,307</b>	<b>5,197,384</b>	<b>20,976</b>
B.1. Deposits and current accounts	37,099,457	2,687,852	5,583,162	11,533,206	8,481,253	4,039,187	3,125,404	5,465,753	1,911,751	20,976
- Banks	2,965,065	1,092,459	1,409,016	2,224,740	3,855,525	1,204,473	994,847	2,722,873	1,596,852	20,962
- Customers	34,134,392	1,595,393	4,174,146	9,308,466	4,625,728	2,834,714	2,130,557	2,742,880	314,899	14
B.2 Debt securities	170	21,766	60,360	120,425	1,038,187	568,664	476,187	5,833,534	2,598,531	-
B.3 Other liabilities	817,366	29,250	209,132	326,462	443,509	798,010	1,055,391	907,020	687,102	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	644,227	4,718,596	4,349,774	7,726,100	17,580,136	11,393,667	10,722,905	31,471,990	12,587,467	-
- Short positions	675,535	6,283,931	6,198,564	6,530,305	15,190,220	12,290,413	8,914,615	31,785,821	12,650,418	-
C.2 Financial derivatives without capital swap										
- Long positions	1,605,870	2,011,075	672,537	2,830,924	3,602,045	4,272,342	9,813,777	17,461,626	9,120,928	-
- Short positions	1,796,186	1,283,159	827,045	2,041,882	5,118,666	3,655,758	13,586,780	18,736,810	8,393,057	-
C.3 Deposits and loans to be received										
- Long positions	18,554	47,602	-	-	-	-	-	-	-	-
- Short positions	-	563	3,488	7,231	50,946	3,927	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	1,514,409	6,097	10,550	356,220	1,064,792	5,130,025	1,852,772	2,100,030	1,831,696	269,762
- Short positions	1,681,719	95,976	5,583	61,242	828,885	4,827,959	1,229,810	1,789,093	1,525,252	226,737
C.5 Financial guarantees given	228,022	3,214	23,050	126,832	349,349	817,835	14,114,430	3,845,972	836,080	-
C.6 Financial guarantees received	258,278	66	405	435	11,410	26,731	43,378	259,785	796,764	630,476
C.7 Credit derivatives with capital swap										
- Long positions	-	548,538	-	13,000	728,000	1,134,000	1,615,000	1,306,000	-	-
- Short positions	-	548,538	-	13,000	997,000	928,000	1,521,000	1,193,000	3,000	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	19,000	-	-	-	495,000	66,000	-
- Short positions	-	-	-	-	320,000	-	-	-	-	-

## Part E - Information on risks and hedging policies

### 2.5 Operational risks

#### Qualitative information

##### A. General aspects, operational processes and methods for measuring operational risk

###### Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damages to the company's physical assets, business disruption and system failures, process management.

###### Group operational risk framework

UniCredit Group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and of the controlled Entities.

The operational risk policies, applying to all Legal Entities, are common principles defining the roles of the company bodies, the operational risk management function, as well as the relationship with other functions involved in operational risk monitoring and management.

The Parent company coordinates the Legal Entities, according to the internal regulation and the Group operational risk control rulebook. Specific Risks Committees (Group Risk & Internal Control Committee, Group Operational and Reputational Risks Committee) are set up to monitor risk exposure, mitigating actions, measurement and control methods within the Group. With particular reference to Unicredit S.p.A. the "Italian Operational & Reputational Risk Committee" (IORRIC) meets with the aim of monitoring the exposure to operational and reputational risks and evaluating the events with significant impact and the related mitigation actions with reference to UniCredit S.p.A. perimeter and its Italian subsidiaries.

The methodologies for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement are set by the Parent company Group Operational & Reputational Risks department and applied to all Legal Entities. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, which is under the responsibility of the Group Internal Validation department of the Parent company and is independent from the Group Operational & Reputational Risks Department.

Since March 2008, the UniCredit Group applies the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main Legal Entities of the Group.

###### Organizational structure

Senior Management is responsible for approving all aspects related to the Group operational risk framework and verifying the adequacy of the measurement and control system; it is regularly updated on changes to the risk profile and operational risk exposure, with the support of the appropriate risk committees if required.

The "Group Operational & Reputational Risks Committee" is responsible for the evaluation and monitoring of operational (including ICT and Cyber) and reputational risks at Group level. It enables the coordination among the control functions in identifying and sharing group priorities concerning Operational & Reputational Risks (e.g. emerging risks) and monitors the effectiveness of initiatives put in place to oversee them.

In detail:

The "Group Operational & Reputational Risks Committee" meets with functions of consultation and suggestion for the definition of proposals to be submitted to functions, decision-making bodies (i.e. "Group Risk & Internal Control Committee"/ GR&ICC), managerial body (i.e. "Executive Management Committee"/ EMC) or Legal Entities, for:

- sharing the overall strategies for operational risk optimization, as well as monitoring the initiatives put in place for the related implementation;
- evaluating:
  - periodical group reporting provided by Group Operational & Reputational Risks function on operational losses (with particular focus on events having high impacts), Regulatory Capital, Risk Weighted Assets, Indicators and Scenario Analysis, ICT & Cyber Risks analysis;
  - issues concerning operational & reputational risks reported by Legal Entities committees;
  - external operational events having potential impact on Group risk profile;
  - evidences reported by Group Compliance function on carried out second level controls, as well as on current and expected impacts of monitored regulations, evidences reported by the Group Chief Operating Officer (COO) on incidents and assessments for ICT, Operations and Security

## Part E - Information on risks and hedging policies

topics as well as main group risks/criticalities highlighted by the Internal Audit function;

- potential synergies for further improvements concerning the actions plans aiming at the mitigation of the main operational risks of the Legal Entities, highlighted by control functions and by the COO (including situations that led to emergencies), by verifying from time to time their effectiveness and the return to business as usual;
- yearly Regulatory Internal Validation Report on operational risk;
- disclosing the Group risk appetite proposals, including capitalization targets and capital allocation criteria for Group operational risks, as well as the Group insurance strategies proposed by the competent functions;
- disclosing fundamental modifications in measurement methodologies for Operational & Reputational risks;
- issuing opinions on reputational risk related to non-credit transactions identified by the Head of CIB Division.

The “Group Operational & Reputational Risks Committee” provides to the “Group Risk & Internal Control Committee” / GR&ICC and/or “Executive Management Committee”/EMC a periodical information on main evidences of evaluations and on specific actions proposed or activated.

The “Group Operational & Reputational Risks Committee” / GORRIC receives from the Group Operational & Reputational Risks function a periodical aggregated information concerning either Holding and Legal Entities reports on all transactions inherent to reputational risks evaluation, including transactions reported by competent Committees (GMRC, GTCC, ITCC, ISTCC, DCMCC), based on current Global Rules on reputational risk. The Committee periodically receives also the list of events reported by “Top Experts” commission and evaluated by them as “not material” for the Group reputational risk profile.

The Committee, convened by the Chairman, meets at least on a quarterly basis, or whenever the meeting is deemed necessary by the Chairman.

The Group Operational & Reputational Risks department reports to the head of Group Risk Management and is responsible for the governance and control of operational and reputational risks of the Group (including operational risks bordering on credit risk, alias Cross Credit risks); the department is also responsible for the evaluation of the exposure to operational and reputational risks, granting their continual and independent monitoring, as well as of the definition of strategies to mitigate such risks and contain related losses for UniCredit S.p.A perimeter.

In addition, the department is responsible for the definition of operational risk losses optimization program, leveraging on specific risk models and methodologies; it has furthermore the responsibility of coordinating the activities performed by the subsidiaries of UniCredit S.p.A. that apply the AMA model (limited to Legal Entities not included in other Hub perimeter) according to Group Operational and Reputational Risks Framework and of coordinating, for the perimeter of competence, the corresponding functions within the Group Legal Entities, according to Group Managerial Golden Rule (“GMGR” and “GMGR Evolution”).

Furthermore, the department ensure that risk control activities on related risks assumed in the Foreign Branches of UniCredit S.p.A. are monitored and reported to the Group Chief Risk Officer and is responsible for ensuring integrated reporting between the control functions (e.g. Compliance, Audit) on the main operational and reputational risks of the Group.

The structure is additionally responsible for the governance and control of ICT/Cyber Risks, through:

- a) the definition of the framework for the management of ICT/Cyber risks, the coordination and monitoring of the Legal Entities in the implementation of it;
- b) the measurement, assessment and control of ICT/ Cyber risks for UniCredit S.p.A.;
- c) the monitoring at Group level of the implementation and results of mitigation actions to oversee ICT/Cyber risks in cooperation with the competent functions (e.g. “Group Information & Security Office”), also through the analysis of risk indicators.

The department has four organizational units:

“Operational Risk Analytics and Oversight” responsible for defining the principles and rules at Group level for identification, assessment and control of operational risk, monitoring their correct application by the Legal Entities with focus on operational losses data collection and scenario analysis activity. The unit is responsible for defining risk capital measurement methodologies, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group’s exposure to operational risk also based on operational risks analytics models. The unit is furthermore responsible for the reporting of operational risks and of the definition process of the Risk Appetite Framework/RAF metrics for competence risks, as well as the related periodical monitoring.

“Operational & Reputational Risks Assessment and Strategies” responsible for defining and monitoring the strategic areas for the management of operational risk consistent with the RAF and the Group’s strategic objectives, keeping the responsibility for coordinating/monitoring risk mitigation actions and coordinate the monitoring of operational risks in the CEE perimeter, directly supporting the “CRO CEE” structure. The unit furthermore develops ad hoc analysis on specific issues of operational and reputational risk. Finally it is responsible of defining methodologies for assessing reputational risk by verifying its correct implementation and controlling the risk assessment activities for Italian transactions within the scope of the Global Rules related to reputation risk (e.g. weapons and nuclear energy sectors).

“Operational Risks Management Italy” responsible for overseeing the operational risks of UniCredit S.p.A, supports the business functions of the Italian perimeter in the identification and monitoring of operational risks, also by executing specific risk assessment activities (e.g. on relevant transactions).



## Part E - Information on risks and hedging policies

The structure, compliantly to the group methodology:

- a) assures the conformity of risk indicators and operational losses, checking that they are regularly reported within the group losses database;
- b) cooperates to provide the analysis of the operational and reputational risks' impact, in case new products are introduced or some relevant changes are made within the processes, the structure, the business context;
- c) identifies, together with the local business functions, the main operational risks that should affect the development of business strategies and of budget ambition (Business Syndication), in order to suggest the related mitigation actions and to monitor their implementation and effectiveness.

In addition, the structure coordinates the Permanent Work Group for the mitigation of operational risks of Unicredit S.p.A. and supports, in its role of technical secretariat, the activity of the "Italian Operational & Reputational Risk Committee" (IORRIC).

"Operational, Reputational Risks on Credit Framework & Fraud Management" responsible for the governance, identification and monitoring of the operational and reputational risk on credit framework for the Group, with the aim of reducing operational losses (including those driven by external frauds). Moreover, the structure has a steering role on the Group Legal Entities for what concerns the specific perimeter and has a reporting function in the related committees, as well as in the appropriate contexts.

The Operational Risk Management functions of the controlled Entities provide specific operational risk training to the staff, realized also through intranet training programs, and are responsible for the correct implementation of the Group framework elements.

### Internal validation process

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up for the Parent Company and for the relevant Legal Entities in order to verify the compliance with regulations and Group standards.

This process is under the responsibility of the Market, Operational and Pillar II Risks Validation unit, within the Group Internal Validation department. Group methodologies for measuring and allocating the capital at risk and the IT system are validated at Parent Company level by the abovementioned function, as well as the implementation of the operational risk control and management system within the relevant Entities, which is firstly analyzed through a self-assessment performed by local Operational Risk Management functions, following the technical instructions and policies issued by Group Internal Validation.

The results of the local self-assessments are annually verified by Group Internal Validation, which also performs additional analysis on data and documentation. Such evidences are the basis for the release of specific Validation Reports to the relevant subsidiaries. The local self-assessment, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Legal Entities' competent governing bodies. All the validation outcomes on the operational risk control and measurement system, both at Parent Company and controlled Entities level, are annually consolidated within the annual validation report which, along with the annual Internal Audit report, is presented to the UniCredit Board of Directors. Periodical reporting on validation activities is submitted also to "Group Operational & Reputational Risks Committee".

### Reporting

A reporting system has been developed to keep senior management and the management body regularly informed on the Group operational risk exposure and the risk mitigation actions.

In particular, monthly reports are provided on operational losses trend, specific key risk indicators to monitor risk exposure and the main initiatives undertaken to prevent or mitigate operational risk in the various business areas. Quarterly updates are provided on capital-at-risk estimations.

### Operational risk management and mitigation

Operational risk management exploits process reengineering to reduce the risk exposure and insurance policies management, defining proper deductibles and policies limits.

In the Legal Entities, the Risk Committee (or the PWG "Permanent Work Group" composed by relevant functions for the operational risk monitoring, or other bodies in accordance to local regulations) reviews risks tracked by the Operational Risk functions with the support of functions involved in daily operational risk control, and monitors the implementation of the risk mitigation initiatives.

### Stress test

Starting from 2017, the Group is performing regular sensitivity analysis and stress testing for Operational Risk, including complex scenarios as part of the Firm-wide Stress test exercise defined within the Group Stress Test Council, with the aim to verify the response of the loss model and the resulting capital at risk to changes in the underlying macro-economic factors data set. Scenarios are proposed by Research Department, discussed and finalized within the Group Stress Test Council.

Firm wide Scenarios will be run twice a year, or on demand if it is required, in order to assess the potential risks driven by changes in the macro-economic environment.

### Risk capital measurement and allocation mechanism

UniCredit developed an internal model for measuring the capital requirements. The system for measuring operational risk is based on internal loss data, external loss data, scenario analysis data and risk indicators.



## Part E - Information on risks and hedging policies

Capital at risk is calculated per risk class. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution through simulation. The severity distribution is estimated on internal, external and scenario analysis data, while the frequency distribution is determined using only the internal data. An adjustment for key operational risk indicators is applied to each risk class. Annual loss distributions of each risk class are aggregated through a copula functions based method, considering also insurance coverage. Capital at risk is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes and for economic capital purposes, considering expected loss deduction. Through an allocation mechanism, the individual Legal Entities' capital requirements are identified, reflecting the Legal Entities' risk exposure.

### *B. Legal risks*

The parent company UniCredit S.p.A. and other UniCredit group companies are named as defendants in several legal proceedings. In particular, as of 31 December 2018, the parent company UniCredit S.p.A. and other UniCredit group companies were named as defendants in about 20,800 legal proceedings, of which approx. 10,000 involving the parent company UniCredit S.p.A. (excluding labor law cases, tax cases and credit recovery actions in which counterclaims were asserted or objections raised with regard to the credit claims of Group companies). Moreover, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which the UniCredit group may not lawfully know about or communicate.

The Group is also required to fulfill appropriately various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, US and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead, to additional litigation and investigations and subjects the Group to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more Group companies and/or their current and/or former directors are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which the Group operates. These include investigations and/or proceedings relating, inter alia, to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant Group companies and/or its clients. Given the nature of the UniCredit group's business and its reorganization over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.

In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of possible losses. These cases include criminal proceedings, administrative proceedings brought by the relevant supervisory or prosecution authorities and/or claims in which the claimed damages and/or potential liability of the Group is not and cannot be determined, either because of how the claims is presented and/or because of the nature of the actual proceedings. In such cases, until the time when it will be possible to estimate reliably the potential outcome, no provisions are made. However, where it is possible to estimate reliably the amount of possible losses and the loss is considered likely, provisions have been made in the financial statements to the extent the parent company UniCredit S.p.A., or any of the Group companies involved, deemed appropriate based on the circumstances of the case and in compliance with International Accounting Standards (IAS).

To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labor law and tax cases), as of 31 December 2018, the UniCredit group set aside a provision for risks and charges of €2,365 million, of which €647 million for the parent company UniCredit S.p.A. As of 31 December 2018, the total amount of claimed damages relating to judicial proceedings other than labor, tax and debt collections proceedings was €11.4 billion, of which approx. €7 billion for the proceedings involving the parent company UniCredit S.p.A. This figure is affected by both the disomogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which the UniCredit group is named as a defendant.

The estimate for reasonably possible liabilities and this provision are based upon information available as of 31 December 2018, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. In particular, in some cases it is not possible to form a reliable estimate, for instance where proceedings have not yet been commenced or where the extent of legal and factual uncertainties makes any estimate speculative. Therefore any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.

Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving the UniCredit group which are not considered groundless or in the ordinary course of the Group's business.

This section also describes pending proceedings against the parent company UniCredit S.p.A. and/or other UniCredit group companies and/or employees (even former employees) that the parent company UniCredit S.p.A. considers relevant and which, at present, are not characterized by a defined claim or for which the respective claim cannot be quantified.

Unless expressly mentioned below, labor law and tax claims are excluded from this section and are described elsewhere in the notes of this section. In accordance with IAS37, information that would seriously prejudice the relevant company's position in the dispute may be omitted.

## Part E - Information on risks and hedging policies

### Proceedings which involve the parent company UniCredit S.p.A.

#### **Madoff**

##### **Background**

The parent company UniCredit S.p.A. and several of its direct and indirect subsidiaries have been subject to legal action or investigated in the wake of a Ponzi Scheme perpetrated by Bernard L. Madoff ("Madoff") through his company Bernard L. Madoff Investment Securities LLC ("BLMIS"), which was exposed in December 2008. The background of such litigations and investigations, and the connections between the parent company UniCredit S.p.A. and certain of its affiliates with BLMIS, have been more fully disclosed in prior reporting periods.

#### **Proceedings in the United States**

##### **Claims by the SIPA Trustee**

In December 2010, the bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS filed, as one of a number of cases, a case before a US Federal Court against ca. 60 defendants, including HSBC, the parent company UniCredit S.p.A. and certain of its affiliates (the "HSBC" case). In the HSBC case, the SIPA Trustee sought to recover a damage compensation for an overall amount of more than 6 billion dollars (to be later determined over the course of the proceedings) against all 60 or so defendants for common law claims (i.e. claims for aiding and abetting the violations by BLMIS) and avoidance claims (also known as claw-back claims). No separate claim for damages was brought against the UniCredit group.

All claims against the parent company UniCredit S.p.A. and other companies of the UniCredit group, both relating to common law claims and those related to claw-back actions, were rejected without any possibility of appeal, with the exception of (i) UCB Austria, where on 21 July 2015 the SIPA Trustee has voluntarily waived, with possibility to appeal, the claw-back actions against UCB Austria; and (ii) BAWFM, where, on 22 November 2016, the bankruptcy court issued a decision that required the dismissal of the claw-back claims against BAWFM. On 16 March 2017, the SIPA Trustee filed a notice of appeal from the dismissal of the claims. The appeal remains pending. However, if that appeal were successful, the potential claim for damage is non-material and, therefore, there are no specific risk profiles for UniCredit group. Certain current or formerly affiliated persons named as defendants in the HSBC case may have rights to indemnification from the parent company UniCredit S.p.A. and its affiliated entities. Furthermore, to date and to the knowledge of the parent company UniCredit S.p.A., there are no further actions commenced by parties other than the SIPA Trustee in relation to this matter.

##### **Claim by SPV OSUS Ltd**

The parent company UniCredit S.p.A. and certain of its affiliates - UCB Austria, BAWFM and PAI - were named as defendants, together with approximately 40 other defendants, in a lawsuit filed before the Supreme Court of the State of New York, County of New York, on 12 December 2014, by SPV OSUS Ltd. The lawsuit was removed to the United States District Court for the Southern District of New York on 20 April 2018. The plaintiffs' claims are based on common law, and are only aimed at obtaining monetary compensation, vis-à-vis all defendants in connection with alleged aiding and abetting a breach of fiduciary duty, aiding and abetting a fraud, aiding and abetting a conversion and knowing participation in a breach of trust in connection with the Madoff Ponzi Scheme. The case is brought on behalf of a purported assignee of an investor in BLMIS, with no specification of the claimed amount. On 21 September 2018, all defendants moved to dismiss all of the plaintiff's claims on various grounds including, without limitation, lack of personal jurisdiction, statute of limitations, and lack of proximate cause. The motion is fully briefed.

#### **Proceedings outside the United States**

Investors in the Primeo and Herald funds brought numerous civil proceedings in Austria. As of 31 December 2018, 30 civil proceedings remain pending with a claimed amount totaling €8.15 million plus interest, of which: 23 are pending before a judge of first instance with no judgment yet, and 5 are pending before the Court of Appeal with no judgment yet. Two cases were remanded back to the first instance. In one case an appeal and in the other case an extraordinary appeal before the Supreme Court will be brought in January 2019. The claims in these proceedings pertain to alleged breaches by UCB Austria of certain duties regarding its function as prospectus controller (i.e. regarding the review of prospectuses for accuracy and completeness), or that UCB Austria improperly advised certain investors (directly or indirectly) to invest in funds in Madoff-related investments or a combination of these claims.

The Austrian Supreme Court issued 24 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo funds, 14 final Austrian Supreme Court decisions have been issued in favor of UCB Austria. In two cases the Supreme Court did not accept UCB Austria's extraordinary appeal, thus making the decisions of the Court of Appeal in favor of the claimant final and binding. With respect to the Herald fund, the Austrian Supreme Court ruled 5 times with respect to prospectus liability, 2 in favor of UCB Austria and 3 times in favor of the claimants. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court ruled in favor of UCB Austria; in two further prospectus liability cases with Primeo and Herald investments the Supreme Court did not accept the claimants' extraordinary appeals, thus rendering binding the decisions of the Court of Appeal in favor of Bank Austria.

While the impact of these decisions on the remaining cases cannot be predicted with certainty, future rulings may be adverse to UCB Austria. In respect of the Austrian civil proceedings pending as against UCB Austria related to Madoff's matter, UCB Austria has made provisions for an amount considered appropriate to the current risk.

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UCB Austria has been named as a defendant in criminal proceedings in Austria concerning the Madoff case on allegations that UCB Austria breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund; other allegations are related to the level of fees and embezzlement. In the past, parts of the complaints have already been closed. The criminal proceedings regarding the other allegations are still at the investigation stage and no official indictments against UCB Austria have been brought by the Austrian prosecutor, therefore, it is not possible to estimate the sanctions (if any) that would be imposed on UCB Austria as well as the potential joint liability of UCB Austria.

### Certain potential consequences

In addition to the foregoing proceedings and investigations stemming from the Madoff case against the parent company UniCredit S.p.A., its subsidiaries and some of their respective employees and former employees, subject to any applicable limitations on the time by when proceedings must be brought, additional Madoff-related proceedings may be filed in the future in the United States, Austria or elsewhere. Such potential future proceedings could be filed against the parent company UniCredit S.p.A., its subsidiaries, their respective employees or former employees or entities with which the parent company UniCredit S.p.A. is affiliated or may have investments in. The pending or possible future proceedings may have negative consequences for the UniCredit group.

Save as described above, at the moment, it is not possible to estimate reliably the timing and results of the various proceedings, nor determine the level of liability, if any responsibility exists. Save as described above, in compliance with international accounting standards, no provisions have been made for specific risks associated with Madoff related claims and charges.

### Proceedings arising out of the purchase of UCB AG by the parent company UniCredit S.p.A. and the related Group reorganization.

#### Squeeze-out of UCB AG minority shareholders (Appraisal Proceeding)

In 2008, approximately 300 former minority shareholders of UCB AG filed a request before the District Court of Munich I to have a review of the price paid to them by the parent company UniCredit S.p.A., equal to €38.26 per share, in the context of the squeeze out of minority shareholders (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the price to be paid to the former minority shareholders. At present the proceeding is pending in the first instance. The District Court of Munich has appointed experts for the valuation of UCB AG at the time of the squeeze-out, who have submitted their opinion in November 2017. The experts have confirmed that the valuation of UCB AG for the purposes of the squeeze-out cash compensation was by and large adequate. The court-appointed experts have, however, identified certain value effects which, in the opinion of the experts, could lead to a value increase of UCB AG's former subsidiaries Bank Austria and certain CEE financial institutions. Against this background, the experts question the appropriateness of the purchase prices paid before the squeeze-out by the parent company UniCredit S.p.A. to UCB AG for UCB Austria and for the said CEE financial institutions. The opinion of the experts does not bind the court. Both the parent company UniCredit S.p.A. and the applicants have submitted comments on the expert opinion to the court, which has asked the court-appointed experts to prepare a supplemental expert opinion on these comments by September 2019. The next oral hearing is scheduled for February 2020. It will then be upon the court of first instance to decide on the request of the minority shareholders based on the expert opinion and the legal issues that are relevant and material to the decision of the court. The parent company UniCredit S.p.A. continues to believe that it has fully complied with applicable law and that the amount paid to the minority shareholders was adequate. It will vigorously defend this position in the ongoing proceedings and has submitted its comments on the expert opinion to the court. The decision of first instance will be subject to appeal. Thus, at this stage, it is not possible to estimate the duration of the proceeding, which might also last for a number of years and could result in the parent company UniCredit S.p.A. having to pay additional cash compensation to the former shareholders. No estimate on the amount in dispute can be made at the current stage of the proceeding.

#### Squeeze-out of UCB Austria's minority shareholders (Appraisal Proceeding)

In 2008, approximately 70 former minority shareholders in UCB Austria commenced proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them, equal to €129.4 per share, was inadequate, and asking the court to review the adequacy of the amount paid (Appraisal Proceeding).

The Commercial Court of Vienna referred the case to a panel, called the "Gremium", to investigate the facts of the case in order to review the adequacy of the cash compensation. On 26 June 2018, the Gremium issued its opinion consistent with the opinions of its experts that had been given in December 2011 and May 2013, and which were, in general, positive for the parent company UniCredit S.p.A. The Gremium referred the case back to the Commercial Court of Vienna. The parent company UniCredit S.p.A. submitted its comments to the Court on the Gremium's decision at the end of July 2018 along with other parties. The proceedings will continue before the Commercial Court of Vienna who has ordered the parties to submit additional documents to the court and will decide on the price evaluation and other legal matters. The parent company UniCredit S.p.A., considering the nature of the valuation methods used, believes that the amount paid to the minority shareholders was adequate. At present, it is not possible to evaluate the amount under dispute and the possible risk connected with the above described Appraisal Proceeding.

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### Financial sanctions matters

In the past years, violations of US sanctions and certain US dollar payment practices have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various US authorities, including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the U.S. Department of Justice ("DOJ"), the District Attorney for New York County ("NYDA"), the U.S. Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS"). More specifically, in March 2011, UCB AG received a subpoena from the NYDA relating to historical transactions involving certain Iranian entities designated by OFAC and their affiliates. In June 2012, the DOJ opened an investigation of OFAC-related compliance by UCB AG and its subsidiaries more generally.

In this context, UCB AG conducted a voluntary investigation of its U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices have been identified. In addition, UCB Austria independently conducted a voluntary investigation of its historical compliance with applicable U.S. financial sanctions and has similarly identified certain historical non-transparent practices. The parent company UniCredit S.p.A. has also in conducted a voluntary review of its historical compliance with applicable U.S. financial sanctions. Each of these entities is cooperating with the relevant U.S. authorities and remediation activities relating to policies and procedures have commenced and are ongoing. Each Group entity subject to investigations is updating its regulators as appropriate.

It is also possible that investigations into historical compliance practices may be extended to other companies within the Group or that new investigations or proceedings may be commenced against the parent company UniCredit S.p.A. and/or the Group.

Recent violations of U.S. sanctions and certain U.S. dollar payment practices by other European financial institutions have resulted in those institutions entering into settlements and paying material fines and penalties to various U.S. authorities.

The investigations and/or proceedings into certain Group companies could therefore result in the payment of material fines and/or criminal or civil penalties.

The parent company UniCredit S.p.A., UCB AG and UCB Austria AG continue settlement discussions with the relevant US authorities to come to a resolution of these matters. Discussions are ongoing and the parent company UniCredit S.p.A. and the Group companies have not yet entered into any agreement with these authorities. Therefore it is not possible to determine with any certainty the terms and timing of any resolution with any relevant authorities, including what final costs, remediation, payments or other criminal or civil liability may occur in connection with a final resolution. The investigation costs, remediation required and/or payments or other legal liabilities to be incurred in connection with the proceedings could lead to liquidity outflows, potentially affect net results and have a material adverse effect on a reputational basis and business activities.

The Group booked provisions which are deemed appropriate.

The timing of any agreement with the various U.S. authorities is currently not determinable, however it is possible that settlement discussions with any or all of the Group entities could be completed by the end of the first semester of 2019.

### Proceeding relating to certain forms of banking operations

The UniCredit group is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to the UniCredit group, rather affect the financial sector in general.

In this regard, as of 31 December 2018 (i) proceedings against the parent company UniCredit S.p.A. pertaining to compound interest, typical of the Italian market, had a total claimed amount of €1.169 million, mediations included; (ii) proceedings pertaining to derivative products, mainly affecting the Italian market (for which the claimed amount against the parent company UniCredit S.p.A. was €767 million, mediations included) and the German market (for which the claimed amount against UCB AG was €91.8 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CEE countries (for which the claimed amount was around €44 million).

The proceedings pertaining to compound interest mainly involve damages requests from clients arising from the alleged unlawfulness of the calculation methods of the amount of interest payable in connection with certain banking contracts. Starting from the first years of 2000, there has been a progressive increase in claims brought by the account holders due to the unwinding of the interest payable arisen from the quarterly compound interest. In the course of 2018, the number of claims for refunds/compensation for compound interest did not show particular variations compared to 2017. At present, the parent company UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.

With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, it is not possible to assess the full impact of these legal challenges on the Group.

With respect to proceedings relating to foreign currency loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out loans and mortgages denominated in a foreign currency ("FX"). In a number of instances customers, or consumer associations acting on their behalf, have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against subsidiaries of the parent company UniCredit S.p.A. in a number of CEE countries including Croatia, Hungary, Romania, Slovenia and Serbia.

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In Croatia, following the implementation in September 2015 of a new law that rewrote the terms of FX loan contracts, a number of these lawsuits were withdrawn as customers took advantage of the benefits of the new law. Zagrebačka Banka ("Zaba") challenged the new law before the Croatian Constitutional Court. On 4 April 2017, the Constitutional Court rejected Zaba's constitutional challenge and no further remedies are available under local laws.

In 21 September 2016, UCB Austria and Zaba initiated a claim against the Republic of Croatia under the Agreement between the Government of the Republic of Austria and the Government of the Republic of Croatia for the promotion and protection of investments in order to recover the losses suffered as a result of amendments in 2015 to the Consumer Lending Act and Credit Institutions Act mandating the conversion of Swiss franc-linked loans into Euro-linked. In the interim, Zaba complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so. Following a hearing, the arbitral tribunal ruled on part of the Respondent's jurisdictional objections. The arbitral proceedings remain pending.

### Vanderbilt related litigations

#### Claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds.

In August 2006, the New Mexico Educational Retirement Board ("ERB") and the New Mexico State Investment Council ("SIC"), both US state funds, invested \$90 million in Vanderbilt Financial, LLC ("VF"), a vehicle sponsored by Vanderbilt Capital Advisors, LLC ("VCA"). VCA is a subsidiary of Pioneer Investment Management USA Inc., at the time an indirect subsidiary of the parent company UniCredit S.p.A. The purpose of VF was to invest in the equity tranche of various collateralized debt obligations ("CDOs") managed primarily by VCA. The equity investments in VF, including those made by the ERB and SIC, became worthless. VF was later liquidated.

Beginning in 2009, several lawsuits were threatened or filed (some of which were later dismissed) on behalf of the State of New Mexico relating to the dealings between VCA and the State of New Mexico. These lawsuits include proceedings launched by a former employee of the State of New Mexico who claimed the right, pursuant to the law of the State of New Mexico, to act as a representative of the State for the losses suffered by the State of New Mexico with regard to investments managed by VCA. In these proceedings, in addition to VCA, Pioneer Investment Management USA Inc., PGAM and the parent company UniCredit S.p.A. were also named as defendants, by virtue of their respective corporate affiliation with VCA, as described in the previous paragraph. In addition, two class actions were launched with regard to VCA on behalf of the public pension fund managed by ERB and the State of New Mexico threatened to launch a case against VCA if its claim was not satisfied. These suits threatened or instigated relate to losses suffered by the ERB and/or SIC on their VF investments, with additional claims threatened in relation to further losses suffered by SIC on its earlier investments in other VCA-managed CDOs. The lawsuits threatened or instigated allege fraud and kickback practices. Damages claimed in the lawsuits filed by or on behalf of the State of New Mexico are computed based on multiples of the original investment, up to a total of \$365 million.

In 2012, VCA reached an agreement with the ERB, SIC and State of New Mexico to settle for the sum of \$24.25 million all claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds. The settlement amount was deposited into escrow at the beginning of 2013. The settlement is contingent on the Court's approval, but that process was temporarily delayed, and the original litigation was stayed, pending the determination by the New Mexico Supreme Court of a legal matter in a lawsuit brought against a different set of defendants in other proceedings. The New Mexico Supreme Court issued its ruling on the awaited legal matter in June 2015 and in December 2015 VCA, the ERB, SIC, and the State of New Mexico renewed their request for Court approval of the settlement. The Court held a hearing on the matter in April 2016 and in June 2017 approved the settlement and directed that the claims against VCA be dismissed. A judgment to that effect was entered in September 2017 and a motion by the former State employee seeking to set aside that judgment was denied by the Court in October 2017. Appeals from the judgment and the subsequent order were taken in October and November 2017 and the settlement cannot be effectuated while the appeal remains pending. If the judgment is upheld on appeal, the escrowed amount will be paid over to the State of New Mexico and VCA, Pioneer Investment Management USA Inc., PGAM and the parent company UniCredit S.p.A. will all be released from all claims that were or could have been brought by or on behalf of the State or any of its agencies or funds.

#### Divania S.r.l.

In the first half of 2007, Divania S.r.l. (now in bankruptcy) ("Divania") filed a suit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now "UniCredit S.p.A.") alleging violations of law and regulation (relating, inter alia, to financial products) in relation to certain rate and currency derivative transactions created between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now "UniCredit S.p.A."). The plaintiff requests that the contracts be declared non-existent, or failing that, null and void or to be cancelled or terminated, and that UniCredit Banca d'Impresa S.p.A. pay the plaintiff a total of €276.6 million as well as legal fees and interest. It also seeks the nullification of a settlement that the parties reached in 2005 under which Divania had agreed to waive any claims in respect of the transactions.

The parent company UniCredit S.p.A. rejects Divania demands. Without prejudice to its rejection of liability, it maintains that the amount claimed has been calculated by aggregating all the debits made (for an amount much larger than the actual amount), without taking into account the credits received that significantly reduce the plaintiff's demands. In 2010, the Court-appointed expert witness submitted a report that largely confirms the Bank's position stating that there was a loss on derivatives amounting to about €6,4 million (which would increase to €10,884 million should the out-



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of-court settlement, challenged by the plaintiff, be judged unlawful and thus null and void).

The expert opinion states that interest should be added in an amount between €4,137 million (contractual rate) and €868,000 (legal rate). On 29 September 2014, the judges reserved their decision. A new expert report was then ordered, which essentially confirmed the conclusions of the previous expert report. At the hearing held on 6 June 2016 the judges reserved again their decision. On 16 January 2017, the Court issued a decision declaring not to be competent to decide on part of the plaintiff's claims and ordered the parent company UniCredit S.p.A. to pay, in favor of Divania's bankruptcy Receiver an overall amount of approximately €7.6 million plus legal interests and part of the expenses. The decision has been appealed. At the first hearing of 29 November 2017, the proceedings were adjourned to 11 October 2019 for the filing of the parties' conclusions. Two additional lawsuits have also been filed by Divania., (i) one for €68.9 million (which was subsequently increased up to € 80.5 million pursuant to Article 183 of the Code of Civil Procedure); and (ii) a second for €1.6 million.

As for the first case, in May 2016 the Court ordered the parent company UniCredit S.p.A. to pay approximately €12.6 million plus costs. The parent company UniCredit S.p.A. appealed against the decision and at the first hearing the case was adjourned to 22 June 2018 for the filing of detailed conclusions. At the hearing of 22 June, the case was adjourned to 11 October 2019 for the filing of the parties' conclusions.

In respect of the second case, on 26 November 2015, the Court of Bari rejected the original claim of Divania. The judgment has res judicata effect. The parent company UniCredit S.p.A. has made a provision for an amount it deems appropriate to cover the risk of the lawsuit.

### I Viaggi del Ventaglio Group (IVV)

In 2011 foreign companies IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee IVV INTERNATIONAL S.A. filed a lawsuit in the Court of Milan for approximately €68 million. In 2014, the bankruptcy trustees of IVV Holding S.r.l. and IVV S.p.A. filed two additional lawsuits in the Court of Milan for €48 million and €170 million, respectively.

The three lawsuits are related. The first and third relate to allegedly unlawful conduct in relation to loans. The second relates to disputed derivative transactions. The parent company UniCredit S.p.A.'s view is that the claims appear to be groundless based on its preliminary analysis. In particular: (i) as far as the first lawsuit is concerned (a claim amounting to approximately €68 million), the parent company UniCredit S.p.A. won in first instance. Respectively, in July 2016 and in September 2016 the plaintiffs filed an appeal against the decision and at the hearing of 16 January 2019 the parties filed their conclusions and the proceeding is in its conclusive phase; (ii) as far as the second lawsuit is concerned (a claim amounting to approximately €48 million), relating mainly to disputed derivative transactions, in 2015, all the evidentiary requests, including the appointment of an expert, have been rejected. On 21 May 2018, the Court of Milan rejected all IVV S.p.A.'s claims by and ordered it to pay costs. The Judge approved the settlement agreement between the Bank and the Bankruptcy Trustee; and (iii) lastly, with regard to the third lawsuit (a claim amounting to approximately €170 million), it is currently at the evidentiary stage and the requests made by the judge to the court-appointed expert do not seem related to the position of the parent company UniCredit S.p.A. An additional report filed by the court-appointed expert is favourable for the defendants. The case has been adjourned to 12 March 2019 for the filing of the parties' conclusions.

### Lawsuit brought by "Paolo Bolici"

In May 2014, the company wholly owned by Paolo Bolici sued the parent company UniCredit S.p.A. in the Court of Rome seeking the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. The company then went bankrupt. The Court of Rome issued the decision on 16 May 2017 rejecting all the claims and ordering the bankruptcy procedure to reimburse the parent company UniCredit S.p.A. with the legal costs. The parent company UniCredit S.p.A. decided not to make provisions. On 17 June 2017 the bankruptcy procedure appealed the decision. The case has been adjourned to 7 December 2021 for the filing of the parties' conclusions.

### Mazza Group

The civil lawsuit originates from a criminal proceeding before the Court of Rome for illicit lending transactions of disloyal employees of the parent company UniCredit S.p.A. in favor of certain clients for approximately €84 million. These unlawful credit transactions involve: (i) unlawful supply of funding, (ii) early use of unavailable large sums, (iii) irregular opening of accounts which the employees, in increasingly important roles, facilitated in violation of the regulations and procedures of Banca di Roma S.p.A. (later "UniCredit Banca di Roma S.p.A." and afterwards merged by incorporation into the parent company UniCredit S.p.A.).

In May 2013, certain criminal proceedings, related to acts and offences representatives of a group of companies (the "Mazza Group") committed in 2005 with the collaboration of disloyal employees of the parent company UniCredit S.p.A., came to an end with an exculpatory ruling (no case to answer). The Public Prosecutor and the parent company UniCredit S.p.A. appealed this decision. On 4 December 2018, the trial was adjourned to 12 February 2019; on that date, the Prosecution will give his final oral submission and then, following submissions by the other parties in other hearings, a judgment will be issued.

Currently two lawsuits are pending for compensation claims against the parent company UniCredit S.p.A.:

- the first filed in June 2014 by the Mazza notary in the Court of Rome, demanding from the parent company UniCredit S.p.A. compensation for damage allegedly suffered following the criminal complaint brought by the former Banca di Roma S.p.A.. The plaintiff makes use of the exculpatory ruling in the criminal proceedings to claim a traumatic experience with repercussions on their health, marriage, social and professional life, with financial, moral, existential and personal injury damages of approximately €15 million. The proceeding is at the evidence collection stage and the

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hearing for the submission of the parties' conclusion is scheduled for 13 July 2020; and

- the second filed in March 2016 by Como S.r.l. and Camillo Colella in the Court of Rome, demanding damages from the parent company UniCredit S.p.A. in the amount of approximately 379 million. Similarly to the Mazza notary, the plaintiffs complain that the initiatives of the former Banca di Roma S.p.A. in the criminal and civil proceedings, caused financial, moral, existential and personal injury damages to Camillo Colella, as well as damages for the loss of important commercial opportunities, as well as image, reputational and commercial damage to Como S.r.l. The proceeding is in its conclusive phase.

In the view of the parent company UniCredit S.p.A., these lawsuits currently appear to be unfounded. The parent company UniCredit S.p.A. has made a provision it deems consistent to cover the risk resulting from unlawful credit transactions, which is essentially equal to the residual credit of the parent company UniCredit S.p.A.

### **So.De.Co. - Nuova Compagnia di Partecipazioni S.p.A.**

So.De.Co. S.r.l. (So.De.Co.), following to a restructuring transaction by which it acquired the "oil" business from the parent company Nuova Compagnia di Partecipazione S.p.A. (NCP), was sold to Ludoil Energy Srl in November 2014.

In March 2016, So.De.Co., then controlled by Ludoil, summoned before the Court of Rome its former directors, NCP, the parent company UniCredit S.p.A. (in its capacity as holding company of NCP) and the external auditors (PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A.) claiming damages of approximately €94 million against the defendants, on a several and joint liability basis allegedly deriving from the failure to quantify, since at least 2010, the statutory capital loss, from the insufficient provisions for charges and risks related to environmental issues, and from the unreasonably high price paid for the acquisition of the "oil" business units and subsidiaries from NCP in the context of the group reorganization of the "oil" business.

The parent company UniCredit S.p.A. has been sued by deducing the unfounded nature of the claim and the absence of the damage complained of. On 9 May 2017, the judge rejected all plaintiffs' requests for evidence collection and scheduled the hearing for filing the conclusions for 12 February 2019.

In November 2017, So.De.Co. served a claim against NCP and former directors on the same matter previously subject to a mediation, which had ended with no agreement between the parties. The first hearing, scheduled for 20 February 2018, was adjourned to 15 January 2019 to allow the renovation of a previously incomplete service of the claim. At such hearing, the case was adjourned to 11 June 2019 before which the parties will have the chance to file evidentiary briefs.

### **Criminal proceedings**

Certain entities within the UniCredit group and certain of its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the parent company UniCredit S.p.A. is aware, are under investigation by the competent authorities with regard to various cases linked to banking transactions, including, specifically, in Italy, the offence pursuant to Article 644 (usury) of the Criminal Code. At present, these criminal proceedings have not had significant negative impact on the operating results and capital and financial position of the parent company UniCredit S.p.A. and/or the Group, however there is a risk that, if the parent company UniCredit S.p.A. and/or other UniCredit group entities or their representatives (including those no longer in office) were to be convicted, these events could have an impact on the reputation of the parent company UniCredit S.p.A. and/or the UniCredit group.

On 14 December 2018, the Public Prosecutor of the Court of Tempio Pausania dismissed the parent company UniCredit S.p.A. from the criminal proceedings it had initiated, as the alleged violation of Article 24-ter of Legislative Decree 231/2001 became time-barred.

### Other proceedings

#### **Proceedings related to claims for withholding tax credits**

On 31 July 2014 the Supervisory Board of UCB AG concluded its internal investigation into the so-called "cum-ex" transactions (the short selling of equities around dividend dates and claims for withholding tax credits on German share dividends) at UCB AG. The findings of the Supervisory Board's investigation indicated that the bank sustained losses due to certain past acts/omissions of individuals.

The Supervisory Board has submitted a claim for compensation against three individual former members of the management board, not seeing reasons to take any action against the current members. These proceedings are ongoing. UniCredit S.p.A., UCB AG's parent company, supports the decisions taken by the Supervisory Board. In addition, criminal investigations have been conducted against current or former employees of UCB AG by the Prosecutors in Frankfurt on the Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. UCB AG cooperated - and continues to cooperate - with the aforesaid Prosecutors who investigated offences that include possible tax evasion in connection with cum-ex transactions both for UCB AG's own book as well as for a former customer of UCB AG. Proceedings in Cologne against UCB AG and its former employees were closed in November 2015 with, inter alia, the payment by UCB AG of a fine of €9.8 million. The investigations by the Frankfurt on the Main Prosecutor against UCB AG under section 30 of the Administrative Offences Act (the Ordnungswidrigkeitengesetz) were closed in February 2016 by the payment of a fine of €5 million. The investigation by the Munich Prosecutor against UCB AG was closed as well in April 2017 following the payment of a forfeiture of €5 million. In December 2018, in connection with a separate ongoing investigation against former bank employees by the Cologne prosecutor, UCB AG was informed of the initiation of an additional administrative proceeding regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). The facts are being examined internally. UCB AG continues to cooperate with the authorities.

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The Munich tax authorities are currently performing a regular field audit of UCB AG for the years 2009 to 2012 which inter alia includes review of other transactions in equities around the dividend record date. During these years UCB AG performed, inter alia, securities-lending with different domestic counterparts which inter alia include, but are not limited to, different types of securities transactions around the dividend date. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the distribution of dividends, and which are the further consequences for the bank in case of different tax treatment. The same applies for the years 2013 until 2015 following the current regular tax audit mentioned above. It cannot be ruled out that UCB AG might be exposed to tax-claims in this respect by relevant tax-offices or third party claims under civil law. UCB AG is in constant communication with relevant Supervisory Authorities and competent tax authorities regarding these matters. UCB AG has made provisions deemed appropriate.

### Medienfonds/closed-end funds

Various investors in VIP Medienfonds 4 GmbH & Co. KG to whom the UCB AG issued loans to finance their participation brought legal proceedings against UCB AG. In the context of the conclusion of the loan agreements the plaintiffs claim that an inadequate advice was provided by the bank about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of UCB AG's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz) which is pending at the Higher Regional Court of Munich, will affect only a few pending cases. Furthermore, at present, UCB AG is defending lawsuits concerning other closed-end funds. Investors filed lawsuits against UCB AG and claim insufficient advice was provided by the bank within the scope of their investment in closed-end funds. In particular, the investors claim that UCB AG did not or did not fully disclose any refunds made to the bank or they were advised on the basis of an allegedly incorrect prospectus. The questions regarding a correct and sufficient advice to a customer as well as questions regarding the limitation period and thus the success prospects in the proceedings depend on the individual circumstances of the particular case and are therefore difficult to be predicted. As far as these proceedings were disputed, the experience in the past has shown that the deciding courts have largely ruled in favour of UCB AG.

### Alpine Holding GmbH

Alpine Holding GmbH (a limited liability company) undertook a bond offering every year from 2010 to 2012. In 2010 and 2011, UCB Austria acted as joint lead manager, together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and insolvency proceedings began. Numerous bondholders then started to send letters to the banks involved in issuing the bonds, setting out their claims. Insofar as UCB Austria is concerned, bondholders based their claims primarily on prospectus liability of the joint lead managers; only in a minority of cases they also claimed an alleged misselling due to bad investment advice. Furthermore, UCB Austria, among other banks, has been named as defendant in civil proceedings initiated by investors including three class actions filed by the Federal Chamber of Labor (with the claimed amount totaling about €20.26 million). The principal claim is prospectus liability. These civil proceedings are mainly pending in the first instance. So far the Austrian Supreme Court has not issued a final decision with respect to prospectus liability claims against UCB Austria. In addition to the foregoing proceedings against UCB Austria stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UCB Austria. At the moment, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any. In addition, several involved persons have been named as defendants in criminal proceedings in Austria which concern the Alpine bankruptcy case. UCB Austria has joined these proceedings as private party. The criminal proceedings are at the pre-trial stage. Unknown responsible persons of the issuing banks involved were formally also investigated by the public prosecutor's office. In May 2017, the Public Prosecutors Office decided to close the proceedings against this group of persons. Several appeals against this decision were rejected in January 2018, hence the decision is final. Proceedings against the remaining defendants were closed in May 2018. Private parties appealed against this decision and the proceedings are still pending.

### Valauret S.A.

In 2004, Valauret S.A. and Hughes de Lasteyrie du Saillant filed a civil claim for losses resulting from the drop in the share price between 2002 and 2003, allegedly caused by earlier fraudulent actions by members of the company's board of directors and others. UCB Austria (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 on the basis that it was banker to one of the defendants. Valauret S.A. is seeking damages of €129.8 million in addition to legal costs and Hughes de Lasteyrie du Saillant damages of €4.39 million. In 2006, before the action was extended to UCB Austria, the civil proceedings were stayed following the opening of criminal proceedings by the French State that are ongoing. In December 2008, the civil proceedings were also stayed against UCB Austria. In UCB Austria's opinion, the claim is groundless and at present no provisions have been made.

### C. Risks arising from employment law cases

UniCredit is involved in employment law disputes. In general, all employment law disputes are supported by provisions made to meet any disbursements incurred and in any case UniCredit does not believe that any liabilities relating to the outcome of the pending proceedings could have a significant impact on its economic and/or financial standing.



## Part E - Information on risks and hedging policies

Lawsuits filed against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund

Lawsuits have been brought against UniCredit by members of the former Cassa di Risparmio di Roma Fund. These lawsuits, having been won in earlier proceedings by UniCredit, hang on appeal cases brought before the relevant courts of appeal and the Court of Cassation (as applicable) in which the main claim is a request that the funding levels of the former Cassa di Risparmio di Roma Fund be restored and that the individual social security accounts of each member be assessed and quantified. With reference to the main claim, the relief sought is estimated at €384 million. No provisions were made as these actions are considered to be unfounded.

### *D. Risks arising from tax disputes*

The following information pertains to the most relevant litigations born in 2018 and to those already pending at the beginning of the fiscal year, which have been decided or otherwise defined. For the litigations which are not mentioned, reference must be made to the financial statements of previous fiscal years.

#### *Pending cases arising during the period*

During 2018 UniCredit S.p.A. and certain controlled companies have been served some deeds among which the most relevant are reported:

- nine notices of assessment, for a total amount of €4.9 million, served with regard to registration tax on guarantees referred to loans subject to the substitute tax provided for by D.P.R. 601/1973. Against all the notices of assessment the bank has filed claims with the tax court and has requested the cancellation to the Tax Authorities. As of December 31, 2018, the Tax Authorities have cancelled all the notices of assessment;
- a notice of assessment, served to UniCredit S.p.A. as the consolidating entity for tax purposes, regarding IRES 2013 referred to Pioneer Investment Management S.G.R.p.A., with which the Tax Authorities have challenged transfer pricing related items, similarly to what happened with respect to the fiscal years from 2006 to 2012. The higher IRES tax requested is equal to €4.4 million, plus interest, and no penalty has been applied since the Tax Authorities have expressly recognized the compliance with the transfer pricing documentation regime;
- a deed referred to the fiscal monitoring regime, with which an administrative penalty regarding equal to €1 million has been issued which, according to the applicable law, can be defined by means of the payment of €0.36 million;
- in September 2018 the Italian Customs notified to Nuova Compagnia di Partecipazioni S.p.A. and to So.De.Co. S.r.l., a company previously controlled, a tax audit report referred to alleged violations regarding VAT and excises; the amount which can be potentially referred to So.De.Co. S.r.l., limited to joint liability for excises allegedly unpaid, is equal to €7.5 million, plus penalties (which will be determined subsequently by the competent Customs Office). No further deed has been notified by the Tax Authorities.

Moreover:

- to UniCredit Bank A.G. - Italian branch, in October 2018, after a tax audit regarding 2012 and 2013, the Tax Authorities have notified a tax audit report regarding IRES, IRAP and VAT. The remarks concerning IRES and IRAP, referred to alleged violations regarding transfer pricing, have been defined by means of an out of Court settlement. In comparison with a higher taxable base assessed equal to €9.5 million (for the two fiscal years), the higher taxable base defined is equal to €5.9 million (for the two fiscal years). Therefore, the company paid higher IRES and IRAP taxes equal to €2.4 million, plus interest, while no administrative penalty has been applied since, also in this case, the Tax Authorities have expressly recognized the compliance with the transfer pricing documentation regime. As for VAT, the remarks arising from the tax audit report are referred to the effects of the decision no. C-7/13 (Skandia) of the EUCJ and the higher tax assessed amounts to, respectively, €5.5 million for 2013 and €6 million for 2014. In December 2018 the Tax Authorities served a notice of assessment for VAT 2013, bearing, in addition to the higher tax of €5.5 million, also administrative penalties, equal to €6.2 million, and interest;
- to UniCredit Services S.C.p.A. (formerly UniCredit Business Integrated Solutions S.C.p.A.) the Tax Authorities notified a questionnaire regarding transfer pricing for 2013;
- to UniCredit S.p.A. the Tax Authorities notified a questionnaire regarding the tax treatment of dividend paid by Banca d'Italia in 2013 and 2014.

All the requests of information have been answered within the due date indicated by the Tax Authorities.

#### *Updates on pending disputes and tax audits*

As for 2018, the following information is reported:

- with respect to the registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the "Costanzo Group", the Tax Authorities have recognized as partly not due the registration tax requested, for a total amount of €8.95 million. Therefore, the total value of all the litigations is reduced to €18.95 million. In addition the second Degree Tax Court of Catania has issued a decision in favor of the bank relating to a notice of assessment of €0.23 million. Currently, all the litigations are pending and, in one case, the Tax Authorities filed a claim with the Supreme Court; with respect to this litigation, the bank has challenged the claim of the Tax Authorities;
- in the financial statements as of December 31, 2017, a favorable decision, definitive, has been mentioned, which had cancelled the notices of assessment served to UniCredit Leasing S.p.A. for IRES and VAT 2005 (total value €120 million). As a consequence, the Tax Authorities have cancelled also the notice of assessment served to UniCredit S.p.A. for IRES 2005 (as the consolidating company for tax purposes), for a total value of €19 million;
- in 2017 the Tax Authorities served to UniCredit S.p.A. a notice of assessment referred to the company Dicembre 2007 S.p.A., liquidated, of which UniCredit S.p.A. was a shareholder. The deed refers to the allegedly incorrect application of the participation exemption regime for the purposes of IRES due for 2011. The total amount requested is equal to €14.6 million, plus interest (€7.7 million for higher IRES and €6.9 million for penalties) and it has been requested jointly to all the former shareholders. UniCredit S.p.A. is liable up to 46.67% of the higher sums requested; therefore, the share referred to UniCredit S.p.A. is equal to €6.9 million. The company has filed a claim with the Tax Court, which has cancelled the notice of

## Part E - Information on risks and hedging policies

assessment. The Tax Authorities have filed an appeal;

- with respect to UniCredit S.p.A. the Italian Supreme Court issued two decisions relating to the application of higher IRAP tax rate for the Region Veneto, for 2004. The litigation arises from the increase of 1% of the IRAP tax rate, applicable to banks and financial companies, provided for by the Region Veneto for 2002 and subsequent years. Such increase has given rise to the requests of payment of the higher tax and against such requests of payment the company filed claims with the Tax Courts. In general terms, the Supreme Court has, initially, ruled that the aforementioned increase was not legitimate, due to a violation of the general prohibition of the increase of the regional IRAP rates provided for by Law 289/2002; subsequently, the Court changed its interpretation, stating that the increase is legitimate only up to 0.5%, since such value should be grounded in the founding Law of IRAP tax. The aforementioned two decisions have confirmed the latter interpretation, however referring the litigations to the second degree Tax Court for additional factual inquiries. The total value of such litigations is equal to €3.2 million;
- moreover, the Supreme Court has definitively ruled in favor of the bank, with respect to a notice of assessment regarding registration tax on a decision that settled an opposition proceeding regarding the liability status of a company. The notice of assessment has been entirely canceled, for a total amount of €2 million;
- again, the Supreme Court has issued a favorable decision regarding a VAT assessment for 2000. The value of the litigation is equal to €0.5 million;
- finally, the Supreme Court has issued a decision with which it has referred the parties to the second degree Tax Court, with respect to a litigation regarding the 1984 IRPEG tax credit pertaining to former Banco di Sicilia. The refund of this credit has been requested by Banco di Sicilia with respect to the former Cassa Centrale di Risparmio Vittorio Emanuele per le Province Siciliane, a company of which Banco di Sicilia had acquired the business activity. In particular, the decision pertains to the case in which the taxpayer has filed a tax return requesting the refund of a tax credit and, subsequently, the Tax Authorities have served a notice of assessment (thus increasing the taxable income reported) against which the taxpayer has filed a claim, giving rise to a litigation. According to the Court, if the taxpayer benefitted from the tax amnesty, provided for by Law 289/2002, in order to define such litigation, the definition should imply the full acceptance of the assessment and therefore, the taxpayer should be no more entitled to receive the tax credit. In this case, the Court has referred the parties to the second degree Tax Court for further factual inquiries. The value of the litigation is equal to €69 million (including principal and interest). It should be added that the litigation regarding the notice of assessment, defined by means of the tax amnesty, was referred to higher IRPEG tax equal to €4.5 million, in comparison to a tax credit equal to €25.6 million (for principal). With reference to risks arising from this litigation, adequate provisions have been posted in the financial statements
- UniCredit Leasing S.p.A. has settled out of court several notices of assessment regarding VAT and IRAP for the fiscal years from 2010 to 2012. In comparison to a total amount requested of €22.8 million (plus interest) pursuant to the aforementioned settlements the company paid a total amount of €2.6 million (plus interest).

As of 31 December 2017 the total amount of provisions for tax risks amounted to about €103 million (including provisions for legal expenses). As of 31 December 2018, the amount increased for higher provisions referred to pending litigations (€71.7 million) and for tax credits for which the litigation is threatened (€7.5 million). Therefore, the provisions amount to €182.1 million, of which €6.7 million for legal expenses.

### *Tax proceedings in Germany*

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risk - Qualitative information - B. Legal risks - Part E of the Consolidated explanatory notes.

### *E. Other claims by customers*

Reference is made to the same paragraph Section 5 Operational Risk - Qualitative information - E. Other claims by customers - Part E of the Notes to the accounts of the parent company UniCredit S.p.A. which is herewith quoted entirely.

### *Diamond offer*

Reference is made to the same paragraph Section 5 Operational Risk - Qualitative information - E. Other claims by customers - Diamond offer - Part E of the Notes to the accounts of the parent company UniCredit S.p.A. which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

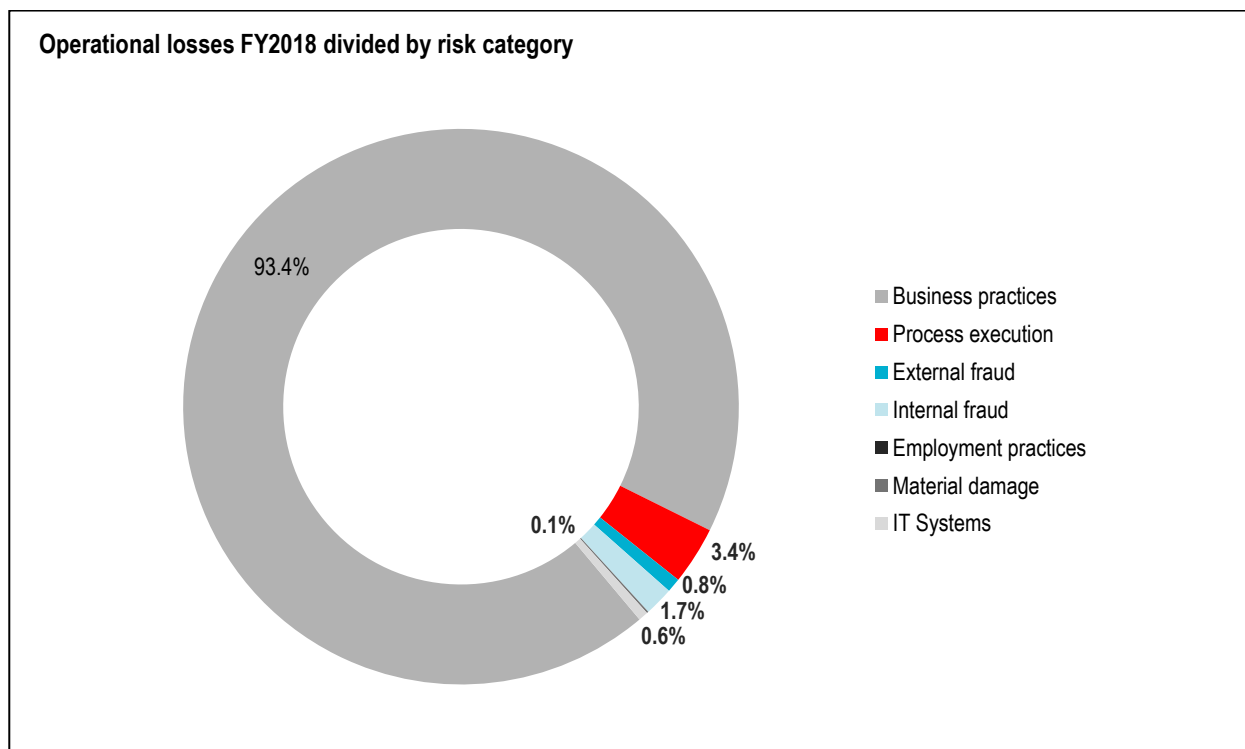
### Quantitative information

Detailed below is the percentage composition at Group Level, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2013 (Circular No.285/2013 and following updates).

Regarding the quantitative information of Unicredit S.p.A, reference is made to the paragraph of Part E - Notes to the accounts of the parent company UniCredit S.p.A. - Section - 5 - Operational Risks - Quantitative Information which is herewith quoted entirely.

The risk categories for event type are the following:

- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- clients, products and business practices: losses arising from non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.



In 2018, the main source of operational risk was "Clients, products and business practices", a category which includes losses arising from the non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided, as well as any sanctions for violating regulations; in this category the major event is linked to potential losses due to the ongoing American Authorities investigation for alleged violation of US sanctions. The second largest contribution to losses refers to errors in process management, execution and delivery due to operational or process management shortage. There were also, in decreasing order, losses stemming from internal fraud, external fraud. The residual risk categories were IT systems related problems and damage to physical assets from external events.

## Part E - Information on risks and hedging policies

### 2.6 Other risks

#### **Other risks included in Economic Capital**

The so-called Pillar 1 risk types (credit risk, market risk, operational risk, as described in dedicated chapters) are considered as primary risks, but there are also other risks the Group considers as significant, namely:

1. business risk;
2. real estate risk;
3. participation risk.

These risks are defined as follows.

#### *1. Business risk*

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. Business risk can result, above all, from changes in the competitive situation or customer behaviour, but may also result from changes in the legal framework.

The exposure data used to calculate Business risk are taken from the income statements of each Entity of the Group for which the risk is significant. Volatility and correlations are derived from the time series of relevant items of Income statement reports. Business risk focuses on the impact of unexpected shocks on future margins on a one year time horizon; in this context the margin is defined as the difference between earnings and costs not explained by risk factors already included e.g. in credit, market, operational risk.

Business risk is calculated on a quarterly basis for monitoring and budgeting purposes according to planning time scheduling.

#### *2. Real estate risk*

Real estate risk is defined as the potential loss resulting from market value fluctuations of the Group's Real Estate portfolio, including real estate Special purpose vehicles. It does not take into consideration properties held as collateral which are evaluated inside credit risk.

The relevant data for the Real Estate risk calculation include general information related to properties and area or regional price indexes for each property to enable calculation of volatility and correlation in the model.

The real estate risk model estimates the maximum potential loss with a confidence level set according to the rating target over a one-year time horizon, using a Monte Carlo simulation approach and assuming real estate returns are correlated and have a non-Gaussian distribution.

Real estate risk is calculated quarterly for monitoring purposes with a portfolio updated every six months and for budgeting purposes according to the timelines scheduled in the planning process.

#### *3. Financial investments risk*

Financial investments risk stems from the equity investments held in companies not included in the Group and not held in the Trading Book. The relevant portfolio mainly includes listed and unlisted shares, derivatives with underlying equity, private equity, units of mutual, hedge and private equity funds.

For all Group equity positions, capital charges may be calculated using either a PD/LGD-based approach or a market-based one. The PD/LGD approach is used for unlisted or listed but not liquid equities, including direct private equity holdings. The market-based approach is used for traded equities, equity hedges and all mutual, hedge and private equity funds through the mapping to market risk factors.

The calculation of the risk is based on the maximum potential loss, i.e. Value at Risk (VaR), with a confidence level set according to the rating target and over a one-year time horizon and is executed inside credit and market risk models according to the nature of the underlying portfolio. Financial investments risk is calculated quarterly for monitoring and for budgeting purposes according to the timelines scheduled in the planning process.

#### *Risk measurement methods*

Within the Internal Capital Adequacy Assessment Process (ICAAP) and in line with the proportionality principle defined in Pillar II of Basel II, the risk profile of the Group and the main material Legal Entities is assessed for all the Pillar 2 risk types.

Credit, market, operational, business and real estate risks are measured quantitatively, by:

- Economic Capital and aggregation as an input for Internal Capital;
- stress tests.

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and takes into consideration all the Pillar 2 risk types identified by the Group and which are quantifiable in terms of Economic Capital: credit, market, operational, business, participation and real estate risks. The effect of the diversification between risk types ("inter-risk diversification") and of the diversification at portfolio level ("intra-risk diversification") are calculated. In addition a Capital add-on is calculated as prudential cushion in order to account for model risk uncertainty.

Internal Capital is calculated using a Bayesian Copula with a one year time horizon and a confidence level in line with the Group rating target. For control purposes, the Internal Capital is calculated quarterly; it is also projected for budgeting purposes.

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The multidimensional nature of risk makes it necessary to supplement the measurement of economic capital with stress testing, not only in order to estimate losses in certain scenarios, but also to assess their impacts in terms of capital requirements. Stress testing is a key risk management tool for the management of the relevant risks in order to assess the bank's vulnerability with respect to exceptional but plausible events, providing additional information to the monitoring activities.

Stress testing activities, consistently with regulatory requirements, are performed on the basis of a set of internally defined stress scenarios. The stress test activities also assess the capital requirements for the main regions where the Group is active, and are carried out at least twice a year.

In the context of the activities of risk measurement prescribed by Pillar II, the Group-wide stress test considers the various impacts of a given macro-economic scenario on all relevant risks with the aim of giving a complete and thorough representation of the behaviour of the Group in stressed conditions. These scenarios are drawn analysing both significant market events happened in the past and plausible worst-case events not yet occurred.

Stress test is performed for both single risk types and risk aggregation and produces conditional losses and stressed Economic Capital as outputs. Estimate of aggregate stress test accounts for the change of materiality of single risks as well as for the change of diversification benefit in stressed conditions.

Since 2017 two complementary approaches are applied in stress testing activities: "Normative Perspective" focuses on the effects of stressed scenarios on regulatory capital metrics while "Economic Perspective" deals with economic value changes evaluated at portfolio level.

The Group Top Management is involved in the ex-ante as well as in the ex-post stress analysis in the following way:

- before the exercise is finalized, with a presentation regarding the selected scenarios and the underlying assumptions;
- after the exercise is finalized, with the disclosure of the results and a potential discussion of a contingency plan, if needed.

The adequacy of the risk measurement methodologies supporting the ICAAP, including stress testing and risk aggregation, is checked by Internal Validation functions.

Consistently with the corporate governance system, UniCredit S.p.A. Group Risk Management is responsible for the Group Economic and Internal Capital methodology development and their measurement, as well as for the setting and implementation of the Group related processes. The "Group Rules", after the approval, are sent to relevant Legal Entities for approval and implementation.

### **Reputational risk**

UniCredit Group defines Reputational Risk as the current or future risk of a loss or decline in profits or share value as a result of a negative perception of the bank's image by customers, counterparties, bank shareholders, investors or regulators.

Since 2010 UniCredit rules the reputational risk and the policy currently in place is the Group Reputational Risk management policy which aims at defining a general set of principles and rules for assessing and controlling reputational risk. In addition, since 2017 the Global Process Regulation "Reputational Risk management for Material Events" is in force aimed to define a straightforward escalation process to the Holding Company's Top Management for events not managed via existing Reputational Risk processes in order to allow it to react promptly in managing the potential consequences.

The reputational risk management is in charge to Group Operational & Reputational Risks Department of UniCredit S.p.A. and to dedicated functions within the Group companies.

In addition, the setup of the Group Risk & Internal Control Committee ensures consistency in reputational risk policies, methodologies and practices controlling and monitoring the Group Reputational Risk portfolio. Furthermore the Transactional Credit Committees are in charge of evaluating possible reputational risks inherent transactions, on the basis of the current reputational risk guidelines and policies.

The current policies mitigating specific Reputational risk topics regard "Defense/Weapons Industry", "Nuclear Energy", "Mining", "Water Infrastructure (dam)" and "Coal fired power generation".

### **Top and emerging risks**

In UniCredit, the management and monitoring of risks is based on a dynamic approach; Top Management is promptly informed on top risks and/or emerging risks through a strict monitoring process embedded in the risk assessment process.

The Risk Management identifies and estimates these risks and submits them regularly to senior/top management and Board of Directors which take the appropriate actions to manage and mitigate risks.

Until December 2018, the Group paid particular attention to following kind of risks

1. Geopolitical Risks existing in the areas where Unicredit operates, especially in Turkey and Russia
2. Economic Consequences coming from "Brexit" event
3. Risks stemming from the current Regulatory developments that could affect Group profitability

## Part E - Information on risks and hedging policies

### 1. Geopolitical risks

**Turkish**, economy is undergoing a recession. Unlike the one experienced in 2008-09, the recession may be longer as the appetite for emerging market assets is weaker and the private sector is more leveraged this time around. The economy should return to growth once the impact of the currency crisis subsides.

**Russia's** economic performance in 2018 was characterized by close-to-potential growth and more volatility in sentiment, financial and monetary indicators. This dichotomy between growth and high volatility could persist in 2019-20. While future growth will depend on economic policies, the volatility will be shaped by domestic policy options and external economic conditions. GDP growth is expected to remain close to potential.

### 2. Economic consequences coming from "Brexit" event

On 15<sup>th</sup> January, the UK House of Commons overwhelmingly rejected Theresa May's Brexit deal. Much uncertainty surrounds what would happen after the defeat of the proposal and opens the possibility of a no deal scenario, although very unlikely as a majority of MPs have demonstrated their determination to prevent it.

In general, major points of attention are related to the uncertainty on legal aspects affecting continuity of cross-border financial contracts, the cross border transfer of personal data and access to UK market infrastructure.

UCG's business model is based on a multi-hub structure which allows us to flexibly react to any Brexit outcome by leveraging on continental EU UniCredit hubs.

### 3. Current Regulatory environments

#### Evolution of the regulatory framework

Over the last few years the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity has further increased following the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system. All these changes might significantly affect our Group and introduce additional challenges for the general banking sector profitability and capital requirements.

The most relevant changes are the following:

- Revision to the Basel III framework for the calculation of risk weighted assets for credit, operational and market risk published in December 2017 (known as Basel IV). The regulator's ultimate goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and to return to a more stringent standardized approach as well as to eliminate internal models for operational risks. These revisions complement the change to the market risk framework (Fundamental Review of Trading Book) finalized in January 2019, which envisages the introduction of more stringent and sophisticated internal models and standardized approaches for measuring market risk in the trading portfolios. Proposals to accommodate the revised Basel III into European Union standards could probably materialize in 2020 (CRRIII), with entry into force not earlier than end 2022. With regard to internal models for credit risk, alongside the regulatory proposal of the Basel Committee, EBA issued new guidelines which will impose tighter criteria for risk parameter estimation, further increasing capital requirement for banks using internal models extensively.
- NPLs provisioning backstop. In March 2018 the ECB published the Addendum to the Guidance on NPL, introducing the "Prudential provisioning backstop for non performing exposures". Specifically, the new rules provide quantitative guidelines to ensure more timely coverage of Non Performing exposures, defining minimum level of prudential coverage for exposures classified as non performing since 1 April 2018. The new coverage rules defined by the Supervisor require banks to apply a full coverage of a Non Performing exposure starting from the second year up to the seventh year since the date of the counterparty's classification to default (ie. Past Due, Unlikely to Pay, Bad loans), depending on whether the exposure is unsecured or secured respectively. The potential gap between the coverage envisaged by the new rules and the accounting provisions applied at the reference date should be filled via Core Tier 1 deduction.
- On top of the rules defined within ECB Addendum (being Pillar II requirements), the European Commission is currently finalizing a further regulation – planned to come into force by 1H19 with corresponding acknowledgement within the Capital Requirement Regulation – which envisages a Pillar I measure similar to the ECB one, although with some specificities: first of all, European Commission regulation applies to all the new loans originated since the coming into force of the regulation that afterwards become non performing; second of all, it envisages slightly different calibration rules of prudential provisioning, requiring full coverage after 3, 7, 9 years of default classification for unsecured, secured by movable property and secured by immovable property, respectively.
- Entry into force of a binding 3% minimum leverage ratio, an additional regulatory requirement compared to the risk based indicators envisaged in the Basel III package. The leverage ratio aims to constrain the building up of financial leverage in the banking industry, as well as to reinforce the capital requirements with a supplementary measure not based on risk parameters. The final regulation for the European Union (CRRII) is expected to be finalized before 2019 European parliamentary elections, which will imply the entry into force of this new regulatory requirement in 2021, with



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a subsequent implementation of the G-SIB buffer in 2022 (in line with the Basel IV implementation timeline). In addition to changes implemented in the CRR II, also the revision to the leverage ratio calculation (mainly on exposure measure) introduced by the Basel IV package will have to be implemented in Europe through the further revision of the CRR (CRR III) and enter into force not earlier than end 2022.

- Entry into force of the liquidity requirements envisaged in Basel III: a short term indicator (liquidity coverage ratio, "LCR"), with the goal to have banks to maintain a liquidity buffer to survive a 30-days period of stress, and a structural liquidity indicator (the net stable funding ratio, "NSFR") referring to a time horizon over one year, introduced to ensure that assets and liabilities have a sustainable structure in terms of maturity. While the LCR is already in force, the NSFR will be introduced in the European Union through the ongoing revision of the CRR/CRD IV (CRR II/CRD V), with entry into force most likely in 2021.
- TLAC/MREL introduction: the Total Loss Absorbing Capacity ("TLAC") introduced by the Financial Stability Board as a global standard for G-SIBs - and aimed at ensuring that institutions maintain a sufficient amount of financial resources to absorb losses and recapitalize in case of stress - is being implemented in Europe through the BRRD2 and the CRR II/CRD IV. The European transposition of TLAC, i.e. the "Pillar 1" Minimum Requirement for Own Funds and Eligible Liabilities (Pillar 1 MREL) applies to all G-SIBs; "Pillar 2" MREL instead is bank-specific. TLAC (Pillar 1 MREL) will likely become binding in the 2Q 2019 (i.e. when BRRD2, CRR II and CRD IV are expected to be approved at the EU level) as a transitional requirement, equal to 16% + Combined Capital Buffer of Risk Weighted Assets (RWAs) and will reach its fully loaded shape (18% + Combined Capital Buffer of RWAs) in 2022 (with no intermediate levels envisaged in terms of calibration). MREL, instead, is being phased-in and reaches its fully loaded shape in 2024 (with intermediate levels, in terms of calibration, to be discretionally set by the Resolution Authority).
- Discussion of preferential treatment of sovereign exposure in banks' banking book: banks' exposures to the home sovereign currently benefit of a zero risk weight. There is no concrete proposal under consultation yet, but policy makers and regulators are discussing which approach to adopt to remove this preferential treatment. On the one hand, the Basel Committee, although it has not yet reached a consensus on making any changes to the regulatory treatment of sovereign exposures at this stage, published a discussion paper in December 2017, envisaging an high-level proposal of regulatory change which foresees the elimination of both the zero risk weight on sovereign exposures and the usage of internal model, together with the introduction of a concentration limit on sovereign exposures. On the other hand, the European Parliament published in 2017 another proposal of regulatory change based on the introduction of a concentration charge only. Moreover, in 2018 the European Parliament issued a proposal, currently under discussion, to allow preferential treatment to a new class of state bond-backed securities (SBBS), to encourage diversification of banks' holdings of euro zone bonds. SBBS would be a new type of asset created by the private sector based on a pre-defined pool of sovereign bonds of the Euro area Member States.



## Part F - Consolidated shareholders' equity

### Section 1 - Consolidated Shareholders' Equity

#### A. Qualitative information

UniCredit group deems as priority the activities of capital management and capital allocation based on the risks taken, with the aim of expanding the Group's operations in a value creation perspective. These activities are structured in the different phases of the Group planning and monitoring process and, in particular, in:

- planning and budgeting processes:
  - proposals of risks appetite and capitalisation objectives;
  - analysis of risks associated with value drivers and allocation of capital to business areas and units;
  - assignment of risk-adjusted performance objectives;
  - analysis of the impact on the Group's value and the creation of value for shareholders;
  - preparation and proposal of the equity plan and dividend policy;
- monitoring processes:
  - analysis of performance achieved at Group and business unit level and preparation of managerial reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and single companies.

The Group has committed itself to generate income in excess to the one necessary to remunerate risk (cost of equity) and to create value for its shareholders by allocating capital to the various business areas and business units on the basis of specific risk profiles. To support the processes of planning and monitoring, the Group adopts a methodology based on risk-adjusted performance measurement (RAPM) which provides a number of indicators that combine and summarise the operating, financial and risk-related variables to be considered.

Therefore, the Group capital and its allocation are of relevant importance in the definition of corporate strategies, as, on one hand, the Group Capital represents the shareholders' investment in the Group, which needs to be adequately remunerated, and on the other hand, it is a scarce resource subject to the external constraints set by regulators.

In the allocation process, the definitions of capital adopted are as following:

- risk or employed capital: this is the equity component provided by shareholders (employed capital) which must be remunerated through an income generation greater than or equal to expectations (cost of equity);
- capital at risk: this is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) the risks taken to pursue the objective of creating value.

If capital at risk is measured through risk management methods, then it is defined as internal capital; if it is measured through regulatory provisions, then it is defined as regulatory capital.

Internal capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of the exposure taken, while the latter is based on schedules specified in regulatory provisions.

Internal capital is set at such a level to cover adverse events with a high level of probability, while regulatory capital is quantified on the basis of a CET1 target ratio in line with the one of major international banking groups and taking into account the impacts of the supervisory regulations in force or that will be adopted. Capital Allocated to Business Segment is quantified by regulatory capital, with the exception of the capital allocated to Fineco which is determined as the highest between the regulatory capital and internal capital.

The capital management activity, performed by the Capital Management unit of Group Planning, Capital Management & Strategic ALM, is aimed at defining the target level of capitalisation for the Group and its companies in line with supervisory regulations and the appetite to risk.

UniCredit group has identified a Fully Loaded Common Equity Tier 1 Ratio Target between 12.0% and 12.5% as of 2019, as communicated in November 2018 within the Targets of Transform 2019 update during the market presentation of the third quarter 2018 Group Results ([https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/group-results/2018/3Q18/UniCredit\\_PR\\_3Q18-ENG.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/group-results/2018/3Q18/UniCredit_PR_3Q18-ENG.pdf)).

In the dynamic activity of capital management, the Capital Management unit defines the capital plan and monitors the regulatory capital ratios.

The monitoring activity is focused, on one hand, on capital, according to both accounting and regulatory definition (Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital), and, on the other hand, on the planning and performance of risk-weighted assets (RWA).

The dynamic approach to the capital management activity aims at identifying the most suitable investment and capital instruments (ordinary shares and other capital instruments) for achieving the defined targets. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their cost and efficiency are measured through the RAPM methodology. In this context, value analysis is enhanced by the joint role played by the Capital Management unit in the fields of, among others, regulatory, accounting, financial, tax-related, risk management, etc. and with respect to the changing regulations affecting these aspects; in this way, the Capital Management unit will be able to perform the necessary assessments and to provide with the necessary instructions the other Group HQ areas or companies asked to perform these tasks.

## Part F - Consolidated shareholders' equity

### B. Quantitative information

#### B.1 Consolidated Shareholders' Equity: breakdown by type of company

(€ '000)

AMOUNTS AS AT 12.31.2018					
NET EQUITY ITEMS	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS	TOTAL
1. Share Capital	21,226,195	-	22,945	(1,061)	21,248,079
2. Share premium reserve	13,479,623	-	106	39	13,479,768
3. Reserves	20,867,715	31,444	(45,244)	(20,295)	20,833,620
4. Equity instruments	4,610,073	-	(1)	1	4,610,073
5. Treasury shares	(18,122)	-	-	-	(18,122)
6. Revaluation reserves	(7,493,655)	14,299	(2,777,459)	2,762,596	(7,494,219)
- Equity instruments designated at fair value through other comprehensive income	(265,156)	-	(14)	(1)	(265,171)
- Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (different from equity instruments) at fair value through other comprehensive income	73,754	-	3	112,183	185,940
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedging	-	-	-	-	-
- Cash flow hedging	190,327	-	-	(117,826)	72,501
- Hedging instruments (non-designated items)	-	-	-	-	-
- Foreign Exchange differences	(5,137,351)	-	-	2,808,336	(2,329,015)
- Non-current assets and disposal groups classified as held for sale	(113)	-	(113)	113	(113)
- Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	41,377	-	-	-	41,377
- Actuarial gains (losses) on defined benefit	(2,729,565)	-	(1,194)	15,843	(2,714,916)
- Part of valuation reserves from investments valued at equity method	56,052	14,299	(2,776,141)	(56,052)	(2,761,842)
- Special revaluation laws	277,020	-	-	-	277,020
7. Profit (Loss) of the year (+/-) Minority	4,103,721	76,462	641,920	(713,521)	4,108,582
<b>Total</b>	<b>56,775,550</b>	<b>122,205</b>	<b>(2,157,733)</b>	<b>2,027,759</b>	<b>56,767,781</b>

#### B.2 Revaluation reserves of financial assets at fair value through other comprehensive income: breakdown

(€ '000)

AMOUNTS AS AT 12.31.2018												
ASSETS/VALUES	PRUDENTIAL CONSOLIDATED		BANKING GROUP (EX IAS39)		INSURANCE COMPANIES		OTHER COMPANIES		CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	834,705	(760,969)	-	-	-	-	4	(1)	(6,498)	118,686	828,211	(642,284)
2. Equity securities	290,153	(555,306)	-	-	-	-	2	(15)	(1)	(6)	290,154	(555,327)
3. Loans	15	-	-	-	-	-	-	(1)	-	1	15	-
<b>Total 12.31.2018</b>	<b>1,124,873</b>	<b>(1,316,275)</b>	-	-	-	-	<b>6</b>	<b>(17)</b>	<b>(6,499)</b>	<b>118,681</b>	<b>1,118,380</b>	<b>(1,197,611)</b>
<b>Total 12.31.2017(*)</b>			<b>1,860,573</b>	<b>(401,976)</b>	-	-	<b>7,870</b>	<b>(7,870)</b>	<b>(31,700)</b>	<b>57,807</b>	<b>1,836,743</b>	<b>(352,039)</b>

Note:

(\*) Including O.I.C.R. share (ex IAS39)

## Part F - Consolidated shareholders' equity

### B.3 Revaluation reserves of financial assets at fair value through other comprehensive income: annual change

(€ '000)

ASSETS/VALUES	CHANGES IN 2018		
	DEBT SECURITIES	EQUITY SECURITIES	LOANS
<b>1. Opening balance</b>	<b>1,475,594</b>	<b>(248,847)</b>	<b>14</b>
<b>2. Positive changes</b>	<b>355,492</b>	<b>80,761</b>	<b>1</b>
2.1 Fair value increases	188,085	31,509	-
2.2 Net losses on impairment	18,784	X	-
2.3 Reclassification through profit or loss of negative reserves: following disposal	146,775	X	-
2.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	49,242	-
2.5 Other changes	1,848	10	1
<b>3. Negative changes</b>	<b>(1,645,159)</b>	<b>(97,087)</b>	<b>-</b>
3.1 Fair value reductions	(1,342,097)	(86,976)	-
3.2 Recoveries on impairment	(10,062)	-	-
3.3 Reclassification through profit or loss of positive reserves: following disposal	(286,131)	X	-
3.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	(392)	-
3.5 Other changes	(6,869)	(9,719)	-
<b>4. Closing balance</b>	<b>185,927</b>	<b>(265,173)</b>	<b>15</b>

### B.4 Revaluation reserves related to defined benefit plans: annual changes

(€'000)

	CHANGES IN 2018				TOTAL
	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS	
<b>1. Opening balance</b>	<b>(2,431,437)</b>	<b>-</b>	<b>(1,456)</b>	<b>17,367</b>	<b>(2,415,526)</b>
<b>2. Increases</b>	<b>25,148</b>	<b>-</b>	<b>263</b>	<b>(4,335)</b>	<b>21,076</b>
2.1 Increases in fair value	19,781	-	263	(15)	20,029
2.2 Transfers to other net equity items	-	-	-	-	-
2.3 Other changes	5,367	-	-	(4,320)	1,047
<b>3. Decreases</b>	<b>323,276</b>	<b>-</b>	<b>1</b>	<b>(2,811)</b>	<b>320,466</b>
3.1 Decreases in fair value	311,260	-	-	(2,778)	308,482
3.2 Transfers to other net equity items	-	-	-	-	-
3.3 Other changes	12,016	-	1	(33)	11,984
<b>4. Closing balance</b>	<b>(2,729,565)</b>	<b>-</b>	<b>(1,194)</b>	<b>15,843</b>	<b>(2,714,916)</b>

## Section 2 - Own funds and banking regulatory ratios

For this section please refer to the own funds disclosure and capital adequacy reported into the UniCredit group disclosure (Pillar III).

## Part G - Business combinations

### Section 1 - Business combinations completed in the year

Business combinations with counterparties outside the Group are carried out using the “purchase method” prescribed by the accounting standard IFRS3 “Business Combinations”.

Under its reorganisation programme the Group may carry out business combinations involving companies or businesses which were already directly or indirectly controlled by UniCredit S.p.A. (Business Combination Under Common Control).

These transactions have no economic substance and are accounted for in the acquirer’s and acquired entity’s accounts in accordance with the continuity principle.

These transactions have no effect on consolidated level.

#### 1. Business combinations outside the Group

In 2018 the Group has performed no business combinations outside the Group.

For further details please refer to Part A, Section 3 - Consolidation scope and methods of Notes to the Consolidated Accounts.

#### 2. Business combinations inside the Group

In 2018 within the Group some transactions were carried out involving disposal or buy-outs of Business Units with business combinations under common control in line with strategic guidelines of the Group. These transactions had no economic substance and was accounted for in the acquirer’s and acquired entity’s accounts in accordance with the continuity principle. The main transaction refers to the closing on 30 June 2018 the company UniCredit Luxembourg S.A., 100% subsidiary of UniCredit Bank AG.

Starting from 1 July 2018, Unicredit Luxembourg S.A. has become a branch of UCB AG.

The decision to close the company was approved by the Management Board of UCB AG on 20 December 2016 in line with the Group strategic plan “Transform 2019”.

### Section 2 - Business combinations completed after year-end

No business combination have been completed after year end.

### Section 3 - Retrospective adjustments

No retrospective adjustments has been applied in 2018 on business combinations competed in previous years.

## Part H - Related-party transaction

### Introduction

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) No.632/2010 of 19 July 2010, the text of IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure should include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Pursuant to IAS24, UniCredit S.p.A.'s related parties include:

- companies belonging to UniCredit group and companies controlled by UniCredit but not consolidated<sup>35</sup>;
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "Key management personnel";
- close family members of "key management personnel" and companies controlled (or jointly controlled) by key management personnel or their close family members;
- UniCredit group employee post-employment benefit plans.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer.

Also for the management of related-party transactions refer to the discipline established by CONSOB Regulation No.17221/2010 (deriving from the provisions of Art.2391-bis of the Italian Civil Code) and by Banca d'Italia Circular No.263/2006 (Title V, Chapter 5) introduced in 2011 as well as the provisions pursuant to Art.136 of Legislative Decree No.385/1993, under which corporate officers may assume obligations towards the bank they manage, direct or control, only upon unanimous approval of the board of the bank and positive opinion of the Board of Statutory Auditors.

In this regard, UniCredit, as a listed issuer and subject to Banca d'Italia regulations, has adopted the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA", approved by UniCredit's Board of Directors with the positive opinion of the Related-Parties Committee, before Related Parties and Equity Investments Committee and of the Board of Statutory Auditors, which is published on UniCredit website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)), designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit, including those conducted through subsidiaries, with related parties, and the manner in which information is disclosed to corporate bodies, the supervisory authorities and the market.

Specific guidelines contained in the Global Policy have been distributed to the company's functions and Group Legal Entities in order to systematically abide to the above-mentioned reporting requirements.

UniCredit has also established, in accordance with those guidelines, the abovementioned Related-Parties Committee and Equity Investments, consisting of three members appointed by the Board of Directors among its members qualified as "independent" within the meaning of Art.3 of the Corporate Governance Code.

In addition UniCredit applies specific procedures regarding internal controls on risk activities with subjects in conflict of interests regulated in the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA".

During 2018, transactions carried out with related parties reported in the data streams provided by the reference standards, were executed and carried out based on assessments of the economic convenience and interests of the Group.

<sup>35</sup> For the purposes of this Consolidated report and accounts 2018 of UniCredit group as at 31 December 2018 transactions and outstanding balances between consolidated companies were written off as described in Part A.

## Part H - Related-party transaction

### 1. Details of Key management personnels' compensation

Details of Key management personnel's 2018 remuneration are given below pursuant to IAS24 and to Banca d'Italia Circular 262 dated 22 December 2005 (5<sup>th</sup> update of 22 December 2017) requiring that also the Statutory Auditors' compensation be included.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer.

#### Remuneration paid to key management personnel (including directors)

(€ '000)

	YEAR 2018	YEAR 2017
a) short-term employee benefits	16,165	15,802
b) post-retirement benefits	929	891
<i>of which: under defined benefit plans</i>	-	-
<i>of which: under defined contribution plans</i>	929	891
c) other long-term benefits	-	-
d) termination benefits	-	4,344
e) share-based payments	6,116	5,060
<b>Total</b>	<b>23,210</b>	<b>26,097</b>

The information reported above include the compensation paid to Directors (€4,425 thousand), Statutory Auditors (€757 thousand), General Manager (€1,595 thousand) and other Managers with strategic responsibility (€7,695 thousand), as shown in the document "Annex 1 to the 2019 Group Compensation Policy", and €8,738 thousand relating to other costs borne in 2018 (the company share of social security contributions, allocations to statutory deferred pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The reduction in total remuneration (by €2,887 thousand) compared to 2017 is linked mainly to the absence of payment of termination indemnities in a context anyhow characterised by the maintenance, during 2018, of the conservative approach to remuneration that in 2017 accompanied the launch of the Transform 2019 plan. The only growing item is the one related to share-based payments, which reflects the shifting of a significant portion of variable compensation to long-term equity incentives in order to align the interests of management with those of shareholders.

## Part H - Related-party transaction

### 2. Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

#### Related-party transactions: balance sheet items

	AMOUNTS AS AT 12.31.2018						% ON ACCOUNTS ITEM	SHAREHOLDERS <sup>(*)</sup>	% ON ACCOUNTS ITEM
	CONTROLLED NOT CONSOLIDATED	JOINT VENTURE	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL			
Financial assets at fair value through profit or loss	-	85,743	1,109,430	-	-	1,195,173	1.39%	1,990	-
a) Financial assets held for trading	-	85,743	1,009,869	-	-	1,095,612	1.68%	1,990	-
b) Financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	-	-	99,561	-	-	99,561	0.48%	-	-
Financial assets at fair value through other comprehensive income	-	-	107,361	-	-	107,361	0.12%	-	-
Financial assets at amortised cost	3,179	3,597,322	2,740,973	2,589	1,311	6,345,374	1.10%	415,460	0.07%
a) Loans and advances to banks	-	2,373,625	1,560,702	-	-	3,934,327	5.34%	-	-
b) Loans and advances to customers	3,179	1,223,697	1,180,271	2,589	1,311	2,411,047	0.48%	415,460	0.08%
Hedging derivatives (assets)	-	-	-	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	15,587	-	-	15,587	0.87%	-	-
Other assets	819	4,606	127,460	-	1	132,886	1.81%	-	-
<b>Total - Assets</b>	<b>3,998</b>	<b>3,687,671</b>	<b>4,100,811</b>	<b>2,589</b>	<b>1,312</b>	<b>7,796,381</b>	<b>1.02%</b>	<b>417,450</b>	<b>0.05%</b>
Financial liabilities at amortised cost	11,698	28,817	8,965,454	4,568	147,124	9,157,661	1.33%	47,766	0.01%
a) Deposits from banks	71	23,978	7,252,922	-	-	7,276,971	5.78%	31,037	0.02%
b) Deposits from customers	11,627	4,839	1,712,532	4,568	147,124	1,880,690	0.39%	16,729	-
c) Debt securities in issue	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading and designated at fair value	-	18,116	35,187	-	-	53,303	0.10%	-	-
Hedging derivatives (liabilities)	-	-	-	-	-	-	-	-	-
Liabilities associated with disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-
Other liabilities	853	857	25,897	-	1	27,608	0.20%	108	-
<b>Total - Liabilities</b>	<b>12,551</b>	<b>47,790</b>	<b>9,026,538</b>	<b>4,568</b>	<b>147,125</b>	<b>9,238,572</b>	<b>1.22%</b>	<b>47,874</b>	<b>0.01%</b>
Guarantees given and commitments <sup>(**)</sup>	1,860	2,882,336	2,313,698	179	3,248	5,201,321	-	244,535	-

**Note:**

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

(\*\*) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.



## Part H - Related-party transaction

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

### Related-party transactions: profit and loss items

(€ '000)

	AMOUNTS AS AT 12.31.2018						% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
	CONTROLLED NOT CONSOLIDATED	JOINT VENTURE	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL			
10. Interest income and similar revenues	5,440	139,596	88,664	16	7,972	241,688	1.59%	6,465	0.04%
20. Interest expenses and similar charges	-	(561)	(32,802)	(2)	(121)	(33,486)	0.77%	(422)	0.01%
<b>30. Net interest margin</b>	<b>5,440</b>	<b>139,035</b>	<b>55,862</b>	<b>14</b>	<b>7,851</b>	<b>208,202</b>	<b>1.92%</b>	<b>6,043</b>	<b>0.06%</b>
40. Fees and commissions income	1,456	5,607	841,303	28	4,448	852,842	10.44%	1,431	0.02%
50. Fees and commissions expenses	(350)	(581)	(13,479)	-	-	(14,410)	1.11%	-	-
<b>60. Net fees and commissions</b>	<b>1,106</b>	<b>5,026</b>	<b>827,824</b>	<b>28</b>	<b>4,448</b>	<b>838,432</b>	<b>12.20%</b>	<b>1,431</b>	<b>0.02%</b>
70. Dividend income and similar revenues	2,002	-	157,980	-	-	159,982	38.74%	28	0.01%
80. Net gains (losses) on trading	-	(16,039)	(128)	-	5,776	(10,391)	2.49%	(12,820)	3.08%
90. Net gains (losses) on hedge accounting	-	-	-	-	-	-	-	-	-
100. Gains (Losses) on disposal and repurchase of	-	-	-	-	-	-	-	-	-
a) Financial assets at amortised cost	-	-	-	-	-	-	-	-	-
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
c) Financial liabilities	-	-	-	-	-	-	-	-	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	-	-	(1,837)	-	(2,198)	(4,035)	1.40%	-	-
a) Financial assets/liabilities designated at fair value	-	-	221	-	-	221	0.05%	-	-
b) Other financial assets mandatorily at fair value	-	-	(2,058)	-	(2,198)	(4,256)	3.48%	-	-
<b>120. Operating income</b>	<b>8,548</b>	<b>128,022</b>	<b>1,039,701</b>	<b>42</b>	<b>15,877</b>	<b>1,192,190</b>	<b>6.22%</b>	<b>(5,318)</b>	<b>0.03%</b>
130. Net losses/recoveries on credit impairment relating to	(31,014)	-	(35,276)	21	1,077	(65,192)	2.43%	817	0.03%
a) Financial assets at amortised cost	(31,014)	-	(35,276)	21	1,077	(65,192)	2.45%	817	0.03%
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
140. Gains/Losses from contractual changes with no cancellations	-	-	-	-	-	-	-	-	-
190. Administrative expenses	276	1,111	(544,939)	(25)	(31,661)	(575,238)	5.01%	-	-
a) Staff costs	621	1,127	6,077	(17)	(20,242)	(12,434)	0.19%	-	-
b) Other administrative expenses	(345)	(16)	(551,016)	(8)	(11,419)	(562,804)	11.14%	-	-
200. Net provisions for risks and charges	92	-	(52)	-	(6)	34	-	-	-
230. Other operating expenses/income	520	4,890	(31,595)	27	39	(26,119)	2.56%	1	-
<b>240. Operating costs</b>	<b>888</b>	<b>6,001</b>	<b>(576,586)</b>	<b>2</b>	<b>(31,628)</b>	<b>(601,323)</b>	<b>5.01%</b>	<b>1</b>	<b>-</b>

**Note:**

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

## Part H - Related-party transaction

The "Other related-parties IAS" category includes:

- close family members of key management personnel (i.e. those family members who, as is expected, may influence, or be influenced by, the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

The main related-party transactions are the following.

- In 2012 the subsidiary UniCredit Services S.C.p.A. (US) formerly UniCredit Business Integrated Solutions S.C.p.A. (UBIS), assumed the role of operating sub-holding to provide the Group's support services both in Italy and abroad.
  - In this regard, on 15 February 2013 the Board of Directors of US approved the executive plan relating to the "Invoice Management" transaction aimed at the formation of a joint venture with the partner Accenture S.p.A. (Accenture) for the provision of back office services with respect to the "active and passive cycle" (issuance, receipt, verification, recording and payment of invoices). In relation to this, US transferred, with effect from 1 April 2013, its "active and passive cycle" business unit to the company formed by Accenture and called "Accenture Back Office and Administration Services S.p.A." and sold to Accenture some of the shares resulting from the transfer. Following the transaction, US holds 49% of Accenture Back Office and Administration Services S.p.A.'s (ABAS) share capital; the remaining 51% is held by Accenture (which is the controlling shareholder).
  - Afterwards, on 19 April 2013, the Board of Directors of US approved the executive plan of the project aimed at establishing a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data centre, etc.) to Commercial Banking. The transaction was completed when US transferred, with effect from 1 September 2013, of "Information Technology" business unit to the company "Value Transformation Services S.p.A." (V-TServices), formed and controlled by IBM Italia S.p.A. Following the transaction, US holds 49% of V-TServices's share capital; the remaining 51% is held by IBM (which is therefore the controlling shareholder). In December 2016 a contractual renegotiation, with extension of expiry to December 2026, between UniCredit Business Integrated Solution e V-TService has been concluded with the aim of increasing value creation and ability to catch new opportunities from technological evolution. The services provided to UniCredit group by the abovementioned companies result in an exchange of fees (administrative costs). It should be noted that in April 2018 ABAS ceased to be a related-party following its sale.
- With reference to transactions with Mediobanca S.p.A. ("Mediobanca"), in addition to the transactions falling within the ordinary course of business and financial activity, UniCredit S.p.A. has entered into a thirty-year usufruct contract on UniCredit shares with Mediobanca, under which Mediobanca gives back to UniCredit S.p.A., in return for a consideration (recorded as a reduction in Shareholders' Equity), the right to vote and receive dividends on UniCredit S.p.A. shares subscribed in January 2009, as part of the capital increase approved by UniCredit in November 2008. These shares were concomitantly used, by Mediobanca, in support of the issuance of convertible securities denominated "Cashes". Following the resolutions of UniCredit S.p.A.'s Extraordinary Shareholders' Meeting of December 2011, the number of shares underlying the usufruct contract and the formula for calculating the remuneration fees in favor of Mediobanca were adjusted to reflect (i) the reverse split of UniCredit S.p.A. shares and (ii) the free capital increase of December 2011 carried out through the allocation to capital of an equivalent amount transferred from the issue-premium reserve recorded in January 2009. A further reverse split of UniCredit S.p.A. shares underlying the usufruct agreement has been approved by the Extraordinary Shareholders' Meeting of January 2017. In 2018 the first three installments referred to the 2017 result has been paid respectively for €30 million, €32 million and €31 million; as contractual conditions for installment payments referred to 2016 result have not been met, the related four instalments (May 2017, August 2017, November 2017 and February 2018) were not paid.
- With regard to UniCredit's current strategy of reduction of non-performing exposures in order to strengthen the Group's risk profile as per the Transform 2019 plan, it should be noted that:
  - in June 2017, an agreement was signed with MBCredit Solution S.p.A. (member of Mediobanca group) for the non-recourse sale in three tranches of bad exposures from consumer loan portfolios, two tranches of which were completed in 2017 and the third tranche was completed in the first half of 2018;
  - in November and December 2017, two further agreements were signed with MBCredit Solution S.p.A. for (i) the non-recourse sale of a portfolio of loans with the Italian SME segment and (ii) for the sale of a portfolio of loans deriving from unsecured terminated lease agreements;
  - in June 2018, UniCredit S.p.A. has reached an agreement with MBCredit Solutions S.p.A. in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing unsecured consumer credit portfolio, in Italy. The portfolio consists of Italian unsecured consumer credits with a gross book value of approximately €124 million;
  - UniCredit and MBCredit Solutions S.p.A. have also reached an agreement for the disposal of further Italian unsecured consumer loans of the same nature, originated from second quarter 2018 to the end of the year.

## Part H - Related-party transaction

- In January 2018, a settlement and of binding term-sheet for contract amendment (STA) was signed amending administrative services contracts between Unicredit Services and Enterprise Services - Shared Service Center S.p.A. (ES-SCC), which is 49% owned by UniCredit Services and 51% owned by Enterprise Services Italia S.r.l., for the management of UniCredit S.p.A. and UniCredit Bank Austria AG personnel. The agreement provides for the termination of the service contract in Italy and the sale of the interest held by UniCredit Services to the majority shareholder during 2018, as well as an extension of the term of the service contract in Austria until 2033.  
On 14 May 2018 the amendment to the Master Services Agreement (MSA), that implements the contents of the STA with reference both to Italy and Austria, was signed. On 21 May 2018, pursuant to the Master Service Agreement, UniCredit Services exercise the right to terminate for convenience the Italy Local Services Agreement, with effect starting from 1 July 2018. Accordingly, ES-SCC has performed the Termination Assistance Services as defined in MSA and has continued in performing all the Services provided for the Italy LSA until 31 December 2018.
- It should be noted that in December 2018 ES-SCC ceased to be a related-party following its sale.  
In 2018, through a competitive auction process, UniCredit has signed long-term partnership with Allianz for the exclusive distribution of Life and Non-Life bancassurance products (excluding Credit Protection products) in Bulgaria, Croatia, Hungary, Romania, Slovenia, Czech Republic and Slovakia (and potentially in Bosnia in case the conditions are met). The partnership was implemented in the y mentioned countries, through local distribution agreements, in compliance with the all local regulations, in the second half of 2018.
- It should be noted that distribution agreements concerning insurance products were signed with the following associates:
  - Aviva S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - Creditras Assicurazioni S.p.A.;
  - Creditras Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

## Part I - Share-based payments

### Qualitative information

#### 1. Description of payment agreements based on own equity instruments

##### 1.1 Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees include the following categories:

- **Equity-Settled Share Based Payments**, which provide for the delivery of shares;
- **Cash Settled Share Based Payments**, which provide for a cash payments<sup>36</sup>.

The first category includes the following:

- **Stock Options** allocated to selected top & senior managers and key talents of the Group and represented by subscription rights of UniCredit shares;
- **Group Executive Incentive System** that offers to eligible Group executive a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment in cash and/or in UniCredit shares; the payment is related to the achievement of performance conditions (other than market conditions) stated in the plan rules;
- **Group Executive Incentive System (Bonus Pool)** that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period of ranging from 1 to 6 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/division level) and claw back conditions (as legally enforceable) according to the plan rules (both non-market vesting conditions);
- **Employee Share Ownership Plan (ESOP - Let's Share)** that offers to eligible Group employees the opportunity to buy UniCredit ordinary shares with the advantages to foresee the granting of free ordinary shares ("free shares") or rights to receive them measured on the basis of the shares purchased by each participant ("investment shares") during the "enrolment period". The granting of free ordinary shares is subordinated to the plan rules;
- **Long Term Incentive 2017-2019** that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on 3-years performance period, aligned to the new UniCredit strategic plan and provides for the allocation of an award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019;
- **FinecoBank Stock granting for employees and for Personal Financial Advisors (PFA)** offering the allocation of free shares of FinecoBank to beneficiaries belonging to top management of the Bank , executives and employees of the Bank (other than top management) and to selected network's Personal Financial Advisors. The shares shall be allocated to the beneficiaries in three or four annual instalments. The plans are subject to entry conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules;
- **FinecoBank Personal Financial Advisors (PFA) incentive system**, that offer to selected financial advisors, identified as key personnel in accordance with regulatory requirements, an incentive system consisting of immediate cash payments (following performance evaluation) and deferred payments, in cash and FinecoBank ordinary shares, over a period of 5 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply when specific earnings, liquidity and capital thresholds are not met at Group and/or at country/division level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (which are both vesting conditions other than market conditions);
- **FinecoBank Long term incentive 2018-2020** that offers to eligible executives and key players of FinecoBank, an incentive 100% based on ordinary FinecoBank shares, subject to pluriannual deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The allocation is subject to the achievement of specific performance objectives;
- **FinecoBank Long Term Incentive Plan for Personal Financial Advisors belonging to Identified Staff 2018-2020**, which provides for Personal Financial Advisors that will be identified as "Identified Staff" in the 2020 performance year, the allocation of an incentive – in cash and Fineco ordinary shares – to be granted in a multi-year period, subject to the achievement of specific performance objectives.

The second category includes the following other equity instruments (phantom shares) used for incentive system 2015 of selected FinecoBank Personal Financial Advisors, subject to malus (which apply in the event that specific profitability, liquidity and capital thresholds are not met at Group and/or at country/division level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions).

<sup>36</sup> Linked to the economic value of instruments representing a subsidiaries Shareholders' Equity.

## Part I - Share-based payments

It is also noted that, according to Banca d'Italia Circular 285 (20° update dated November 22, 2017), the equity-settled share based payments, represented by deferred payments in UniCredit and FinecoBank ordinary shares not subject to vesting conditions, are used for the settlement of the so-called golden parachute (e.g. severance) for the relevant employees.

### 1.2 Measurement model

#### 1.2.1 Stock Options

The Hull and White evaluation model has been adopted to measure the economic value of stock options.

This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- reaching a market share value equals to an exercise price-multiple (M);
- probability of beneficiaries' early exit (E) after the end of the vesting period.

Economic and equity effects will be recognized on a basis of instrument vesting period.  
Any new stock options' plans haven't been granted during 2018.

#### 1.2.2 Group Executive Incentive System

The amount of the incentive is determined on a basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the employee's relevant manager is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non-market vesting conditions).

This percentage, adjusted by the application of a risk/opportunity factor - Group gate - at first payment multiplied by the bonus opportunity, determines the effective amount that will be paid to the beneficiary.

Economic and net equity effects will be accrued on a basis of instruments' vesting period.

#### 1.2.3 Group Executive Incentive System (Bonus Pool)

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

Economic and net equity effects will be accrued on a basis of instruments' vesting period.

### Group Executive Incentive System "Bonus Pool 2017" - Shares

The plan is divided into clusters, each of which can have three or four installments of share-based payments spread over a period defined according to plan rules.

	SHARES GRANTED			
	GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2017			
	INSTALLMENT (2020)	INSTALLMENT (2021)	INSTALLMENT (2022)	INSTALLMENT (2023)
Date of bonus opportunity economic value granting	Feb-09-2017	Feb-09-2017	Feb-09-2017	Feb-09-2017
Date of Board resolution (to determine number of shares)	Mar-05-2018	Mar-05-2018	Mar-05-2018	Mar-05-2018
Vesting period start date	Jan-01-2017	Jan-01-2017	Jan-01-2017	Jan-01-2017
Vesting period end date	Dec-31-2017	Dec-31-2019	Dec-31-2020	Dec-31-2021
UniCredit share market price [€]	17.451	17.451	17.451	17.451
Economic value of vesting conditions [€]	-0.651	-1.314	-1.973	-2.626
<b>Performance shares' fair value per unit at grant date [€]<sup>(*)</sup></b>	<b>16.800</b>	<b>16.137</b>	<b>15.478</b>	<b>14.825</b>

Note:

(\*) The same fair value per unit are used for quantification of costs connected to share based payments for the settlement of golden parachute

## Part I - Share-based payments

### Group Executive Incentive System 2018 (Bonus Pool)

The new Group Incentive System 2018 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, utilizing specific indicators linked to risk-appetite framework;
- link between bonuses and organization structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to executives and other relevant employee, identified on a basis of European Bank Authority (EBA) rules, according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

#### 1.2.4. Long Term Incentive 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

#### 1.2.5. FinecoBank stock granting to employees and personal financial advisor (PFA)

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

#### 1.2.6. FinecoBank incentive system 2015 PFA – cash settled share based payments plan

The economic value of phantom shares allocated corresponds to the market price of the FinecoBank shares.

The plan was assigned in 2015 and the income statement and the balance sheet effects will be recognized during the vesting period of the instruments.

### Quantitative information

#### 1. Annual changes

#### Stock Option and Performance Stock Option UniCredit

ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE	YEAR 2018 <sup>(1)</sup>			YEAR 2017 <sup>(1)</sup>		
	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY
<b>A. Outstanding at beginning of period</b>	<b>2,885,799</b>	<b>126.261</b>	<b>Oct-2018</b>	<b>4,288,319</b>	<b>137.099</b>	<b>Aug-2019</b>
<b>B. Increases</b>	-	-		-	-	
B.1 New issues	-	-		-	-	
B.2 Other	-	-		-	-	
<b>C. Decreases</b>	<b>2,108,873</b>	-		<b>1,402,520</b>	-	
C.1 Forfeited	146,054	138.239		963,056	145.763	
C.2 Exercised	-	-		-	-	
C.3 Expired	1,962,819	-		439,464	-	
C.4 Other	-	-		-	-	
<b>D. Outstanding at end of period</b>	<b>776,926</b>	<b>148.718</b>	<b>Jun-2019</b>	<b>2,885,799</b>	<b>126.261</b>	<b>Oct-2018</b>
<b>E. Vested Options at end of period</b>	<b>776,926</b>	<b>148.718</b>	<b>Jun-2019</b>	<b>2,885,799</b>	<b>126.261</b>	<b>Oct-2018</b>

**Note:**

(1) The information related to Number of options and Average exercise price had been modified following the grouping operations resolved by UniCredit Annual General Meeting held on 15 December 2011 and the UniCredit Extraordinary Shareholders' Meeting on 12 January 2017 and following the application of "adjustment factors" recommended by AIAF (Associazione Italiana Analisti Finanziari) equal to:

- 0.88730816 as the free capital increase resolved by the UniCredit Annual General Meeting on 29 April 2009 ("scrip dividend");
- 0.95476659 as the capital increase resolved by the UniCredit Extraordinary Shareholder Meeting on 16 November 2009 and finalized on 24 February 2010;
- 0.6586305 as the capital increase resolved by the UniCredit Extraordinary Shareholders' Meeting on 15 December 2011 and finalized in 2012;
- 0.50112555 as the capital increase resolved by the UniCredit Extraordinary Shareholders' Meeting on 12 January 2017 and finalized on 2 March 2017.

## Part I - Share-based payments

### Other UniCredit equity instruments: Performance Shares

ITEMS/NUMBER OF OTHER EQUITY INSTRUMENTS AND EXERCISE PRICE	YEAR 2018			YEAR 2017 <sup>(1)</sup>		
	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY
<b>A. Outstanding at beginning of period</b>	15,773,637	-	Aug-2019	8,515,174	-	Feb-2017
<b>B. Increases</b>	3,524,219	-		9,197,282	-	
B.1 New issues	3,524,219	-		9,197,282	-	
B.2 Other	-	-		0	-	
<b>C. Decreases</b>	3,813,727	-		1,938,819	-	
C.1 Forfeited	286,259	-		651,780	-	
C.2 Exercised <sup>(2)</sup>	3,527,468	-		1,287,039	-	
C.3 Expired	-	-		-	-	
C.4 Other	-	-		-	-	
<b>D. Outstanding at end of period<sup>(3)</sup></b>	15,484,129	-	Dec-2019	15,773,637	-	Aug-2019
<b>E. Vested instruments at end of period</b>	2,289,712	-		5,828,989	-	

**Notes:**  
 (1) The information related to number of options and average exercise price had been modified following the grouping operation resolved by UniCredit Extraordinary Shareholders' Meeting held on 12 January 2017 and following the application of "adjustment factor" equal to 0.50112555 recommended by AIAP (Associazione Italiana Analisti Finanziari) for the capital increase resolved by the UniCredit Extraordinary Shareholder Meeting on 12 January 2017 and finalized on 2 March 2017.  
 (2) As far as the 2018 movement is concerned, the average market price at the exercise date is equal to €16.48 (€18.54 was the price observed at exercise date for 2017 movimentation)  
 (3) UniCredit undertakes to grant, conditional upon achieving performance targets set in the strategic plan 15,484,129 ordinary shares at the end of 2018 (15,773,637 ordinary shares at the end of 2017).

According to Let's Share 2017 plan rules, in July 2017 it had been delivered to Group participants 176,995 free shares related to services rendered during the period 2017-2018.

The said above UniCredit free ordinary shares had been acquired on the market, and are not considered in the table of annual changes.

### 2. Other Information

#### Effects on Profit and Loss

All Share-Based Payment granted after November 7, 2002 whose vesting period ends after January 1, 2005 are included within the scope of the IFRS2.

### Financial statement presentation related to share based payments

(€ '000)

	2018		2017	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
<b>(Costs)/Revenues<sup>(1)</sup></b>	<b>(77,226)</b>		<b>(77,135)</b>	
- connected to equity-settled plans <sup>(2)</sup>	(75,003)		(78,626)	
- connected to cash-settled plans	(2,223)		1,491	
<b>Debts for cash-settled plans</b>	<b>3,674</b>	-	<b>2,853</b>	-

**Notes:**  
 (1) Includes costs/revenues and debts for plans referred to equity instruments of other Group's entities (e.g. FinecoBank).  
 (2) Includes costs for €1.9 million related to golden parachute.



## Part L - Segment reporting

### Organizational structure

The format for segment information reflects the organisational structure currently used in management reporting for monitoring the Group's results, which is broken down into the following business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Corporate & Investment Banking (CIB), Central and Eastern Europe (CEE), Fineco, Group Corporate Center and Non core.

#### Commercial Banking Italy

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

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

In relation to corporate customers, Commercial Banking Italy operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio. The current Corporate channel is organised on the territory with about 685 Managers divided in 56 Corporate Areas.

The territorial organisation promotes a bank closer to customers and faster decision-making processes, while the belonging to UniCredit group allows to support companies in developing international attitudes.

#### Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services through its branch network.

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

Different service models are applied in line with the needs of its various customer groups: retail customers, private banking customers, small business and corporate customers, commercial real estate customers and wealth management customers. In particular: the Corporate segment employs a different "Mittelstand" bank model to its competitors in that it serves both business and personal needs across the whole bandwidth of German enterprises and firms operating in Germany; the private clients segment serves retail customers and private banking customers with banking and insurance solutions across all areas of demand. In detail, all-round advisory offering reflects the individual and differentiated needs of these customer groups in terms of relationship model and product offering.

Commercial Banking Italy segment also includes the local Corporate Center, which performs tasks as sub-holding towards other sub-group legal entities.

#### Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of: Retail, Corporate (excluding CIB clients, but including the product factories Factoring and Leasing), Private Banking (with its two well-known brands Bank Austria Private Banking and Schoellerbank AG) and the local Corporate Center. Retail covers business with private individuals, ranging from mass-market to affluent customers and business customers. Corporates covers the entire range of SMEs, medium-sized and large companies which do not access capital markets (including real estate and public sector).

A broad coverage of the Retail and Corporate business lines is ensured through its nation-wide branch network. Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.

Commercial Banking Austria applies an integrated service model, allowing clients to decide when, where and how they contact UniCredit Bank Austria. This approach combines classic branches which are continuously modernised, new formats of advisory service centres and modern self-service branches, internet solutions, mobile banking with innovative apps and contact to relationship managers via video-telephony.

#### Corporate & Investment Banking (CIB)

The CIB Division targets mainly Large Corporate and Multinational clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit group. CIB serves Group's clients across 32 countries with a wide range of specialised products and services, combining geographical proximity with an high expertise in all segments in which it is active.

Moreover CIB acts as products and solutions provider for the commercial network, provides structured financing, hedging and treasury solutions for corporate and investment products for private and retail, according to the "CIB fully plugged-in concept". In the light of a more integrated client offering, Joint Venture between Commercial Banking and CIB division have been set up in Italy and Germany, with the objective to increase cross selling of investment banking products (M&A, Capital Markets and derivatives) to commercial banking clients.

## Part L - Segment reporting

The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive network in Western, Central and Eastern Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines that consolidate the breadth of the Group's CIB know-how).

The dedicated commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network, Financial Institutions Group) are responsible for the relationships with corporate clients, banks and financial institutions as well as the sale of a broad range of financial products and services, ranging from traditional lending and merchant banking operations to more sophisticated services with high added value, such as project finance, acquisition finance and other investment banking services and operations in international financial markets.

The three following Product Lines supplement and add value to the activities of the commercial networks and the marketing of the relevant products:

- **Financing and Advisory (F&A)** - F&A is the expertise center for all business operations related to credit and advisory services for corporate and institutional clients. It is responsible for providing a wide variety of products and services ranging from plain vanilla and standardized products, extending to more sophisticated products such as Capital Markets (Equity and Debt Capital Markets), Corporate Finance and Advisory, Syndications, Leverage Buy-Out, Project and Commodity Finance, Real Estate Finance, Structured Trade and Export Finance;
- **Markets** - Markets is the centre specialized for all financial markets activities and serves as the Group's access point to the capital markets. This results in a highly complementary international platform with a strong presence in emerging European financial markets. As a centralized product line, it is responsible for the coordination of financial markets-related activities, including the structuring of products such as FX, Rates, Equities and credit related activities;
- **Global Transaction Banking (GTB)** - GTB is the centre for Cash Management, e-banking, Supply Chain Finance and Trade Finance products and global securities services.

### Central and Eastern Europe (CEE)

The Group operates, through the CEE business segment, in 12 Central and Eastern Europe countries: Azerbaijan, Bosnia- Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey; having, in addition, Leasing activities in the 3 Baltic countries. The CEE business segment offers a wide range of products and services to retail, corporate and institutional clients in these countries. UniCredit Group is able to offer its retail customers in the CEE countries a broad portfolio of products and services similar to those offered to its Italian, German and Austrian customers.

With respect to corporate clients, UniCredit group is constantly engaged in standardizing the customer segments and range of products. The Group shares its business models on an international level in order to ensure access to its network in any country where the Group is present. This approach is vital due to the variety of global products offered, particularly cash management and trade finance solutions to corporate customers operating in more than one CEE country.

### Fineco

FinecoBank, the multichannel bank of the UniCredit Group, is one of the most important FinTech banks in Europe. It offers from a single account banking, credit, trading and investment services through transactional and advisory platform developed with proprietary technologies, and combined with one of the largest financial advisory network in Italy. Fineco is a bank leader in brokerage in Europe, and one of the most important player in Private Banking in Italy, offering tailor-made advisory services. Since 2017, FinecoBank is also in UK with an offer focused on brokerage and banking services.

### Group Corporate Center

The Group Corporate Center's objective is to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence. In this framework, an important objective is to optimize costs and internal processes guaranteeing operating excellence and supporting the sustainable growth of the business lines.

### Non core

Starting from the first quarter 2014 the Group decided to introduce a clear distinction between above described activities defined as core segment, meaning strategic business segments and in line with risk strategies, and activities defined as non-core segment, including non-strategic assets and those with a poor fit to the Group's risk-adjusted return framework, with the aim of reducing the overall exposure of this last segment in the course of time and to improve the risk profile.

Specifically, the non-core segment includes selected assets of Commercial Banking Italy (identified on a single deal/client basis) to be managed with a risk mitigation approach and some special vehicles for securitization operations.

## Part L - Segment reporting

## A - Primary segment

## A.1 - Breakdown by business segment: income statement

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
Net interest	3,494,851	1,513,544	686,660	2,713,267	2,291,590	277,376	(225,540)	103,901	10,855,649
Dividends and other income from equity investments	76,463	10,733	155,041	324,506	52,926	42	117,813	-	737,524
Net fees and commissions	3,742,143	752,114	617,618	876,069	623,849	300,432	(90,031)	(66,686)	6,755,508
Net trading income	50,295	79,061	68,696	323,077	754,061	44,239	(20,078)	(54,575)	1,244,776
Net other expenses/income	(107,134)	114,082	35,390	25,564	90,232	1,913	12,346	(42,494)	129,899
<b>OPERATING INCOME</b>	<b>7,256,618</b>	<b>2,469,534</b>	<b>1,563,405</b>	<b>4,262,483</b>	<b>3,812,658</b>	<b>624,002</b>	<b>(205,490)</b>	<b>(59,854)</b>	<b>19,723,356</b>
Payroll costs	(2,310,194)	(967,303)	(561,717)	(756,202)	(595,108)	(86,581)	(1,110,443)	(86,581)	(6,422,739)
Other administrative expenses	(2,162,110)	(707,398)	(446,518)	(676,704)	(968,012)	(245,519)	1,201,377	(151,865)	(4,156,749)
Recovery of expenses	419,110	5,441	1	1,246	2,971	96,767	80,840	78,599	684,975
Amortisation, depreciation and impairment losses on tangible and intangible assets	(72,220)	(34,655)	(13,412)	(134,103)	(3,011)	(10,431)	(535,668)	(85)	(803,585)
<b>Operating expenses</b>	<b>(4,125,414)</b>	<b>(1,703,915)</b>	<b>(1,021,646)</b>	<b>(1,565,763)</b>	<b>(1,563,160)</b>	<b>(245,764)</b>	<b>(363,894)</b>	<b>(108,542)</b>	<b>(10,698,098)</b>
<b>OPERATING PROFIT</b>	<b>3,131,204</b>	<b>765,619</b>	<b>541,759</b>	<b>2,696,720</b>	<b>2,249,498</b>	<b>378,238</b>	<b>(569,384)</b>	<b>(168,396)</b>	<b>9,025,258</b>
Net writedowns of loans and provisions for guarantees and commitments	(1,046,424)	(145,431)	24,764	(457,119)	(75,946)	(4,384)	6,404	(921,110)	(2,619,246)
<b>OPERATING NET PROFIT</b>	<b>2,084,780</b>	<b>620,188</b>	<b>566,523</b>	<b>2,239,601</b>	<b>2,173,552</b>	<b>373,854</b>	<b>(562,980)</b>	<b>(1,089,506)</b>	<b>6,406,012</b>
Other charges and provisions	(314,117)	(360,880)	(120,391)	(192,647)	(817,090)	(21,380)	(378,689)	(87,524)	(2,292,718)
Integration costs	(1,505)	(24,017)	(994)	(5,434)	(444)	(121)	23,106	232	(9,177)
Net income from investments	112,931	133,500	2,533	(7,125)	14,040	1,105	(719,751)	(21,908)	(484,675)
<b>PROFIT BEFORE TAX</b>	<b>1,882,089</b>	<b>368,791</b>	<b>447,671</b>	<b>2,034,395</b>	<b>1,370,058</b>	<b>353,458</b>	<b>(1,638,314)</b>	<b>(1,198,706)</b>	<b>3,619,442</b>

## A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
<b>BALANCE SHEET AMOUNTS</b>									
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>	<b>145,645,364</b>	<b>84,462,655</b>	<b>44,971,405</b>	<b>65,344,093</b>	<b>80,447,772</b>	<b>2,804,507</b>	<b>3,270,762</b>	<b>6,629,272</b>	<b>433,575,830</b>
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>	<b>146,259,765</b>	<b>91,693,812</b>	<b>47,375,479</b>	<b>65,743,753</b>	<b>45,281,267</b>	<b>22,156,888</b>	<b>2,985,469</b>	<b>527,650</b>	<b>422,024,083</b>
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>94,913,522</b>	<b>36,062,412</b>	<b>23,313,588</b>	<b>86,277,281</b>	<b>81,039,518</b>	<b>2,371,535</b>	<b>34,072,608</b>	<b>12,129,257</b>	<b>370,179,719</b>

## A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
<b>STAFF</b>									
Employees (FTE)	29,669	9,208	4,873	24,218	3,289	1,125	14,059	345	86,786

## Part L - Segment reporting

## A.1 - Breakdown by business segment: income statement

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2017
Net interest	3,703,687	1,649,392	723,731	2,598,443	2,131,467	264,092	(622,052)	184,258	10,633,018
Dividends and other income from equity investments	79,960	4,485	146,214	334,032	18,549	29	54,642	-	637,911
Net fees and commissions	3,713,171	762,495	622,888	848,084	638,864	269,847	(86,185)	(74,029)	6,695,135
Net trading income	41,766	139,293	37,882	356,112	1,243,325	48,218	(71,994)	23,450	1,818,052
Net other expenses/income	(96,327)	137,978	52,751	49,148	80,475	3,762	(6,182)	(65,208)	156,397
<b>OPERATING INCOME</b>	<b>7,442,257</b>	<b>2,693,643</b>	<b>1,583,466</b>	<b>4,185,819</b>	<b>4,112,680</b>	<b>585,948</b>	<b>(731,771)</b>	<b>68,471</b>	<b>19,940,513</b>
Payroll costs	(2,525,145)	(1,034,618)	(590,253)	(740,910)	(635,246)	(79,294)	(1,257,544)	(42,011)	(6,905,021)
Other administrative expenses	(2,279,055)	(735,575)	(480,046)	(677,525)	(989,725)	(236,917)	1,198,268	(184,467)	(4,385,042)
Recovery of expenses	440,673	(2,012)	-	73	1,971	93,369	119,122	106,784	759,980
Amortisation, depreciation and impairment losses on tangible and intangible assets	(74,809)	(38,043)	(15,101)	(124,847)	(2,786)	(10,398)	(541,462)	(52)	(807,498)
<b>Operating expenses</b>	<b>(4,438,336)</b>	<b>(1,810,248)</b>	<b>(1,085,400)</b>	<b>(1,543,209)</b>	<b>(1,625,786)</b>	<b>(233,240)</b>	<b>(481,616)</b>	<b>(119,746)</b>	<b>(11,337,581)</b>
<b>OPERATING PROFIT</b>	<b>3,003,921</b>	<b>883,395</b>	<b>498,066</b>	<b>2,642,610</b>	<b>2,486,894</b>	<b>352,708</b>	<b>(1,213,387)</b>	<b>(51,275)</b>	<b>8,602,932</b>
Net writedowns of loans and provisions for guarantees and commitments	(974,586)	(125,495)	16,619	(583,669)	(275,093)	(5,351)	(29,829)	(961,725)	(2,939,129)
<b>OPERATING NET PROFIT</b>	<b>2,029,335</b>	<b>757,900</b>	<b>514,685</b>	<b>2,058,941</b>	<b>2,211,801</b>	<b>347,357</b>	<b>(1,243,216)</b>	<b>(1,013,000)</b>	<b>5,663,803</b>
Other charges and provisions	(264,248)	(101,146)	(84,021)	(179,485)	(140,565)	(19,025)	(161,066)	(114,214)	(1,063,770)
Integration costs	21,403	(6,950)	(380)	(28,211)	(3,025)	408	(130,428)	571	(146,612)
Net income from investments	(11,331)	(19,177)	14,253	4,024	(65,122)	(13,399)	(207,794)	(6,742)	(305,288)
<b>PROFIT BEFORE TAX</b>	<b>1,775,159</b>	<b>630,627</b>	<b>444,537</b>	<b>1,855,269</b>	<b>2,003,089</b>	<b>315,341</b>	<b>(1,742,504)</b>	<b>(1,133,385)</b>	<b>4,148,133</b>

## A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ '000)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2017
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>	<b>137,437,427</b>	<b>80,748,638</b>	<b>44,336,458</b>	<b>59,965,992</b>	<b>71,647,254</b>	<b>1,926,504</b>	<b>2,728,768</b>	<b>14,222,931</b>	<b>413,013,972</b>
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>	<b>140,934,841</b>	<b>91,581,651</b>	<b>46,486,524</b>	<b>62,405,820</b>	<b>47,774,900</b>	<b>20,058,626</b>	<b>3,634,268</b>	<b>914,418</b>	<b>413,791,048</b>
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>85,591,503</b>	<b>33,999,479</b>	<b>20,963,252</b>	<b>85,995,509</b>	<b>75,639,234</b>	<b>2,331,771</b>	<b>29,984,916</b>	<b>21,594,559</b>	<b>356,100,221</b>

## A.3 - Staff

STAFF	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2017
Employees (FTE)	32,334	10,105	5,092	24,089	3,298	1,082	15,488	464	91,952

## Part L - Segment reporting

## B - Secondary segment

(€ '000)

AMOUNTS AS AT 12.31.2018	TOTAL ASSETS	OPERATING INCOME <sup>(*)</sup>	COST OF INVESTMENT
Italy	368,185,805	9,182,907	356,184
Germany	254,906,297	3,955,526	151,435
Austria	93,541,818	1,782,810	134,678
Total other european countries	114,383,496	4,243,524	313,187
<i>of which: Western Europe</i>	21,099,353	394,332	1,114
<i>of which: Central and Eastern Europe</i>	93,284,143	3,849,192	312,073
America	450,449	4,434	-
Asia	859	(2,206)	-
Rest of the world	-	-	-
<b>Total</b>	<b>831,468,724</b>	<b>19,166,995</b>	<b>955,484</b>

Note:

(\*) Item 120 in Income Statement.

(€ '000)

AMOUNT AS AT 12.31.2017	TOTAL ASSETS	OPERATING INCOME <sup>(*)</sup>	COST OF INVESTMENT
Italy	368,184,663	8,509,300	163,836
Germany	250,168,547	3,836,299	173,445
Austria	93,077,063	1,751,038	123,226
Total other european countries	125,071,477	4,044,644	320,849
<i>of which: Western Europe</i>	33,835,531	362,460	655
<i>of which: Central and Eastern Europe</i>	91,235,946	3,682,184	320,194
America	277,040	5,359	-
Asia	10,934	(612)	-
Rest of the world	-	-	-
<b>Total</b>	<b>836,789,724</b>	<b>18,146,028</b>	<b>781,356</b>

Note:

(\*) Item 120 in income statement.

The amounts of each country are aggregated by country of residence of the relevant legal Head Office (i.e.: foreign branches are generally included in the relevant parent company or conventionally attributed to another country).



# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below. Any discrepancy in the data shown in this table is solely due to roundings. An explanation for the restatement of comparative figures is provided in the previous sections.

## Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT
	12.31.2018
Cash and cash balances	30,991
<i>Item 10. Cash and cash balances</i>	30,991
Financial assets held for trading	65,231
<i>Item 20. Financial assets at fair value through profit and loss: a) Financial assets held for trading</i>	65,231
Loans to banks	69,850
<i>Item 40. Financial assets at amortised cost: a) Loans and receivables with banks</i>	73,643
less: Reclassification of debt securities in Other financial assets	(3,839)
+ Reclassification of loans from Other financial assets - Item 20 c)	47
Loans to customers	471,839
<i>Item 40. Financial assets at amortised cost: b) Loans and receivables with customers</i>	505,668
less: Reclassification of debt securities in Other financial assets	(36,304)
+ Reclassification of loans from Other financial assets - Item 20 c)	2,475
Other financial assets	152,310
<i>Item 20. Financial assets at fair value through profit and loss: b) Financial assets designated at fair value</i>	0
<i>Item 20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value</i>	20,906
less: Reclassification of loans in Loans to banks	(47)
less: Reclassification of loans in Loans to customers	(2,475)
<i>Item 30. Financial assets at fair value through other comprehensive income</i>	88,280
<i>Item 70. Equity investments</i>	5,502
+ Reclassification of debt securities from Loans to banks - Item 40 a)	3,839
+ Reclassification of debt securities from Loans to customers - Item 40 b)	36,304
Hedging instruments	7,120
<i>Item 50. Hedging derivatives</i>	4,682
<i>Item 60. Changes in fair value of portfolio hedged items (+/-)</i>	2,439
Property, plant and equipment	8,408
<i>Item 90. Property, plant and equipment</i>	8,408
Goodwill	1,484
<i>Item 100. Intangible assets of which: goodwill</i>	1,484
Other intangible assets	2,024
<i>Item 100. Intangible assets net of goodwill</i>	2,024
Tax assets	13,078
<i>Item 110. Tax assets</i>	13,078
Non-current assets and disposal groups classified as held for sale	1,800
<i>Item 120. Non-current assets and disposal groups classified as held for sale</i>	1,800
Other assets	7,334
<i>Item 80. Insurance reserves charged to reinsurers</i>	-
<i>Item 130. Other assets</i>	7,334
<b>Total assets</b>	<b>831,469</b>



# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

	(€ million)
	AMOUNTS AS AT
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12.31.2018</b>
Deposits from banks	125,895
<i>Item 10. Financial liabilities at amortised cost: a) Deposits from banks</i>	125,895
Deposits from customers	478,988
<i>Item 10. Financial liabilities at amortised cost: b) Deposits from customers</i>	478,988
Debt securities issued	81,153
<i>Item 10. Financial liabilities at amortised cost: c) Debt securities in issue</i>	81,153
Financial liabilities held for trading	43,111
<i>Item 20. Financial liabilities held for trading</i>	43,111
Financial liabilities designated at fair value	9,318
<i>Item 30. Financial liabilities designated at fair value</i>	9,318
Hedging instruments	9,262
<i>Item 40. Hedging derivatives</i>	6,032
<i>Item 50. Value adjustment of hedged financial liabilities (+/-)</i>	3,230
Tax liabilities	825
<i>Item 60. Tax liabilities</i>	825
Liabilities included in disposal groups classified as held for sale	540
<i>Item 70. Liabilities referable to disposal groups classified as held for sale</i>	540
Other liabilities	25,609
<i>Item 80. Other liabilities</i>	13,951
<i>item 90. Provision for employee severance pay</i>	698
<i>Item 100. Provisions for risks and charges</i>	10,961
<i>Item 110. Technical reserves</i>	-
Minorities	927
<i>Item 190. Minority shareholders' equity (+/-)</i>	927
Group shareholders' equity:	55,841
- Capital and reserves	51,948
<i>Item 120. Valuation reserves</i>	(7,489)
<i>Item 140. Equity instruments</i>	4,610
<i>Item 150. Reserves</i>	20,503
<i>Item 160. Share premium</i>	13,393
<i>Item 170. Share capital</i>	20,940
<i>Item 180. Treasury shares (-)</i>	(9)
- Net profit (loss)	3,892
<i>Item 200. Profit (Loss) for the period (+/-)</i>	3,892
<b>Total liabilities and shareholders' equity</b>	<b>831,469</b>

## Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 12.31.2017
Cash and cash balances	64,493
<i>Item 10. Cash and cash balances</i>	64,493
Financial assets held for trading	74,686
<i>Item 20. Financial assets held for trading</i>	74,686
Loans to banks	70,983
<i>Item 60. Loans and receivables with banks</i>	70,983
Loans to customers	438,895
<i>Item 70. Loans and receivables with customers</i>	447,727
+ <i>Reclassification of debt securities with customers</i>	(8,832)
Other financial assets	147,496
<i>Item 30. Financial assets at fair value through profit or loss</i>	22,073
<i>Item 40. Available-for-sale financial assets</i>	104,101
<i>Item 50. Held-to-maturity investments</i>	6,277
<i>Item 100. Equity investments</i>	6,212
+ <i>Reclassification of debt securities with customers</i>	8,832
Hedging instruments	5,676
<i>Item 80. Hedging derivatives</i>	3,431
<i>Item 90. Changes in fair value of portfolio hedged items (+/-)</i>	2,245
Property, plant and equipment	8,449
<i>Item 120. Property, plant and equipment</i>	8,449
Goodwill	1,484
<i>Item 130. Intangible assets of which: goodwill</i>	1,484
Other intangible assets	1,902
<i>Item 130. Intangible assets net of goodwill</i>	1,902
Tax assets	12,658
<i>Item 140. Tax assets</i>	12,658
Non-current assets and disposal groups classified as held for sale	1,111
<i>Item 150. Non-current assets and disposal groups classified as held for sale</i>	1,111
Other assets	8,958
<i>Item 110. Insurance reserves attributable to reinsurers</i>	-
<i>Item 160. Other assets</i>	8,958
<b>Total assets</b>	<b>836,790</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

	(€ million)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>AMOUNTS AS AT</b>
	<b>12.31.2017</b>
Deposits from banks <i>Item 10. Deposits from banks</i>	123,244 123,244
Deposits from customers <i>Item 20. Deposits from customers</i>	462,895 462,895
Debt securities issued <i>Item 30. Debt securities in issue</i>	98,603 98,603
Financial liabilities held for trading <i>Item 40. Financial liabilities held for trading</i>	55,784 55,784
Financial liabilities designated at fair value <i>Item 50. Financial liabilities at fair value through profit or loss</i>	3,011 3,011
Hedging instruments <i>Item 60. Hedging derivatives</i> <i>Item 70. Changes in fair value of portfolio hedged items (+/-)</i>	6,610 3,568 3,042
Tax liabilities <i>Item 80. Tax liabilities</i>	1,093 1,093
Liabilities included in disposal groups classified as held for sale <i>Item 90. Liabilities included in disposal groups classified as held for sale</i>	185 185
Other liabilities <i>Item 100. Other liabilities</i> <i>Item 110. Provision for employee severance pay</i> <i>Item 120. Provisions for risks and charges</i> <i>Item 130. Insurance reserves</i>	25,141 15,573 917 8,650 -
Minorities <i>Item 210. Minorities (+/-)</i>	894 894
Group Shareholders' Equity:	59,331
- Capital and reserves	53,858
<i>Item 140. Revaluation reserves</i>	(4,327)
<i>Item 160. Equity instruments</i>	4,610
<i>Item 170. Reserves</i>	19,297
<i>Item 180. Share premium</i>	13,400
<i>Item 190. Share capital</i>	20,881
<i>Item 200. Treasury shares (-)</i>	(3)
- Net profit (loss) <i>Item 220. Net profit (loss) for the year (+/-)</i>	5,473 5,473
<b>Total liabilities and shareholders' equity</b>	<b>836,790</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated income statement

	(€ million)
	YEAR
	2018
Net interest	10,856
Item 30. Net interest margin	10,853
less: Net interest margin of industrial companies	2
Dividends and other income from equity investments	738
Item 70. Dividend income and similar revenue	413
less: Dividends from held for trading equity instruments included in Item 70	(320)
Item 250. Profit (Loss) of equity investments - of which: Profit (Loss) of equity investments valued at equity	644
Net fees and commissions	6,756
Item 60. Net fees and commissions	6,870
+ Other administrative expenses - of which: outsourced services for the management of non-performing loans	(115)
Net trading income	1,245
Item 80. Net gains (losses) on trading	417
less: Net gains (losses) on trading of industrial companies	-
+ Dividends from held for trading equity instruments (from Item 70)	320
Item 90. Net gains (losses) on hedge accounting	17
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	3
Item 100. Gains (Losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income	176
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - different from loans (from Item 100 a)	23
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit and loss	289
Net other expenses/income	130
Item 230. Other operating expenses/income	1,018
less: Integration costs	2
less: Other operating income - of which: recovery of costs	(639)
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	(149)
less: Transitional revenues from Pekao and Pgam	(3)
less: Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets"	62
less: Other operating income - Other income from invoicing JVs	(43)
less: Other administrative expenses - of which: outsourced services for the management of non-performing loans - penalties	(19)
+ Result of industrial companies	(133)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	26
Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	7
<b>OPERATING INCOME</b>	<b>19,723</b>
Payroll costs	(6,423)
Item 190. Administrative expenses: a) staff costs	(6,437)
less: Administrative expenses: a) staff costs of industrial companies	4
less: Integration costs	10
Other administrative expenses	(4,157)
Item 190. Administrative expenses: b) other administrative expenses	(5,052)
less: Administrative expenses: b) other administrative expenses of industrial companies	14
less: Administrative expenses - Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	821
less: outsourced services for the management of non-performing loans - penalties	19
less: outsourced services for the management of non-performing loans	115
+ Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets" - (from Item 230)	(62)
less: Integration costs	(11)
Recovery of expenses	685
+ Other net operating income - of which: recovery of costs (from Item 230)	639
+ Other operating income - Transition revenues from Pekao and Pgam - (from Item 230)	3
+ Other operating income - Other income from invoicing JVs	43
Amortisation, depreciation and impairment losses on intangible and tangible assets	(804)
Item 210. Net value adjustments/write-backs on property, plant and equipment	(606)
less: Impairment losses/write backs on property owned for investment	(41)
less: Net value adjustments/write-backs of tangible in operating lease assets (from Item 210)	149
less: Integration costs	2
Item 220. Net value adjustments/write-backs on intangible assets	(425)
less: Integration costs	1
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	113
less: Purchase Price Allocation effect	4
<b>Operating costs</b>	<b>(10,698)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>9,025</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)	
YEAR	
	2018
<b>OPERATING PROFIT (LOSS)</b>	<b>9,025</b>
Net write-downs on loans and provisions for guarantees and commitments	(2,619)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	129
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	(26)
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	(23)
Item 130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	(2,662)
less: Recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	(16)
Item 130. Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income	(19)
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	19
Item 140. Gains/Losses from contractual changes with no cancellations	(3)
less: Gains/Losses from contractual changes with no cancellations - debt securities	-
Item 200. Net provisions for risks and charge - of which: a) commitments and financial guarantees given	(19)
less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	2
<b>NET OPERATING PROFIT (LOSS)</b>	<b>6,406</b>
Other charges and provisions	(2,293)
Item 200. Net provisions for risks and charges - of which: b) other net provision	(1,504)
less: Net provisions for risks and charges of industrial companies	1
less: Tax disputes relating to income tax (interests and sanctions excluded)	28
+ Administrative expenses - Contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	(821)
+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	(2)
Surplus on release of integration provision	5
Integration costs	(9)
Integration costs before Purchase Price Allocation effect	(9)
Net income from investments	(485)
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	16
+ Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	(19)
+ Gains/Losses from contractual changes with no cancellations - debt securities (from Item 140)	-
+ Impairment losses/write backs on property owned for investment (from Item 210)	41
Item 250. Profit (Loss) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity	(742)
Item 260. Net gains (losses) on tangible and intangible assets measured at fair value	1
Item 280. Gains (Losses) on disposal on investments	231
less: Gains (Losses) on disposals on investments in operating lease assets (from Item 280)	(7)
less: Industrial companies	(6)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,619</b>
Income tax for the period	479
Item 300. Tax expense (income) from continuing operations	502
less: Tax expense related to profit from continuing operations of industrial companies	7
+ Other changes and provisions - Tax disputes relating to income tax (interests and sanctions excluded) - (from Item 200 b)	(28)
less: Purchase Price Allocation effect	(1)
<b>NET PROFIT (LOSS)</b>	<b>4,098</b>
Profit (Loss) from non-current assets held for sale after tax	14
Item 320. Profit (Loss) after tax from discontinued operations	14
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,112</b>
Minorities	(216)
Item 340. Minorities' profit (loss) for the period	(216)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>3,896</b>
Purchase Price Allocation effect	(3)
Goodwill impairment	-
Item 270. Goodwill Impairment	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>3,892</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated income statement

(€ million)

	YEAR
	2017
Net interest	10,633
Item 30. Net interest margin	10,298
less: Net interest margin of industrial companies	-
+ Reclassification of interests from impairment losses on loans	334
Dividends and other income from equity investments	638
Item 70. Dividend income and similar revenues	315
less: Dividends from held for trading equity instruments included in item 70	(258)
Item 240. Profit (Loss) of investments - of which: Profit (Loss) of equity investments valued at equity	581
Net fees and commissions	6,695
Item 60. Net fees and commissions	6,392
+ Reclassification of net fees vs. PGAM and PEKAO	442
+ Reclassification of indemnities for the management of non-performing loans	1
+ Reclassification in net commission due to contractual changes	(13)
less: Other administrative expenses - of which: outsourced services for the management of non-performing loans	(139)
+ Other operating income - of which: recovery of costs - commissioni istruttoria veloce (CIV)	12
Net trading income	1,818
Item 80. Gains (Losses) on financial assets and liabilities held for trading	1,075
+ Dividends from held for trading equity instruments (from item 70)	258
+ Gains (Losses) on disposal not realized on Pekao equity stake underlying the Equity-linked Certificates issued by UniCredit S.p.A. (from item 310)	5
Item 90. Fair value adjustments in hedge accounting	57
Item 100. Gains (Losses) on disposal or repurchase of: d) financial liabilities	(1)
+ Gains (Losses) on disposal or repurchase of: b) available-for-sale financial assets (from item 100)	533
less: Gains (Losses) on AFS disposals - Equity instruments - Equity investments - day one profit/loss	(20)
Item 110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss	(91)
Net other expenses/income	156
+ Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	89
Item 220. Other net operating income	1,036
less: Other operating income - of which: recovery of costs	(687)
less: Net write-downs/-backs of tangible operating lease assets (from item 200)	(141)
less: Write-downs on leasehold improvements (on non-separable assets) - No Group	67
less: Other operating income - Other income from invoicing JVs (only with respect to Ubis)	(81)
less: Other administrative expenses - of which: outsourced services for the management of Non-Performing loans - penalties	(12)
less: Reclassification of indemnities for the management of non-performing loans	(1)
+ Result of industrial companies	(146)
less: Integration costs	29
Gains (Losses) on disposals of investments - assets leasing operation (from item 270)	7
<b>OPERATING INCOME</b>	<b>19,941</b>
Payroll costs	(6,905)
Item 180. Administrative costs: a) staff expense	(6,930)
less: Administrative costs: a) staff expenses of industrial companies	11
less: Integration costs	14
Other administrative expenses	(4,385)
Item 180. Administrative costs: b) other administrative expense	(5,139)
less: Administrative costs: b) other administrative expense of industrial companies	24
less: Administrative costs - Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	586
less: Outsourced services for the management of non-performing loans	151
less: Reclassification in net commission due to contractual changes	13
Write-downs on leasehold improvements (on non-separable assets) - No Group	(67)
less: Integration costs	48
Recovery of expenses	760
Item 220. Other net operating income - of which: Operating income - recovery of costs	687
less: other operating income - of which: recovery of costs - commissioni istruttoria veloce (CIV)	(12)
+ Other operating income - Transition revenues from Pekao and Pgam (only with respect to Ubis)	4
+ Other operating income - Other income from invoicing JVs (only with respect to Ubis)	81
Amortisation, depreciation and impairment losses on intangible and tangible assets	(807)
Item 200. Impairment/write-backs on property, plant and equipment	(760)
less: Impairment losses/write backs on property owned for investment	76
less: Net write-downs/-backs of tangible operating lease assets (from item 200)	141
less: Integration costs	25
Item 210. Impairment/write-backs on intangible assets	(407)
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	113
less: Purchase Price Allocation effect	5
<b>Operating costs</b>	<b>(11,338)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>8,603</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)	
YEAR	
	2017
<b>OPERATING PROFIT (LOSS)</b>	<b>8,603</b>
Net impairment losses on loans and provisions for guarantees and commitments	(2,939)
Item 100. Gains (Losses) on disposal and repurchase of: a) loans	(434)
less: Gains (Losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	(89)
Item 130. Net losses/recoveries on impairment: a) loans	(2,091)
less: Reclassification of interests from impairment losses on loans	(334)
Item 130. Net losses/recoveries on impairment: d) other financial assets	6
less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	3
<b>NET OPERATING PROFIT (LOSS)</b>	<b>5,664</b>
Other charges and provisions	(1,064)
Item 190. Net provisions for risks and charges	(509)
less: Provisions for risks and charges of industrial companies	2
+ Administrative costs - contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	(586)
+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	(3)
Surplus on release of integration provision	31
Integration costs	(147)
Integration costs before Purchase Price Allocation effect	(147)
Net income from investments	(305)
Item 130. Net losses/recoveries on impairment: b) available-for-sale financial assets	(335)
+ Gains (Losses) on AFS disposals - Equity instruments - Equity investments - day one profit/loss	20
Item 130. Net losses/recoveries on impairment: c) held-to-maturity investments	6
Impairment losses/write backs on property owned for investment (from item 200)	(76)
Item 240. Profit (Loss) of investments of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity	(5)
Item 250. Gains (Losses) on tangible and intangible assets measured at fair value	(1)
Item 270. Gains (Losses) on disposal of investments	100
less: Gains (Losses) on disposals of investments - assets leasing operation (from item 270)	(7)
less: Industrial companies	(8)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>4,148</b>
Income tax for the period	(609)
Item 290. Tax expense (income) related to profit or loss from continuing operations	(596)
less: Tax expense related to profit from continuing operations of industrial companies	5
less: Reclassification of UPASSMNG - UCI	(16)
less: Purchase Price Allocation effect	(2)
<b>NET PROFIT (LOSS)</b>	<b>3,539</b>
Profit (Loss) from non-current assets held for sale after tax	2,251
Item 310. Profit (Loss) after tax from discontinued operations	2,682
less: Reclassification of net fees vs. PGAM and PEKAO	(426)
less: Gains (Losses) on disposal not realized on Pekao equity stake underlying the Equity-linked Certificates issued by UniCredit S.p.A.	(5)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>5,790</b>
Minorities	(313)
Item 330. Minorities	(313)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>5,477</b>
Purchase Price Allocation effect	(4)
Goodwill impairment	-
Item 260. Impairment of goodwill	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>5,473</b>



## Annex 2 - Fees for annual audits and related services

## UniCredit group 2018 - Deloitte Network

As prescribed by Art.149-duodecies of the Consob Issuers Regulation, the following table gives fees paid in 2018 for services rendered by Deloitte & Touche S.p.A. and firms in its network.

			(€ '000)
SERVICE TYPE	SERVICE PROVIDER	USER	FEES <sup>(1)</sup>
Audit <sup>(2)</sup>	Deloitte & Touche S.p.A.	Parent company - UniCredit S.p.A.	3,543
	Deloitte & Touche S.p.A.	Subsidiaries	1,499
	Deloitte Network	Subsidiaries	16,614
Certification, letters of comfort, etc <sup>(3)</sup>	Deloitte & Touche S.p.A.	Parent company - UniCredit S.p.A.	1,894
	Deloitte & Touche S.p.A.	Subsidiaries	227
	Deloitte Network	Parent company - UniCredit S.p.A.	107
	Deloitte Network	Subsidiaries	5,879
Other services <sup>(4)</sup>	Deloitte & Touche S.p.A.	Parent company - UniCredit S.p.A.	246
	Deloitte & Touche S.p.A.	Subsidiaries	10
	Deloitte Network	Parent company - UniCredit S.p.A.	593
	Deloitte Network	Subsidiaries	5,237
<b>Total</b>			<b>35,849</b>

## Notes:

(1) Excl. VAT and Expenses.

(2) Does not include fees for audits of investment funds.

(3) Mainly: verification services provided to UniCredit S.p.A. (Limited review on 2018 non financial information, Limited review on 2Q 2018 and 3Q 2018 Consolidated Reports for the inclusion of interim net profit in Common Equity Tier 1 Capital, Issuing Comfort Letters concerning bond issues, Signing the Italian tax declaration forms, Supervisory Fees ECB ISA805, Reporting data TLTRO II ISAE3000, Limited Assurance Engagement OBG ISAE3000, Local statutory audit report of foreign branches according to local regulations), other verification services required by regulations/local Supervisory Authority in Germany and Austria.

(4) Mainly: other services provided to UniCredit S.p.A. (Agrees upon procedure on Own Funds, Support to projects "New App Mobile Banking", "MREL Framework and Reporting"); services provided to the subsidiary UniCredit Services S.c.p.A.; support provided to the subsidiary UniCredit Bank AG.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

### Traditional securitisations of Performing and Non-Performing loans

<p>STRATEGIES, PROCESSES AND GOALS:</p>	<p>The initiatives are a part of the Group's strategies, one of the objectives of which is to finance, at competitive rates (and in large amounts), the development of medium and long-term through the disposal of existing "Performing" and "Non-Performing" loan portfolios and also creating eligible securities for refinancing operations with the ECB and/or with third parties (counterbalancing capacity). The main advantages of the transactions can be summarised as follows: - improvement in the matching of asset maturities; - diversification of sources of financing; - broadening of investor base and resulting optimisation of funding cost; - creating counterbalancing capacity. Moreover, securitisation transactions can also be implemented for purposes related to business projects (for better management of assets), corporate restructuring or deleveraging projects.</p>
<p>INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:</p>	<p>UniCredit S.p.A. acts as "Servicer" for almost all transactions concerned for which is Originator. As per the agreements entered into with issuing companies (special purpose vehicles - SPV), servicing consists of performing, on behalf of these companies, administrative, collection and securitised loan collection activities as well as the management of any recovery procedures for impaired loans. Thus, as Servicer, UniCredit S.p.A. is charged with continually tracking cash flows from securitised loans and constantly monitoring their collection, with the assistance of third party companies (especially for the recovery of impaired loans; the company involved is DoBank S.p.A., which operates as an assistant to the Servicer, governed by a special agreement). The Servicer provides the Special Purpose Vehicle (and other counterparties indicated in the servicing agreements) information on the activity performed by, periodically reports that indicate, among other things, the collection and transfer of the income stream sold, the amount of default positions and recoveries completed, overdue installments, etc., with all information broken down in relation to specific transactions. These reports (which are usually quarterly) are periodically checked (if contractually required) by an auditing firm.</p>
<p>ORGANISATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:</p>	<p>From a strategic point of view, Group Finance Department is responsible for central coordination. In this context, the above structure plays: a) in the launch phase of the operation the role of proposer and provides support to the other Bank's Divisions and to the individual Legal Entities in conducting transactions, cooperating with all the other departments (Planning &amp; Capital Management, Group Risk Management, M&amp;A etc.) in identifying the characteristics and the distinctive features of "true sale" securitisations loans in order to achieve the targets set in the Group's Funding Plan and in the Contingency Funding Plan, approved by the Board of Directors, in the ordinary plan of creating counterbalancing capacity, as well as in organisational strategy and business of Top Management. Specific transactions are subject to prior approval by the competent departments of the Holding and of the Originator Bank (during approval, among other things, the structure, costs and impacts in terms of liquidity, counterbalancing capacity, organisational, business and/or any capital relief are discussed and analyzed), and to final approval by the Board of Directors of the Originator Bank; b) in the management phase of the operation, the monitoring role of the securitised portfolios performances and any rating action published by Ratings Agencies, the interactions with the Ratings Agencies in order to submit regular information on portfolios and, more generally, the role of coordination of the Originator Bank to facilitate the solution of events relating to the securitised portfolios (management of actions of payments holidays, downgrading, restructurings, etc.). The Bank has established a special coordination unit (General Ledger &amp; Securitisation Reporting) within the Group Accounting &amp; Regulatory Reporting Department. This unit has been tasked with administrative activities connected to the Servicer and Account Bank related-duties, and to carry out these duties, it works in close cooperation with specific, qualified areas of the Bank (Group Risk Management, Group Finance, Group Legal Advice &amp; Contracts, etc.) and the Group (UniCredit Services S.C.p.A., etc.). It also provides a technical and operational support to network units. The information regarding the monitoring of collections and the performance of the securitised portfolio is periodically submitted to the Servicer's Board of Directors.</p>
<p>HEDGING POLICIES:</p>	<p>By agreement, securitised portfolios can be protected from interest rate risk by means of the Special Purpose Vehicle entering into Interest Rate Swap (IRS) agreements to hedge a fixed-rate portfolio, and Basis Swaps to hedge an indexed rate portfolio. In connection with these swaps, always if required by agreements, related back-to-back swap contracts are entered into between the Swap counterparty and UniCredit S.p.A. as Originator, interfaced in some cases by UniCredit Bank AG.</p>
<p>OPERATING RESULTS:</p>	<p>At the end of December 2018, the operating results related to existing securitisation transactions essentially reflected the performance of underlying portfolios and the resulting cash flows, and obviously are affected by the amount of defaults and prepayments during the period, which, moreover, are in line with the performance seen in other assets of this kind that are not securitised.</p>

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CONSUMER THREE	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Consumer Three S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Counterbalancing capacity	
Type of asset:	Personal loans	
Quality of Asset:	Performing	
Closing date:	04.20.2016	
Nominal Value of disposal portfolio (€) (*):	6,076,877,786	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €50 million for loans renegotiation. Consumer Three also constituted for ABS investors benefit into an eligible entity a cash reserve amount outstanding, at the end of accounting period, for €51.5 million	
Other relevant information:	Self-securitisation	
Rating Agencies:	Moody's/Fitch	
Amount of CDS or other supersenior risk transferred:		
Amount and Condition of tranching:		
. ISIN	IT0005176505	IT0005176513
. Type of security	Senior	Junior
. Class	A	J
. Rating	Aa3/A	Not rated
. Nominal value issued (€) (*)	4,679,100,000	1,397,694,923
. Nominal value at the end of accounting period (€) (*)	4,679,100,000	1,397,694,923

**Note:**

(\*) In the 2018 third quarter an amendment has been performed in order to postpone the revolving period until June 2020. Moreover an extraordinary new transfer has been settled along the 2018 fourth quarter, increasing the nominal value of the disposal portfolio at € 1,999,523,773, the Senior Note nominal value at € 1,664,100,00 and the Junior Note nominal value at € 335,340,954. The Notes Final Maturity Date has been postponed to Decembre 2056. The Cash Reserve Required Amount has decreased from € 60.300.000 to € 51.470.100.

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	LARGE CORPORATE ONE	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Large Corporate ONE S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	-	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Large Corporate Loans	
Quality of Asset:	Performing	
Closing date:	08.13.2013	
Nominal Value of reference portfolio:	278,606,012	
Issued guarantees by the Bank (€):	Senior Notes Guarantee amounting to €304 million	
Issued guarantees by third parties (€):	-	
Bank Lines of Credit:	Interest Shortfall Facility amounting to €11 million	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	The credit line of Interest Shortfall Facility, of the original value of €15 million, was used, online capital for €3.982.507	
Rating Agencies:	Standard & Poor's	
Amount of CDS or other risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0004955776	IT0004955479
. Type of security	Senior	Junior
. Class	A	B
. Rating	BBB	-
. Nominal Value Issued (€)	897,000,000	103,000,000
. Reference Position (€)	250,000,000	28,706,800
. Reference Position at the end of accounting period (€)	250,000,000	28,706,800

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

<b>NAME:</b>	<b>CORDUSIO RMBS UCFIN - SERIE 2006 (EX CORDUSIO RMBS 3 - UBCASA</b>	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A. (ex Banca per la Casa S.p.A.)	
Issuer:	Cordusio RMBS UCFin S.r.l. (ex Cordusio RMBS 3 - UBCasa 1 S.r.l.)	
Servicer:	UniCredit S.p.A.	
Arranger:	UCB AG London Branch	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	11.16.2006	
Nominal Value of disposal portfolio (€):	2,495,969,428	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €14.976 million, which at the end of accounting period is fully reimbursed.	
Other relevant information:	<p>Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €160 million of funds into an eligible entity to maintain its role as an Account Bank; during the year, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid.</p> <p>Moreover UniCredit S.p.A., on 2013, has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.</p>	
Rating Agencies:	Fitch/Moody's/Standard & Poor's	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	IT0004144884	IT0004144892
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	-	AA/Aa3/AA
. Nominal value issued (€)	600,000,000	1,735,000,000
. Nominal value at the end of accounting period (€)	-	272,179,513
. ISIN	IT0004144900	IT0004144934
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	AA/Aa3/A+	A+/Aa3/A+
. Nominal value issued (€)	75,000,000	25,000,000
. Nominal value at the end of accounting period (€)	75,000,000	25,000,000
. ISIN	IT0004144959	IT0004144967
. Type of security	Mezzanine	Junior
. Class	D	E
. Rating	BBB/Baa1/A+	-
. Nominal value issued (€)	48,000,000	12,969,425
. Nominal value at the end of accounting period (€)	48,000,000	12,969,425

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CORDUSIO RMBS SECURITISATION - SERIE 2007		CORDUSIO RMBS SECURITISATION - SERIE 2006 (EX CORDUSIO RMBS 2)	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit Banca S.p.A.		UniCredit Banca S.p.A.	
Issuer:	Cordusio RMBS Securitisation S.r.l.		Cordusio RMBS Securitisation S.r.l. (ex Cordusio RMBS 2 S.r.l.)	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UCB Ag London Branch (ex Bayerische Hypo und Vereinsbank AG, London Branch)		UCB Ag London Branch (ex Bayerische Hypo und Vereinsbank AG, London Branch)	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans		Private Mortgage Loans	
Quality of Asset:	Performing		Performing	
Closing date:	05.22.2007		07.06.2006	
Nominal Value of disposal portfolio (€):	3,908,102,838		2,544,388,351	
Guarantees issued by the Bank:	-		-	
Guarantees issued by Third Parties:	-		-	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €6.253 million, at the end of accounting period that amount is fully reimbursed		UniCredit S.p.A. has granted SPV a subordinated loan of €6.361 million, at the end of accounting period that amount is fully reimbursed	
Other relevant information:	Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €236 million of funds into an eligible entity to maintain its role as an Account Bank; during the year, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.		Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €170 million of funds into an eligible entity to maintain its role as an Account Bank; during the year, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Fitch/Moody's/Standard & Poor's		Fitch/Moody's/Standard & Poor's	
Amount of CDS or other supersenior risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	IT0004231210	IT0004231236	IT0004087158	IT0004087174
. Type of security	Senior	Senior	Senior	Senior
. Class	A1	A2	A1	A2
. Rating	-	-	-	AA/Aa3/AA
. Nominal value issued (€)	703,500,000	2,227,600,000	500,000,000	1,892,000,000
. Nominal value at the end of accounting period (€)	-	-	-	72,290,292
. ISIN	IT0004231244	IT0004231285	IT0004087182	IT0004087190
. Type of security	Senior	Mezzanine	Mezzanine	Mezzanine
. Class	A3	B	B	C
. Rating	A+/Aa3/AA	A+/Aa3/A+	AA/Aa3/A+	BBB+/Ba1/A+
. Nominal value issued (€)	738,600,000	71,100,000	45,700,000	96,000,000
. Nominal value at the end of accounting period (€)	554,353,054	71,100,000	45,700,000	96,000,000
. ISIN	IT0004231293	IT0004231301	IT0004087216	
. Type of security	Mezzanine	Mezzanine	Junior	
. Class	C	D	D	
. Rating	A/Aa3/A+	BBB-/Ba1/BBB	-	
. Nominal value issued (€)	43,800,000	102,000,000	10,688,351	
. Nominal value at the end of accounting period (€)	43,800,000	102,000,000	10,688,351	
. ISIN	IT0004231319	IT0004231327		
. Type of security	Mezzanine	Junior		
. Class	E	F		
. Rating	CCC/Caa1/B-	-		
. Nominal value issued (€)	19,500,000	2,002,838		
. Nominal value at the end of accounting period (€)	19,500,000	2,002,838		

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	BIPCA CORDUSIO RMBS	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A. (ex Bipop Carire, Società per Azioni)	
Issuer:	Capital Mortgage Srl	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A. (ex Bipop Carire, Società per Azioni)	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	12.17.2007	
Nominal Value of disposal portfolio (€):	951,664,009	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €9.514 million. At the end of accounting period it is fully reimbursed.	
Other relevant information:	All securities issued outstanding from 31 December 2010 have been retained by UniCredit S.p.A. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €59 million of funds into an eligible entity to maintain its role as an Account Bank; during the year, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Standard & Poor's/Moody's	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	IT0004302730	IT0004302748
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	AA/Aa3	A+/Aa3
. Nominal value issued (€)	666,300,000	185,500,000
. Nominal value at the end of accounting period (€)	3,888,793	185,500,000
. ISIN	IT0004302755	IT0004302763
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	A+/Aa3	A+/A1
. Nominal value issued (€)	61,800,000	14,300,000
. Nominal value at the end of accounting period (€)	61,800,000	14,300,000
. ISIN	IT0004302797	IT0004302854
. Type of security	Mezzanine	Mezzanine
. Class	D	E
. Rating	BB-/Baa1	B-/Baa3
. Nominal value issued (€)	18,000,000	5,500,000
. Nominal value at the end of accounting period (€)	18,000,000	5,500,000
. ISIN	IT0004302912	
. Type of security	Junior	
. Class	F	
. Rating	-	
. Nominal value issued (€)	250,000	
. Nominal value at the end of accounting period (€)	250,000	

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.



## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	CAPITAL MORTGAGE 2007 - 1	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A. (ex Banca di Roma S.p.A.)	
Issuer:	Capital Mortgage S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	UCB AG (ex Capitalia S.p.A.)	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	05.14.2007	
Nominal Value of disposal portfolio (€):	2,183,087,875	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €37.19 million (as equity).	
Other relevant information:	Tranching based on an original assets portfolio €2,479.4 million, reduced to €2,183.1 million due to checks after closing date. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid funds into an eligible entity (amounting to €155.75 million at 31 December 2016) to maintain its role as Account Bank; during the year, as a result of the contractual amendment and the contextual outsourcing of the role of the Account Bank, the fund was fully repaid.	
Rating Agencies:	S & P/Moody's/Fitch	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	IT0004222532	IT0004222540
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	AA/A3/BBB+	AA/A3/BBB+
. Nominal value issued (€)	1,736,000,000	644,000,000
. Nominal value at the end of accounting period (€)	196,545,059	299,198,536
. ISIN	IT0004222557	IT0004222565
. Type of security	Mezzanine	Junior
. Class	B	C
. Rating	BB/B3/B-	D/Ca/CC
. Nominal value issued (€)	74,000,000	25,350,000
. Nominal value at the end of accounting period (€)	74,000,000	25,350,000

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	F-E MORTGAGES 2005		F-E MORTGAGES SERIES 1-2003		HELICONUS	
Type of securitisation:	Traditional		Traditional		Traditional	
Originator:	UniCredit S.p.A. (ex FinecoBank S.p.A.)		UniCredit S.p.A. (ex Fin-eco Banca ICQ S.p.A.)		UniCredit S.p.A. (ex Fin-eco Banca ICQ S.p.A.)	
Issuer:	F-E Mortgages S.r.l.		F-E Mortgages S.r.l.		Heliconus S.r.l.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A. (ex MCC S.p.A. - Capitalia Gruppo Bancario)		UniCredit S.p.A. (ex MCC S.p.A. - Capitalia Gruppo Bancario)		UniCredit S.p.A. (ex MCC S.p.A. - Capitalia Gruppo Bancario)	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans		Private Mortgage Loans		Private Mortgage Loans	
Quality of Asset:	Performing		Performing		Performing	
Closing date:	04.06.2005		11.27.2003		11.08.2002	
Nominal Value of disposal portfolio	1,028,683,779		748,630,649		408,790,215	
Guarantees issued by the Bank:	-		-		-	
Guarantees issued by Third Parties:	-		-		-	
Bank Lines of Credit:	-		UniCredit S.p.A. issued a credit line for €20 million (jointly with The Royal Bank of Scotland Milan Branch). The amount of line of credit is totally redeemed		UniCredit S.p.A. issued a credit line for €10.22 million. The amount of the credit line is totally redeemed	
Third Parties Lines of Credit:	-		-		-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €15.431 million (as Equity). At the end of accounting period the amount of capital tranche is fully reimbursed		-		-	
Other relevant information:	-		Following the downgrade of Royal Bank of Scotland Plc by Moody's, on 3 August 2012 UniCredit S.p.A. made a reserve of €20 million for the SPV, corresponding to the liquidity line		Following its downgrade by Moody's, on 12 January 2012 UniCredit S.p.A. made a reserve of €10.22 million for the SPV, corresponding to the liquidity line	
Rating Agencies:	S & P/Moody's/Fitch		S & P/Moody's/Fitch		S & P/Moody's/Fitch	
Amount of CDS or other supersenior risk transferred:	-		-		-	
Amount and Conditions of tranching:						
. ISIN	IT0003830418	IT0003830426	IT0003575039	IT0003575070	IT0003383855	IT0003383871
. Type of security	Senior	Mezzanine	Senior	Mezzanine	Senior	Mezzanine
. Class	A	B	A1	B	A	B
. Rating	AA/Aa3/AA	A+/Aa3/AA	AA/Aa3/AA	A+/Aa3/AA	AA/Aa3/AA	- /Aa3/AA
. Nominal value issued (€)	951,600,000	41,100,000	682,000,000	48,000,000	369,000,000	30,800,000
. Nominal value at the end of accounting period (€)	86,154,343	36,863,691	14,682,880	48,000,000	5,457,912	30,800,000
. ISIN	IT0003830434		IT0003575088	IT0003575096	IT0003383939	
. Type of security	Junior		Mezzanine	Junior	Junior	
. Class	C		C	D	C	
. Rating	BBB-/Aa3/A+		A+/Baa1/AA	-	-	
. Nominal value issued (€)	36,000,000		11,000,000	7,630,000	8,990,200	
. Nominal value at the end of accounting period (€)	32,289,365		11,000,000	7,630,000	8,990,200	

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	ARENA NPL ONE	
Type of securitisation:	Self-securitisation	
Originator:	UniCredit SpA (ex UCCMB S.p.A.)	
Issuer:	Arena NPL One S.r.L.	
Servicer:	UniCredit S.p.A.	
Arranger:	UBS	
Target transaction :	Funding	
Type of asset:	Unsecured loans - mortgage loans	
Quality of asset:	Non-Performing	
Closing date:	12.04.2014	
Nominal Value of disposal portfolio (€):	8,460,706,273	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	UniCredit S.p.A. issued a line of Liquidity Facility revolving amounts to €100 million, used for €29.75 million at the end of accounting period.	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	UniCredit S.p.A. has granted SPV a loans facility of €30 million, used for legal expenses and refunded for an amount of €23.9.	
Rating Agencies:	No Rating Agency	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005070120	IT0005070138
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Nominal value issued (€)	304,300,000	913,049,310
. Nominal value at the end of accounting period (€)	0	913,049,310

The "Closing date" is the date when the securitisation transaction was completed, i.e. the date when all contractual documents were signed.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

STRATEGIES, PROCESSES AND GOALS:	<p>The following initiatives were undertaken to allow the Group to improve the management of loan restructuring, also through the innovative use (for this purpose) of securitization. The goal is to facilitate and increase recoveries of the exposures under securitization thanks to:</p> <ul style="list-style-type: none"> <li>- restructuring with long-term industrial logic, focusing on introducing new finance (by third parties) in favour of the debtors sold, with focus on concrete needs and opportunities for the companies involved;</li> <li>- efficient and targeted restructuring and turnaround processes.</li> </ul> <p>Shared acceptance of the economic principles that guide the transactions in question and a strong alignment of the interests between the parties involved, ensures the asset manager's commitment to maximize the value of the said assets, optimising therefore the expected recovery on the junior notes bought by UniCredit S.p.A., through the transferred management of the securitised portfolio.</p>
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	<p>UniCredit S.p.A. does not act as Servicer. The business of servicing is carried out by third parties outside the Group, as per the contracts stipulated with the Special Purpose Vehicle issuing the ABS securities, and involves the administration, encashment, restructuring and collection of securitised loans, on behalf thereof, as well as managing any recovery proceedings on Non-Performing loans. The Servicer of the assets, therefore, has the task, on an ongoing basis, of following the financial flows arising from the securitised loans, constantly monitoring the encashment, also where appropriate making use of third party companies.</p> <p>For each specific transaction, the Servicer provides the Special Purpose Vehicle (in addition to other counterparties as defined in the servicing contracts, including UniCredit S.p.A.) with information on the activities carried out via periodic reports which show, inter alia, the collection and realization of the assigned receivables, the number of defaulted positions and the successfully completed recoveries, the instalments in arrears, restructuring activities, etc. Where contractually provided for, these reports are periodically checked by an independent auditors' firm.</p>
ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	<p>The Servicer provides UniCredit S.p.A. with a series of reports that enable the evaluation and monitoring of the underlying portfolios. Periodically, the performances are also presented in the reference internal Committees.</p>
HEDGING POLICIES:	<p>There are no risk hedging derivatives.</p>
OPERATING RESULTS:	<p>A set of monitoring initiatives has been implemented, focused both on the single company performances and the evolution of the projects as a whole.</p>

# Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

## Operations of securitization of Non-Performing credits

NAME:	SANDOKAN			
Type of securitisation:	Traditional			
Originator:	UniCredit S.p.A.			
Issuer:	Yanez S.r.l.			
Servicer:	Securitisation Services S.p.A.			
Arranger:	Not applicable			
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtors sold, in order to optimise the reimbursement of the securitised portfolio.			
Type of asset:	Corporate loans			
Quality of Asset:	Unlikely to pay + NPL			
Closing date:	08.02.2017	11.21.2017	10.17.2018	12.12.2018
Nominal Value of disposal portfolio:	860,754,418	238,105,754	17,643,656	95,899,237
Net amount of pre-existing writedown/writebacks:	-	-	-	-
Disposal Profit & Loss realised (€):	-	-	-	-
Portfolio disposal price (€):	860,754,418	238,105,754	17,643,656	95,899,237
Guarantees issued by the Bank:	No	No	No	No
Guarantees issued by Third Parties:	No	No	No	No
Bank Lines of Credit :	10,000,000	-	-	-
Third Parties Lines of Credit (€):	No	No	No	No
Other Credit Enhancements (€):	No	No	No	No
Other relevant information:	no	Pending the issuance of new securities in the course of 2019.	Pending the issuance of new securities in the course of 2019.	Pending the issuance of new securities in the course of 2019.
Rating Agencies:	No			
Amount of CDS or other supersenior risk transferred:	-			
Amount and Condition of tranching:				
. ISIN	IT0005273674		IT0005273666	
. Type of security	Senior (*)		Senior (*)	
. Class	AS2		AX	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	07.31.2017		07.31.2017	
. Legal maturity	11.30.2050		11.30.2050	
. Call option	-		-	
. Expected duration (years)	0.5		0.5	
. Rate	4.0%		14.0%	
. Subordinated level	-		Sub AS2	
. Nominal value issued	1,000		1,000	
. Nominal value at the end of accounting period	1,485,681 (**)		3,910 (**)	
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/Banca Finanziaria Internazionale		Banca Finanziaria Internazionale	
. ISIN	IT0005273690		IT0005273708	
. Type of security	Senior (*)		Senior (*)	
. Class	AJ2		B1	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	07.31.2017		07.31.2017	
. Legal maturity	11.30.2050		11.30.2050	
. Call option	-		-	
. Expected duration (years)	0.5		3.10	
. Rate	14.0%		3.0%	
. Subordinated level	Sub AS2, pari passu AX		Sub AS2, AX, AJ2	
. Nominal value issued	1,000		171,520,000	
. Nominal value at the end of accounting period	74,284 (**)		73,847,294.07	
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF		UniCredit Spa	
. ISIN	IT0005273724		IT0005273732	
. Type of security	Senior (*)		Mezzanine (*)	
. Class	B2		C1	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	07.31.2017		07.31.2017	
. Legal maturity	11.30.2050		11.30.2050	
. Call option	-		-	
. Expected duration (years)	3		4.70	
. Rate	7.5%		3.5%	
. Subordinated level	Sub AS2, AX, AJ2, B1		Sub AS2, AX, AJ2, B1, B2	
. Nominal value issued	42,880,000		57,360,000	
. Nominal value at the end of accounting period	18,518,768.89		57,360,000	
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/FR Invest		UniCredit S.p.A.	

## Annex 3 - Securitisation - qualitative tables

continued from previous page

NAME:	SANDOKAN	
	IT0005273740	IT0005273757
. ISIN	IT0005273740	IT0005273757
. Type of security	Mezzanine (*)	Mezzanine (*)
. Class	C2	D1
. Rating	-	-
. Quotation	Not listed	Not listed
. Issue date	07.31.2017	07.31.2017
. Legal maturity	11.30.2050	11.30.2050
. Call option	-	-
. Expected duration (years)	4.60	7.60
. Rate	15.0%	4.0%
. Subordinated level	Sub AS2, AX, AJ2, B1, B2, C1	Sub AS2, AX, AJ2, B1, B2, C1,
. Nominal value issued	14,340,000	126,350,000
. Nominal value at the end of accounting period	14,340,000	126,350,000
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/FR Invest	UniCredit S.p.A.
. ISIN	IT0005273773	IT0005273872
. Type of security	Mezzanine (*)	Junior (*)
. Class	D2	E
. Rating	-	-
. Quotation	Not listed	Not listed
. Issue date	07.31.2017	07.31.2017
. Legal maturity	11.30.2050	11.30.2050
. Call option	-	-
. Expected duration (years)	6.80	10.10
. Rate	19.0%	5%
. Subordinated level	Sub AS2, AX, AJ2, B1, B2, C1,	Sub AS2, AX, AJ2, B1, B2, C1,
. Nominal value issued	6,650,000	441,654,400
. Nominal value at the end of accounting period	6,650,000	441,654,400
. Security subscribers	Celidoria S.a.r.l./Europa Plus SCA SIF/FR Invest	UniCredit S.p.A.
<b>Distribution of securitised assets by area (€):</b>		
Italy	860,757,400	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>TOTAL</b>	<b>860,757,400</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
other governments agencies	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	860,757,400	
Other entities	-	
<b>TOTAL</b>	<b>860,757,400</b>	

**Notes:**

\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitizations: senior, mezzanine and junior exposures.

(\*\*) Additional Subscription Payments due for partially paid notes.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction. In cases where the securities have not yet been issued, the closing date corresponds to the date of sale of the portfolio

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	PILLARSTONE ITALY - PREMUDA	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	Not applicable	
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtor sold, in order to optimise the reimbursement of the securitised portfolio	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	07.14.2016	
Nominal Value of disposal portfolio (€):	\$78,220,999.08 + €31,265,398.23	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€):	-	
Portfolio disposal price (€):	\$78,220,999.08 + €31,265,398.23	
Guarantees issued by the Bank:	no	
Guarantees issued by Third Parties:	no	
Bank Lines of Credit:	no	
Third Parties Lines of Credit (€):	7,000,000	
Other Credit Enhancements (€):	no	
Other relevant information:	no	
Rating Agencies:	no	
Amount of CDS or other supesenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005203937	IT0005203952
. Type of security	Senior (*)	Mezzanine (*)
. Class	A	B
. Rating	Not applicable	Not applicable
. Quotation	Not applicable	Not applicable
. Issue date	07.14.2016	07.14.2016
. Legal maturity	10.20.2030	10.20.2030
. Call option	no	
. Expected duration (years)	5.0	5.0
. Rate	8.50%	2.67%
. Subordinated level	-	Sub A
. Nominal value issued (€)	€2,743,000	\$57,663,000
. Nominal value at the end of accounting period (€)	€1,823,079	\$57,663,000
. Security subscribers	Pall Mall Solution ICAV	UniCredit S.p.A.
. ISIN	IT0005246712	IT0005246761
. Type of security	Mezzanine (*)	Junior (*)
. Class	B	C
. Rating	Not applicable	Not applicable
. Quotation	Not applicable	Not applicable
. Issue date	04.04.2017	04.04.2017
. Legal maturity	10.20.2030	10.20.2030
. Call option	no	
. Expected duration (years)	3.4	3.4
. Rate	3.43%	9.76%
. Subordinated level	Sub A	Sub A,B
. Nominal value issued (€)	€280,000	€2,956,000
. Nominal value at the end of accounting period (€)	€280,000	€2,956,000
. Security subscribers	UniCredit S.p.A.	UniCredit S.p.A.
. ISIN	IT0005204125	IT0005204133
. Type of security	Junior (*)	Junior (*)
. Class	C	C
. Rating	Not applicable	Not applicable
. Quotation	Not applicable	Not applicable
. Issue date	07.14.2016	07.14.2016
. Legal maturity	10.20.2030	10.20.2030
. Call option	no	
. Expected duration (years)	5.0	5.0
. Rate	9.71%	10.69%
. Subordinated level	Sub A,B	Sub A,B
. Nominal value issued (€)	€25,272,000	\$20,558,000
. Nominal value at the end of accounting period (€)	€25,272,000	\$20,558,000
. Security subscribers	UniCredit S.p.A.	UniCredit S.p.A.

Note:  
 (\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.



## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NAME:	PILLARSTONE ITALY - BURGO	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	Not applicable	
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtor sold, in order to optimise the reimbursement of the securitised portfolio.	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	12.10.2015	
Nominal Value of disposal portfolio (€) :	150,646,763	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€):	-	
Portfolio disposal price (€):	150,646,763	
Guarantees issued by the Bank:	No	
Guarantees issued by Third Parties:	No	
Bank Lines of Credit :	No	
Third Parties Lines of Credit (€):	7,000,000	
Other Credit Enhancements (€):	21,998,763	
Other relevant information:	Credit Enhancement is represented by the deferred purchase price (DPP), subordinated to the junior security for the payment, of a convertible loan sold to the vehicle.	
Rating Agencies:	No	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005154809	IT0005154825
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B
. Rating	-	-
. Quotation	Not listed	Not listed
. Issue date	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030
. Call option	Not applicable	
. Expected duration (years)	5.0	5.0
. Rate	8.50%	EUR6M(360) + 200bps
. Subordinated level	-	Sub A
. Nominal value issued (€)	5,423,000	103,043,000
. Nominal value at the end of accounting period (€)	5,423,000	103,043,000
. Security subscribers	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.
. ISIN	IT0005155251	
. Type of security	Junior <sup>(*)</sup>	
. Class	C	
. Rating	-	
. Quotation	Not listed	
. Issue date	12.10.2015	
. Legal maturity	10.20.2030	
. Call option	No	
. Expected duration (years)	5.0	
. Rate	EUR6M(360)+1000bps	
. Subordinated level	Sub A, B	
. Nominal value issued (€)	20,182,000	
. Nominal value at the end of accounting period (€)	20,182,000	
. Security subscribers	UniCredit S.p.A.	

Note:

(\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transaction from previous years

NOME CARTOLARIZZAZIONE:	PILLARSTONE ITALY - RAINBOW	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	Not applicable	
Target transaction:	Innovative structure of securitisation to manage and overcome the temporary difficulties of the debtor sold, in order to optimise the reimbursement of the securitised portfolio.	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	10.12.2015	09.04.2018
Nominal Value of disposal portfolio (€):	74,216,000	16,525,000
Net amount of pre-existing writedown/writebacks:	-	-
Disposal Profit & Loss realised:	-	-
Portfolio disposal price (€):	74,216,000	16,525,000
Guarantees issued by the Bank:	No	
Guarantees issued by Third Parties:	No	
Bank Lines of Credit:	No	
Third Parties Lines of Credit (€):	3,500,000	2,000,000
Other Credit Enhancements:	No	
Other relevant information:	No	The sale of portfolio in April 2018 determined the booking in the Financial Statements of a loan to the vehicle for the same amount, pending the issuance by the latter of new securities. These securities were subsequently issued on 22 January 2019.
Rating Agencies:	No	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005154833	IT0005155103
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B
. Rating	-	-
. Quotation	Non quotato	Non quotato
. Issue date	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030
. Call option	Not applicable	
. Expected duration (years)	5.0	5.0
. Rate	8.50%	EUR6M(360) + 144pb
. Subordinated level	-	Sub A
. Nominal value issued (€)	890,000	16,921,000
. Nominal value at the end of accounting period (€)	890,000	16,921,000
. ISIN	IT0005155111	
. Type of security	Junior <sup>(*)</sup>	
. Class	C	
. Rating	-	
. Quotation	Non quotato	
. Issue date	12.10.2015	
. Legal maturity	10.20.2030	
. Call option	Non applicabile	
. Expected duration (years)	5.0	
. Rate	EUR6M(360)+1000pb	
. Subordinated level	Sub A, B	
. Nominal value issued (€)	56,405,000	
. Nominal value at the end of accounting period (€)	56,405,000	

**Note:**

(\*) The classification of the field "Type of security" refers to Banca d'Italia Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction. In cases where the securities have not yet been issued, the closing date corresponds to the date of sale of the portfolio.

## Annex 3 - Securitisation - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

**Traditional securitisations of Non-Performing loans**

**Transactions from previous years**

NAME:	FINO 1	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A./Arena Npl ONE S.r.l.	
Issuer:	FINO 1 Securitisation S.r.l.	
Servicer:	doBank S.p.A. (Master Servicer and Special Servicer)	
Arranger:	Morgan Stanley International Plc - UniCredit Bank AG	
Target transaction:	UniCredit S.p.A. NPL stock reduction	
Type of asset:	Secured and unsecured loans granted to small and medium enterprises and individuals	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	31 July 2017	
Nominal Value of disposal portfolio (€):	5,376,266,868	
Net amount of pre-existing writedown/writebacks:	890,222,581	
Disposal Profit & Loss realised (€) (*):	-95,911,884	
Portfolio disposal price (€):	794,310,697	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit :	-	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	-	
Other relevant information:	UniCredit S.p.A. holds a credit exposure (Deferred Subscription Prices - DSPs) towards a group of counterparties guarantor of the investor and deriving from the deferment in payment of 60% of the purchase price of the notes by the investor.	
Rating Agencies:	Moody's - DBRS	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005277311	IT0005277337
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	A2 - BBB (high) (sf)	Ba3 - BB (high) (sf)
. Quotation	not listed	not listed
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	not before 07.31.2020	
. Expected duration (years)	2.2	4.1
. Rate	3M Eur + 1.5%	3M Eur + 4%
. Subordinated level	-	SUB A
. Nominal value issued (€)	500,000,000	175,000,000
. Nominal value at the end of accounting period (€)	545,018,500	29,640,000
. ISIN	IT0005277345	IT0005277352
. Type of security	Mezzanine	Junior
. Class	C	D
. Rating	B1 - BB (sf)	-
. Quotation	not listed	not listed
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	not before 07.31.2020	
. Expected duration (years)	4.2	6.8
. Rate	3M Eur + 6%	3M Eur + 12%
. Subordinated level	SUB A-B	SUB A-B-C
. Nominal value issued (€)	69,000,000	50,311,000
. Nominal value at the end of accounting period (€)	40,000,000	50,311,000

**Note:**

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>FINO 2</b>	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A./Arena Npl ONE S.r.l.	
Issuer:	FINO 2 Securitisation S.r.l.	
Servicer:	doBank S.p.A. (Master Servicer and Special Servicer)	
Arranger:	Morgan Stanley International Plc - UniCredit Bank AG	
Target transaction:	UniCredit S.p.A. NPL stock reduction	
Type of asset:	Secured and unsecured loans granted to small and medium enterprises and individuals	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	31 July 2017	
Nominal Value of disposal portfolio (€):	7,840,924,572	
Net amount of pre-existing writedown/writebacks:	821,592,350	
Disposal Profit & Loss realised (€) (*):	-181,439,057	
Portfolio disposal price (€):	640,153,293	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	-	
Other relevant information:	UniCredit S.p.A. holds a credit exposure (Deferred Subscription Prices - DSPs) towards a group of counterparties guarantor of the investor and deriving from the deferment in payment of 60% of the purchase price of the notes by the investor.	
Rating Agencies:	-	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005277378	IT0005277394
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Quotation	Not listed	Not listed
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	-	-
. Expected duration (years)	1.6	3.6
. Rate	3M Eur + 2%	3M Eur + 6%
. Subordinated level	-	SUB A
. Nominal value issued (€)	400,000,000	125,000,000
. Nominal value at the end of accounting period (€)	323,036,000	125,000,000
. ISIN	IT0005277402	IT0005277410
. Type of security	Mezzanine	Junior
. Class	C	D
. Rating	-	-
. Quotation	Not listed	Not listed
. Issue date	07.31.2017	07.31.2017
. Legal maturity	October 2045	October 2045
. Call option	-	-
. Expected duration (years)	4.3	6.2
. Rate	3M Eur + 8%	3M Eur + 12%
. Subordinated level	SUB A-B	SUB A-B-C
. Nominal value issued (€)	75,600,000	39,554,000
. Nominal value at the end of accounting period (€)	75,600,000	39,554,000

**Note:**

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisation - qualitative tables

NAME:	ONIF	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Onif Finance S.r.l.	
Servicer:	Zenith Service S.p.A. (Master Servicer) - Phoenix Asset Management S.p.A. (Special Servicer)	
Arranger:	Morgan Stanley International Plc - UniCredit Bank AG	
Target transaction:	UniCredit S.p.A. NPL stock reduction	
Type of asset:	Secured and unsecured loans granted to large enterprises	
Quality of Asset:	Bad loans (sofferenze)	
Closing date:	26 July 2017	
Nominal Value of disposal portfolio (€):	2,994,149,412	
Net amount of pre-existing writedown/writebacks:	401,928,516	
Disposal Profit & Loss realised (€) (*):	-84,423,445	
Portfolio disposal price net of Lock Box Cash (€):	317,505,071	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit :	2,000,000	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	Cash reserve EUR 700,000	
Other relevant information:	UniCredit S.p.A. holds a credit exposure (Deferred Subscription Prices - DSPs) towards a group of counterparties guarantor of the investor and deriving from the deferment in payment of 60% of the purchase price of the notes by the investor	
Rating Agencies:	No	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005277014	IT0005277022
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Quotation	Not listed	Not listed
. Issue date	07.26.2017	07.26.2017
. Legal maturity	October 2042	October 2042
. Call option	-	-
. Expected duration (years)	2.0	4.5
. Rate	2.00%	5.00%
. Subordinated level	-	SUB A
. Nominal value issued (€)	150,000,000	100,000,000
. Nominal value at the end of accounting period (€)	94,114,323	100,000,000
. ISIN	IT0005277030	
. Type of security	Junior	
. Class	C	
. Rating	-	
. Quotation	Not listed	
. Issue date	07.26.2017	
. Legal maturity	October 2042	
. Call option	-	
. Expected duration (years)	6.7	
. Rate	10.00%	
. Subordinated level	SUB A-B	
. Nominal value issued (€)	79,508,000	
. Nominal value at the end of accounting period (€)	79,508,000	

**Note:**

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Synthetic securitisations of Performing loans

New Transactions 2018

<b>NAME:</b>	<b>Bond Italia 5-bis</b>	
Type of securitisation:	Tranché Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Southern Italy	
Quality of Asset:	Performing	
Closing date:	10.19.2018	
Nominal Value of disposal portfolio (€):	34,217,513	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€) (*):	-	
Portfolio disposal price (€):	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit :	-	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	10.19.2018	10.19.2018
. Legal maturity	08.31.2024	08.31.2024
. Call option	Not applicable	
. Expected duration (years)	-	-
. Rate	Not applicable	Not applicable
. Subordinated level	-	Sub A
. Nominal value issued (€)	32,078,918	2,138,595
. Nominal value at the end of accounting period (€)	31,972,413	2,138,595
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller
<b>Distribution of securitised assets by area (€):</b>		
Italy - Northwest	19,954,627	
- Northeast	7,971,996	
- Central	3,614,396	
- South and Islands	2,676,494	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>TOTAL</b>	<b>34,217,513</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	34,217,513	
Other entities	-	
<b>TOTAL</b>	<b>34,217,513</b>	

Note:

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>Bond del Mezzogiorno 1</b>	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Southern Italy	
Quality of Asset:	Performing	
Closing date:	09.19.2018	
Nominal Value of disposal portfolio (€):	91,922,368	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€) (*):	-	
Portfolio disposal price (€):	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit :	-	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other super-senior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	09.19.2018	09.19.2018
. Legal maturity	02.29.2024	02.29.2024
. Call option	Not applicable	
. Expected duration (years)	-	-
. Rate	-	-
. Subordinated level	-	Sub A
. Nominal value issued (€)	80,432,072	11,490,296
. Nominal value at the end of accounting period (€)	80,111,351	11,490,296
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller
<b>Distribution of securitised assets by area (€):</b>		
Italy - Northwest	-	
- Northeast	-	
- Central	-	
- South and Islands	91,922,368	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>TOTAL</b>	<b>91,922,368</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	91,922,368	
Other entities	-	
<b>TOTAL</b>	<b>91,922,368</b>	

**Note:**

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>Agribond 2</b>	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity 72 months - to small and medium enterprises pertaining to the agriculture sector	
Quality of Asset:	Performing	
Closing date:	09.05.2018	
Nominal Value of disposal portfolio (€):	166,345,749	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€) (*):	-	
Portfolio disposal price (€):	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other super senior risk transferred:	-	
<b>Amount and Condition of tranching:</b>		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	09.05.2018	09.05.2018
. Legal maturity	12.31.2026	12.31.2026
. Call option	Not applicable	
. Expected duration (years)	-	-
. Rate	Not applicable	Not applicable
. Subordinated level	-	Sub A
. Nominal value issued (€)	153,869,818	12,475,931
. Nominal value at the end of accounting period (€)	150,206,037	12,475,931
. Security subscribers	UniCredit S.p.A.	Parzialmente coperto da protection seller
<b>Distribution of securitised assets by area (€):</b>		
Italy - Northwest	24,098,713	
- Northeast	50,764,561	
- Central	20,980,418	
- South and Islands	70,502,058	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>TOTAL</b>	<b>166,345,749</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	166,345,749	
Other entities	-	
<b>TOTAL</b>	<b>166,345,749</b>	

**Note:**

(\*) Amount gross of initial transaction's costs.



## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>Puglia Sviluppo 1</b>	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Apulia	
Quality of Asset:	Performing	
Closing date:	03.31.2017	
Nominal Value of disposal portfolio (€):	21,146,928	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realised (€) (*):	-	
Portfolio disposal price (€):	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	Junior risk partially collateralised	
Bank Lines of Credit :	-	
Third Parties Lines of Credit (€):	-	
Other Credit Enhancements (€):	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Issue date	03.31.2017	03.31.2017
. Legal maturity	12.31.2025	12.31.2025
. Call option	Not applicable	
. Expected duration (years)	-	-
. Rate	Not applicable	Not applicable
. Subordinated level	-	Sub A
. Nominal value issued (€)	19,032,235	2,114,693
. Nominal value at the end of accounting period (€)	7,307,384	2,114,693
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller
<b>Distribution of securitised assets by area (€):</b>		
Italy - Northwest	-	
- Northeast	-	
- Central	-	
- South and Islands	21,146,928	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>TOTAL</b>	<b>21,146,928</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
Other public-sector entities	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	21,146,928	
Other entities	-	
<b>TOTAL</b>	<b>21,146,928</b>	

**Note:**

(\*) Amount gross of initial transaction's costs.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit S.p.A.

**Synthetic securitisations of Performing loans**

**Transactions from previous years**

NAME:	SME Initiative 2017	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Pool of UniCredit's SME loans, concentrated in South of Italy for at least 50%	
Quality of Asset:	Performing	
Closing date:	12.22.2017	
Nominal Value of reference portfolio (€):	460.440.633	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Financial guarantee to hedge the mezzanine and junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Upper Mezzanine
. Class	A	B1
. Rating	-	-
. Issue date	12.22.2017	12.22.2017
. Legal maturity	11.13.2030	11.13.2030
. Call option	Clean-up call, regulatory call, Time call	
. Expected duration	11.13.2030	11.13.2030
. Rate	Not applicable	Not applicable
. Subordinated level	-	Sub A
. Reference Position (€)	395.040.094	2.369.585
. Reference Position at the end of accounting period (€)	197.771.040	2.369.585
. ISIN	Not applicable	Not applicable
. Type of security	Middle Mezzanine	Lower Mezzanine
. Class	B2	B3
. Rating	-	-
. Issue date	12.22.2017	12.22.2017
. Legal maturity	11.13.2030	11.13.2030
. Call option	Clean-up call, regulatory call, Time call	
. Expected duration	11.13.2030	11.13.2030
. Rate	Not applicable	Not applicable
. Subordinated level	Sub A, B1	Sub A, B1, B2
. Reference Position (€)	473.917	11.847.924
. Reference Position at the end of accounting period (€)	473.917	11.847.924
. ISIN	Not applicable	Not applicable
. Type of security	Second Loss	Junior
. Class	C	D
. Rating	-	-
. Issue date	12.22.2017	12.22.2017
. Legal maturity	11.13.2030	11.13.2030
. Call option	Clean-up call, regulatory call, Time call	
. Expected duration	11.13.2030	11.13.2030
. Rate	Not applicable	Not applicable
. Subordinated level	Sub A, B1, B2, B3	Sub A, B1, B2, B3, C
. Reference Position (€)	14.217.509	36.491.605
. Reference Position at the end of accounting period (€)	14.217.509	36.491.605

**Notes:**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kiRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	Finpiemonte 2016	FILSEC 2016		
Type of securitisation:	Tranched Cover	Tranched Cover		
Originator:	UniCredit S.p.A.	UniCredit S.p.A.		
Issuer:	UniCredit S.p.A.	UniCredit S.p.A.		
Servicer:	UniCredit S.p.A.	UniCredit S.p.A.		
Arranger:	UniCredit S.p.A.	UniCredit S.p.A.		
Target transaction:	Credit risk hedging	Credit risk hedging		
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Piemonte	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises located in Liguria		
Quality of Asset:	Performing	Performing		
Closing date:	10.31.2017	10.31.2017		
Nominal Value of reference portfolio (€):	58,000,000	28,000,000		
Issued guarantees by the Bank:				
Issued guarantees by third parties:	Junior risk partially collateralised	Junior risk partially collateralised		
Bank Lines of Credit:	-	-		
Third Parties Lines of Credit:	-	-		
Other Credit Enhancements:	-	-		
Other relevant information:	-	-		
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	No rating agency, use of Supervisory Formula Approach(*)		
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	10.31.2017	10.31.2017	06.16.2017	06.16.2017
. Legal maturity	12.31.2021	12.31.2021	12.31.2021	12.31.2021
. Call option	Not applicable		Not applicable	
. Expected duration	12.31.2021	12.31.2021	12.31.2021	12.31.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	50,750,000	7,250,000	24,500,000	3,500,000
. Reference Position at the end of accounting period (€)	12,590,273	7,209,277	4,121,292	3,500,000

### Notes:

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	BOND ITALIA 5 INV		BOND ITALIA 5 MIX	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises		Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	06.16.2017		06.16.2017	
Nominal Value of reference portfolio (€):	72,447,737		296,985,668	
Issued guarantees by the Bank:				
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee		Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:				
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.16.2017	06.16.2017	06.16.2017	06.16.2017
. Legal maturity	06.30.2022	06.30.2022	06.30.2022	06.30.2022
. Call option	Not applicable		Not applicable	
. Expected duration	06.30.2022	06.30.2022	06.30.2022	06.30.2022
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	67,014,157	5,433,580	278,424,064	18,561,604
. Reference Position at the end of accounting period (€)	42,552,080	5,405,580	102,753,134	18,061,604

**Notes:**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	BOND ITALIA4 MISTO		ARTS MIDCAP5	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	unsecured loans - maturity between 18 and 60 months - to small and medium enterprises		Loans to Mid - Corporates	
Quality of Asset:	Performing		Performing	
Closing date:	12.07.2016		12.02.2016	
Nominal Value of reference portfolio (€):	299.997.840		2.462.951.367	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee		Financial guarantee to hedge the junior risk in the form of pledge on time deposit	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of SFA Approach (*)		No rating agency, use of Standardised Approach (*)	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	12.07.2016	12.07.2016	12.02.2016	12.02.2016
. Legal maturity	06.30.2023	06.30.2023	12.31.2046	12.31.2046
. Call option	Not applicable		Clean-up call, Regulatory Call, Time call	
. Expected duration (years)	06.30.2023	06.30.2023	WAL 3,58Y; time call after 5Y; regulatory call expected Dec 2023	WAL 3,58Y; time call after 5Y; regulatory call expected Dec 2023
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	281.247.975	18.749.865	2.339.951.367	123.000.000
. Reference Position at the end of accounting period (€)	73.478.875	17.653.692	1.165.102.422	117.592.464

**Notes:**

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	ARTS MIDCAP4		AGRIBOND	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Loans to Small and Mid Corporates		Unsecured loans - maturity 72 months - to small and medium enterprises pertaining to the agriculture sector	
Quality of Asset:	Performing		Performing	
Closing date:	06.21.2016		06.30.2015	
Nominal Value of reference portfolio (€):	2,258,505,513		172,000,000	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of pledge on time deposit		Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula		No rating agency, use of Supervisory Formula	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.21.2016	06.21.2016	06.30.2015	06.30.2015
. Legal maturity	01.31.2036	01.31.2036	12.31.2022	12.31.2022
. Call option	Clean-up call, Regulatory Call, Time call			
. Expected duration (years)	WAL 3.8Y; time call after 5Y; regulatory call expected Mar 2024	WAL 3.8Y; time call after 5Y; regulatory call expected Mar 2024	12.31.2022	12.31.2022
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	-
. Reference Position (€)	2,145,505,513	113,000,000	161,256,654	10,743,346
. Reference Position at the end of accounting period (€)	1,045,424,721	112,457,671	63,262,708	10,743,346

**Notes:**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	BOND ITALIA 3 INVESTIMENTI		BOND ITALIA3 MISTO	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	unsecured loans - maturity between 24 and 60 months - to small and medium enterprises		unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	05.14.2016		05.14.2016	
Nominal Value of reference portfolio (€):	99.037.451		166.024.432	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee		Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Standardised Approach (*)		No rating agency, use of Standardised Approach (*)	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	-	-	-	-
. Rating	-	-	-	-
. Issue date	05.14.2016	05.14.2016	05.14.2016	05.14.2016
. Legal maturity	02.28.2022	02.28.2022	02.28.2021	02.28.2021
. Call option	Not applicable		Not applicable	
. Expected duration (years)	02.28.2022	02.28.2022	02.28.2021	02.28.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	-	-	-
. Reference Position (€)	91.609.642	7.427.809	155.647.905	10.376.527
. Reference Position at the end of accounting period (€)	34.969.823	6.657.796	705.052	9.731.009

**Notes:**

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	SARDAFIDI	BOND ITALIA4 INVESTIMENTI	
Type of securitisation:	Tranched Cover	Tranched Cover	
Originator:	UniCredit S.p.A.	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	Credit risk hedging	
Type of asset:	unsecured loans to small and medium enterprises located in Sardinia, originated with the purpose of financing working capital and/or investments	unsecured loans - maturity between 24 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing	Performing	
Closing date:	10.15.2015	12.07.2016	
Nominal Value of reference portfolio (€):	14,472,615	99,999,355	
Issued guarantees by the Bank:	-	-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of pledge on time deposit	Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-	-	
Third Parties Lines of Credit:	-	-	
Other Credit Enhancements:	-	-	
Other relevant information:	-	-	
Rating Agencies:	No rating agency, use of Supervisory Formula	No rating agency, use of Supervisory Formula	
Amount and Conditions of tranching:			
. ISIN	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior
. Class	A	B	A
. Rating	-	-	-
. Issue date	10.15.2016	10.15.2016	12.07.2016
. Legal maturity	06.30.2021	06.30.2021	06.30.2023
. Call option	Not applicable		Not applicable
. Expected duration (years)	06.30.2021	06.30.2021	06.30.2023
. Rate	Not applicable	Not applicable	Not applicable
. Subordinated level	-	-	Sub A
. Reference Position (€)	13,186,160	1,286,455	92,499,404
. Reference Position at the end of accounting period (€)	1,678,983	1,286,455	58,815,895

**Notes:**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.



## Annex 3 - Securitisation - qualitative tables

NAME:	BOND ITALIA1 MISTO		BOND ITALIA2 MISTO	
Type of securitisation:	Tranché Cover		Tranché Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises		Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	06.30.2015		12.31.2015	
Nominal Value of reference portfolio (€):	295,689,323		299,780,540	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee		Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.30.2015	06.30.2015	12.31.2015	12.31.2015
. Legal maturity	12.31.2023	12.31.2023	02.28.2021	02.28.2021
. Call option	Not applicable		Not applicable	
. Expected duration	12.31.2023	12.31.2023	02.28.2021	02.28.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	277,208,740	18,480,583	281,044,256	18,736,284
. Reference Position at the end of accounting period (€)	-	13,603,715	553,751	15,068,845

**Notes:**

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	BOND ITALIA2 INVESTIMENTI		ARTS MIDCAP3	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises		Loans to Mid - Corporates	
Quality of Asset:	Performing		Performing	
Closing date:	12.31.2015		11.21.2015	
Nominal Value of reference portfolio (€):	99.861.218		4.367.226.943	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of personal guarantee		Financial guarantee to hedge the junior risk in the form of pledge on time deposit; Financial guarantee to hedge the mezzanine risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	12.31.2015	12.31.2015	11.21.2015	11.21.2015
. Legal maturity	02.28.2022	02.28.2022	12.31.2030	12.31.2030
. Call option	Not applicable		Clean-up call, regulatory call	
. Expected duration	02.28.2022	02.28.2022	WAL 3,36 regulatory call expected Dec 2022	WAL 3,36 regulatory call expected Dec 2022
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	92.371.627	7.489.591	4.105.194.943	43.672.000
. Reference Position at the end of accounting period (€)	33.470.301	6.854.909	974.411.145	43.672.000
. ISIN			Not applicable	
. Type of security			Junior	
. Class			C	
. Rating			-	
. Issue date			11.21.2015	
. Legal maturity			12.31.2030	
. Rate			Not applicable	
. Subordinated level			Sub A, B	
. Reference Position			218.360.000	
. Reference Position at the end of accounting period			217.428.222	

**Notes:**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	GEPAFIN		ARTS MIDCAP2	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans with maturity > 18 months to corporates located in Umbria		Loans to Mid - Corporates	
Quality of Asset:	Performing		Performing	
Closing date:	03.09.2015		06.12.2015	
Nominal Value of reference portfolio (€):	7.473.980		1.618.022.277	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of pledge on time deposit		Financial guarantee to hedge the junior risk in the form of pledge on time deposit; Financial guarantee to hedge the mezzanine risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula		No rating agency, use of Supervisory Formula	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	03.09.2015	03.09.2015	06.12.2015	06.12.2015
. Legal maturity	12.31.2019	12.31.2019	12.31.2026	12.31.2026
. Call option	Not applicable		Clean-up call, regulatory call	
. Expected duration	12.31.2019	12.31.2019	WAL 2,7 regulatory call expected Sep 2019	WAL 2,7 regulatory call expected Sep 2019
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	6.772.921	701.059	1.504.772.277	32.350.000
. Reference Position at the end of accounting period (€)	-	52.450	96.413.553	32.350.000
. ISIN			Not applicable	
. Type of security			Junior	
. Class			C	
. Rating			-	
. Issue date			06.12.2015	
. Legal maturity			12.31.2026	
. Rate			Not applicable	
. Subordinated level			Sub A, B	
. Reference Position (€)			80.900.000	
. Reference Position at the end of accounting period (€)			80.652.244	

**Notes:**

(\* ) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR) , and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b )) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula , in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	ARTS LEONARDO		BOND ITALIA1 INVESTIMENTI	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	ARTS LEONARDO 2015-1 S.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Project financing Loans and Shipping		Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	06.26.2015		06.30.2015	
Nominal Value of reference portfolio (€):	1,519,889,561		93,593,038	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of pledge on time deposit		Financial guarantee to hedge the junior risk in the form of personal guarantee	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Issue date	06.26.2015	06.26.2015	06.30.2015	06.30.2015
. Legal maturity	2040	2040	02.28.2025	02.28.2025
. Call option	Clean-up call, regulatory call		Not applicable	
. Expected duration	2021	2021	02.28.2025	02.28.2025
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	1,413,497,292	106,392,269	86,573,560	7,019,478
. Reference Position at the end of accounting period (€)	473,710,222	97,495,613	29,434,393	6,631,280

**Notes:**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

NAME:	UNICREDIT MIDCAP 2014	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Highly diversified and granular pool of loans to Small and Medium Enterprises	
Quality of Asset:	Performing	
Closing date:	12.16.2014	
Nominal Value of reference portfolio (€):	1,864,170,543	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of pledge on time deposit; financial guarantee to hedge the mezzanine risk in the form of personal guarantee	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Legal maturity	12.31.2026	12.31.2026
. Subordinated level	-	Sub A
. Reference Position (€)	1,715,036,900	37,133,644
. Reference Position at the end of accounting period (€)	91,030,575	37,133,644
. ISIN	Not applicable	
. Type of security	Junior	
. Class	C	
. Rating	-	
. Legal maturity	12.31.2026	
. Subordinated level	Sub A, B	
. Reference Position (€)	112,000,000	
. Reference Position at the end of accounting period (€)	111,967,259	

**Notes:**

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>CONFIDIMPRESA TRENINO E COOPERATIVA ARTIGIANA DI GARANZIA DELLA PROVINCIA DI TRENTO</b>	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Loans to small and medium enterprises	
Quality of Asset:	Performing	
Closing date:	06.30.2014	
Nominal Value of reference portfolio (€):	10,540,000	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior risk in the form of pledge on time deposit	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	The Consortia guarantee hedges the 95% of the Junior tranche and the tranche is equal to €665,694.	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount and Conditions of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Legal maturity	03.31.2020	03.31.2020
. Subordinated level	-	Sub A
. Reference Position (€)	9,874,316	665,694
. Reference Position at the end of accounting period (€)	125,107	602,165

**Notes**  
 (\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

### ORIGINATOR: UniCredit Leasing S.p.A.

STRATEGIES, PROCESSES AND GOALS:	The main reasons for these transactions are: improve asset allocation, diversification of funding sources and improve Regulatory Ratios.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	Each portfolio is monitored on an ongoing basis and is described in monthly and quarterly reports (required by the agreements) with a breakdown of loans by status and the trend of repayments.
ORGANISATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	Coordination Structure was set up in the Accounts Department. The Board of Directors is provided with a report with a breakdown of repayments and the status of loans.
HEDGING POLICIES:	The Special Purpose Vehicle bought IRSs as fair value hedge and Basis Swaps as Cash flow hedge (and related back to back between Originator and Counterparty).
OPERATING RESULTS:	Repayments are in line with the schedule provided on issue (business plan) such that the equity tranche yield (including extra spread) is in line with expected yield on investments with similar risk level.

### Transactions from previous periods

<b>NAME:</b>	<b>LSV9 - SERIE 2016</b>	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing S.p.A.	
Issuer:	Locat SV S.r.l	
Servicer:	UniCredit Leasing S.p.A.	
Arranger:	UniCredit Bank AG London Branch	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Leasing loans bearing car, capital goods and real estate.	
Quality of Asset:	Performing	
Closing date:	11.11.2016	
Nominal Value of disposal portfolio (€):	3,784,088,049	
Net amount of preextinting writedown/writebacks:	-	
Disposal Profit & Loss realised:	-	
Portfolio disposal price (€):	3,784,088,049	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit Leasing S.p.A. has granted SPV a subordinated loan of 40 million euro	
Other relevant information:	Self - securitisation (No Revolving)	
Rating Agencies:	Moody's/DBRS	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005219578	IT0005219586
. Type of security	Senior	Junior
. Class	A	B
. Rating	A1/A (high)	-
. Quotation	Dublin	Dublin
. Issue date	11.14.2016	11.14.2016
. Legal maturity	12.12.2042	12.12.2042
. Call option	Clean-up call	
. Expected duration (years)	3.14	-
. Rate	Euribor 3m + 130bps	Euribor 3m + 500 bps
. Subordinated level	-	Sub A
. Nominal value issued (€)	2,667,800,000	1,116,288,048
. Nominal value at the end of accounting period (€)	1,413,717,375	1,116,288,048

## Annex 3 - Securitisation - qualitative tables

### ORIGINATOR: UniCredit Bank AG

STRATEGIES, PROCESSES AND GOALS:	The main motivation for the Bank's securitisation programs is the Capital relief and Funding for True Sale Transactions.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	Each portfolio is monitored by the servicing department on an ongoing basis and it is illustrated in the form of quarterly report (investor report), which provides a breakdown of the status of loans.
ORGANISATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	The Board Members approve each new transaction and any other related decision and they are informed on the expected performances and on those in the final balance. The bank's annual/interim report contains information on the bank's own ABS transactions.
HEDGING POLICIES:	For true sale transactions the issuer hedged portfolio's interest rate risks through Interest Rate Swaps.
OPERATING RESULTS:	The results achieved up to the present are broadly in line with expectations; payments received from the portfolio ensured punctual and full payment to security holders and other parties to the transaction.

### Transactions from previous periods

NAME:	ROSENKAVALIER 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Bank AG	
Issuer:	Rosenkavalier 2015 UG	
Servicer:	UniCredit Bank AG	
Arranger:	UniCredit Bank AG (UniCredit Markets & Investment Banking)	
Target transaction:	Liquidity	
Type of asset:	Large Corporate and SME corporate loans	
Quality of Asset:	Performing	
Closing date:	12.18.2015 (restructured on 11.30.2018)	
Nominal Value of disposal portfolio (€):	3,500,000,000	
Net amount of preextinting writedown/writebacks:	-	
Disposal Profit & Loss realised:	-	
Portfolio disposal price (€):	3,500,000,000	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	Transaction executed to create ECB collateral	
Rating Agencies:	Fitch/DBRS	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	DE000A1687E2	DE000A1687F9
. Type of security	Senior	Junior
. Class	A	B
. Rating	A/A	-
. Quotation	Munich	Munich
. Issue date	12.18.2015	12.18.2015
. Legal maturity	08.31.2045	08.31.2045
. Call option	Any payment date	
. Rate	Fixed Coupon 0,35%	Fixed Coupon 3,25%
. Subordinated level	Waterfall Position 1	Waterfall Position 2
. Nominal value issued (€)	2,103,500,000	1,396,500,000
. Nominal value at the end of accounting period (€)	2,103,500,000	1,396,500,000



## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>GELDILUX-TS-2015</b>	
Type of securitisation:	Traditional	
Originator:	UniCredit Bank AG	
Issuer:	Geldilux-TS-2015 S.A. (Luxembourg)	
Servicer:	UniCredit Bank AG	
Arranger:	UniCredit Bank AG (UniCredit Markets & Investment Banking)	
Target transaction:	Liquidity	
Type of asset:	SME corporate loans	
Quality of Asset:	Performing	
Closing date:	07.29.2015	
Nominal Value of disposal portfolio at the end of the accounting period (€):	2,140,400,000	
Net amount of preextinting writedown/writebacks:	-	
Disposal Profit & Loss realised:	-	
Portfolio disposal price (€):	2,140,400,000	
Guarantees issued by the Bank (€):	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	Transaction executed to create ECB collateral. True Sale - Revolving	
Rating Agencies:	Moody's/DBRS	
Amount of CDS or other supesenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	XS1261539610	XS1261582545
. Type of security	Senior	Senior
. Class	A	Liquidity Note
. Rating	Aaa/A	not rated
. Quotation	Luxembourg	Luxembourg
. Issue date	07.29.2015	07.29.2015
. Legal maturity	07.08.2022	04.11.2023
. Call option	Clean-up call	
. Rate	EUR1M (floored to zero) + 50bps	EUR1M + 130bps
. Subordinated level	Waterfall Position 1	Waterfall Position 2
. Nominal value issued (€)	1,830,000,000	22,000,000
. Nominal value at the end of accounting period (€)	1,830,000,000	-
. ISIN	XS1261576810	XS1261577206
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	A2/-	Baa2/-
. Quotation	Luxembourg	Luxembourg
. Issue date	07.29.2015	07.29.2015
. Legal maturity	04.11.2023	04.11.2023
. Call option	Clean-up call	
. Rate	EUR1M + 95bps	EUR1M + 150bps
. Subordinated level	Waterfall Position 3	Waterfall Position 4
. Nominal value issued (€)	84,000,000	36,000,000
. Nominal value at the end of accounting period (€)	-	-
. ISIN	XS1261577628	
. Type of security	Junior	
. Class	D	
. Rating	-	
. Quotation	Luxembourg	
. Issue date	07.29.2015	
. Legal maturity	07.08.2022	
. Call option	Clean-up call	
. Rate	EUR1M (floored to zero) + 300bps	
. Subordinated level	Waterfall Position 5	
. Nominal value issued (€)	310,400,000	
. Nominal value at the end of accounting period (€)	310,400,000	

## Annex 3 - Securitisation - qualitative tables

<b>NAME:</b>	<b>ROSENKAVALIER 2008</b>	
Type of securitisation:	Traditional	
Originator:	UniCredit Bank AG	
Issuer:	Rosenkavalier 2008 GmbH	
Servicer:	UniCredit Bank AG	
Arranger:	UniCredit Bank AG (UniCredit Markets & Investment Banking)	
Target transaction:	Liquidity	
Type of asset:	Mortgage loans	
Quality of Asset:	Performing	
Closing date:	12.12.2008	
Nominal Value of disposal portfolio at the end of the accounting period (€):	3,140,316,084	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	Transaction executed to create ECB collateral	
Rating Agencies:	FITCH/Moody's	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	DE000A0AEDB2	DE000A0AEDC0
. Type of security	Senior	Junior
. Class	A	B
. Rating	A+/A2	-
. Legal maturity	10.31.2058	10.31.2058
. Subordinated level	-	sub A
. Nominal value issued (€)	9,652,700,000	2,293,750,000
. Nominal value at the end of accounting period (€)	2,575,059,189	565,256,895

## Annex 3 - Securitisation - qualitative tables

**ORIGINATOR: UniCredit Bank Austria AG**

### Transactions from previous periods

NAME:	AMADEUS 2015	
Type of securitisation:	Synthetic	
Originator:	UniCredit Bank Austria AG	
Issuer:	-	
Servicer:	UniCredit Bank Austria AG	
Arranger:	UniCredit Bank AG	
Target transaction:	Risk Transfer and RWA relief	
Type of asset:	Loans and Guarantees granted to SMEs	
Quality of Asset:	Performing	
Closing date:	12.21.2015	
Nominal Value of reference portfolio (€):	1,964,785,123 (of which securitised 1,866,545,867, corresponding to 95% of the portfolio)	
Net amount of preexisting writedown/writebacks:	-	
Disposal Profit & Loss realised:	-	
Portfolio disposal price:	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	(*)	
Amount of CDS or other risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Quotation	-	-
. Issue date	12.21.2015	12.21.2015
. Legal maturity	11.30.2028	11.30.2028
. Call option	10% Clean Up Call	10% Clean Up Call
. Expected duration	-	-
. Rate	-	-
. Subordinated level	-	Sub A
. Reference Position (€)	1,731,221,292	41,997,282
. Reference Position at the end of accounting period (€)	414,950,988	41,997,282
. ISIN	Not applicable	
. Type of security	Junior	
. Class	C	
. Rating	-	
. Quotation	-	
. Issue date	12.21.2015	
. Legal maturity	11.30.2028	
. Call option	10% Clean Up Call	
. Expected duration	-	
. Rate	-	
. Subordinated level	Sub A and B	
. Reference Position (€)	93,327,293	
. Reference Position at the end of accounting period (€)	80,114,883	

**Note:**

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by article 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Banca d'Italia.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Annex 3 - Securitisation - qualitative tables

ORIGINATOR: UniCredit Leasing (Austria) GmbH

*Transactions from previous periods*

NAME:	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing (Austria) GMBH	
Issuer:	Success 2015 B.V.	
Servicer:	UniCredit Leasing (Austria) GMBH	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of Asset:	Performing	
Closing date:	11.09.2015	
Nominal Value of disposal portfolio (€):	325,300,000	
Net amount of preexisting writedown/writebacks:	-	
Disposal Profit & Loss realised:	-	
Portfolio disposal price (€):	325,300,000	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements(€):	Subordinated Loan €4,618,000	
Other relevant information:	-	
Rating Agencies:	Fitch & DBRS	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	XS1317727698	XS1317727938
. Type of security	Senior	Junior
. Class	A	B
. Rating	AAA	-
. Quotation	Listed Luxembourg Stock Exchange	Not listed
. Issue date	11.09.2015	11.09.2015
. Legal maturity	10.31.2029	10.31.2029
. Call option	10% clean up call	
. Expected duration (years)	6.0	6.0
. Rate	EUR3M + 0,47%	EUR3M + 2%
. Subordinated level	-	sub A
. Nominal value issued (€)	230,900,000	94,400,000
. Nominal value at the end of accounting period (€)	230,109,754	94,400,000

## Annex 3 - Securitisation - qualitative tables

**ORIGINATOR: UniCredit Bulbank AD**

**Transactions from previous periods**

NAME	EIF JEREMIE	
Type of securitisation:	Synthetic - First loss Portfolio Guarantees	
Originator:	UniCredit Bulbank AD	
Issuer:	European Investment Fund (EIF)	
Servicer:	UniCredit Bulbank AD	
Arranger:	UniCredit Bulbank AD	
Target transaction:	Risk transfer and capital relief	
Type of asset:	Highly diversified and granular pool of UniCredit Bulbank's SME loans	
Quality of Asset:	Performing	
Closing date:	08.15.2011	
Nominal Value of reference portfolio (€):	10,661,375	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	First loss cash collateral EIF	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	0 €	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other risk transferred:		
Amount and Condition of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Reference Position (€)	-	8,528,969
. Reference Position at the end of accounting period (€)	-	8,528,969

**Nota:**

(\*) Synthetic securitization carried out used the Standardized Approach as required under Basel III.

Where there is no eligible external rating, the Bank that holds or guarantees such an exposure may determine the risk weight by applying the "look through" treatment, provided the composition of the underlying pool is known at all times. The unrated most senior position receives the average risk weight of the underlying exposures subject to supervisory review. Where Bank is unable to determine the risk weights assigned to the underlying credit risk exposures, the unrated position must be deducted from regulatory capital.



## Consolidated Financial Statements Certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended

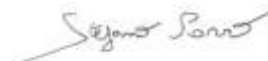
1. The undersigned Jean Pierre Mustier (as Chief Executive Officer) and Stefano Porro (as the Manager Charged with preparing the financial reports) of UniCredit S.p.A., also in compliance with Art.154-bis, (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February 1998, do hereby **certify**:
  - the adequacy in relation to the Legal Entity's features and
  - the actual applicationof the administrative and accounting procedures employed to draw up the 2018 Consolidated Financial Statements.
2. The adequacy of administrative and accounting procedures employed to draw up the 2018 Consolidated Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the "Internal Controls - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and for financial reporting in particular.
3. The undersigned also **certify** that:
  - 3.1 the 2018 Consolidated Financial Statements:
    - a) were prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;
    - b) correspond to the results of the accounting books and records;
    - c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and of the group of companies included in the scope of consolidation;
  - 3.2 the Report on Operations includes a reliable analysis of the operating trend and results, as well as of the situation of the issuer and of the Legal Entities included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Milan - 6 February 2019

Jean Pierre MUSTIER



Stefano PORRO







**INDEPENDENT AUDITOR'S REPORT  
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010  
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of  
UniCredit S.p.A.**

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Opinion**

We have audited the consolidated financial statements of UniCredit S.p.A. and its subsidiaries (the "Group"), which comprise the balance sheet as at December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of UniCredit S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**First time adoption of IFRS 9**

**Description of the  
key audit matter**

The first time adoption, as of January 1 2018, of the International Financial Reporting Standard IFRS 9 "Financial instruments" (hereafter the "Standard"), has led to the classification and measurement of the UniCredit Group financial assets and liabilities according to the new accounting categories envisaged by the Standard and the definition of a new methodology for determining the impairment of the financial assets in scope based on an expected losses model (expected credit losses).

The Group has exercised the option, allowed by the Standard, to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB will complete the project on accounting for macro-hedging.

In addition, the Group has decided to elect the option provided by the Standard not to restate comparative figures of previous year.

As reported in *Part A – Accounting Policies Section 5 – Other matters (Transition to IFRS 9: Financial Instruments of UniCredit Group)* of the notes to the accounts, which reports the information required by International Financial Reporting Standards regarding the first time adoption of the Standard, including the main methodological choices made by the Group, the first application of the Standard determined, at January 1, 2018, a negative effect on the Group's net equity equal to 3,535 million Euro net of tax (3,709 million Euro gross of taxes).

Particularly, the above effect derives:

- from changes in the valuation reserves presented under the line item "110. Revaluation reserves" for a total amount of 304 million Euro net of tax (340 million Euro gross of taxes) related to financial instruments classified in the line item "30. Financial assets at fair value through other comprehensive income" and in the line item "30. Financial liabilities designated at fair value" for the valuation of own credit risk.
- for a negative amount, net of the tax effect, of 3,231 million Euro (3,369 million Euro gross of taxes) from changes in the line item "140. Reserves" attributable to the effects resulting from the reclassification and measurement of financial instruments other than those reported under the line item "30. Financial assets measured at fair value through other comprehensive income" and the calculation of loan loss provisions on credit and off-balance sheet exposures.

These effects were determined as a result of the implementation of the requirements of the new Standard that has significantly affected the various aspects of the Group's internal control system.

In this context, the determination of impairment provisioning of the financial assets according to the expected losses model introduced by the Standard constitutes the result of a complex estimation process that includes numerous subjective variables regarding the criteria used to identify the significant increase in credit risk, that has been used for the purpose of allocating the financial assets in the Standard's different stages, and the definition of the models used for measuring of expected credit losses, using assumptions and parameters which have to take into account current and future macroeconomic information ("forward-looking"), and different scenarios, including for impaired exposures (classified in Stage 3) possible sale scenarios whereas the Group's Non-Performing Asset Strategy foresees the sale on the market as a recovery method.



At January 1<sup>st</sup>, 2018, the Bank has not recognized IRES and IRAP tax assets related to the mentioned impairment on credit exposure (LLPs) because the tax rule applicable at that time required the full deductibility in 2018 and, absent a sufficient taxable income, the sustainability test showed the inability to recover the IRES deferred tax assets associated with tax losses carried forward. The new 2019 Italian Budgetary Law approved in December 2018 envisaged the deductibility of LLPs recognized in FTA on a 10 years horizon (1/10 in 2018 and 9/10 in future periods up to 2027), for both IRES and IRAP purposes. This circumstance has determined the transformation of these DTAs from tax assets related to tax losses carried forward to tax assets related to temporary differences (IRES and IRAP) and, consequently, their recognition in financial statements for an amount determined as a result of the sustainability test carried out coherently with the new tax rules for an amount of 871 million Euro in line item 270. Tax (expenses) income of the year from continuing operations.

In relation to the significance of the above mentioned effects, of the pervasive operational complexities connected to the transition to the Standard and of the inherent subjectivity of the estimation processes adopted by the Management in the valuation of financial assets according to the new impairment methodology, together with the Management analysis aimed at assessing the proper accounting treatment of the tax impact arising from the first time adoption of the Standard, following the change in the applicable tax law, given the absence of specific indications by IAS 12, we have identified the first time adoption of the Standard a Key Audit Matter of the consolidated financial statements of UniCredit Group as at December 31, 2018.

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**Audit procedures performed**

While performing our audit procedures we have preliminarily examined, also supported by IT and credit risks specialists of the Deloitte network, the Group's transition and implementation project with particular reference to the application choices adopted, in order to verify their appropriateness and compliance with the requirements of the Standard, and the related impacts.

The main audit procedures performed were:

- we have obtained and examined the minutes of the Governance and Control Bodies, the approved accounting policies and any other documentation developed and made available, for example: manuals, procedures, project documentation, with particular reference to the areas of interpretation, also through information gathering and interviews with the relevant functions and in-depth analysis with their external consultants;
- we have analyzed the technical-methodological documentation underlying the identification of the Group's business models with particular reference to the classification criteria for financial assets in such business models;
- we have identified and understood the design, of certain key controls, including IT controls, which are driving the classification and evaluation of the Group's financial assets, by verifying the correct implementation and the operational effectiveness;
- we have carried out checks aimed at ascertaining - for certain loans and debt securities - the correctness of the results of the Solely Payments of Principal and Interests test (SPPI) carried out during the first application of the Standard;

- we have analyzed and understood the functioning of the impairment models developed by the Group and verified the reasonableness of the assumptions and parameters used for stage allocation and estimation of expected credit losses, also through the support of the Deloitte network specialists, and we have verified the correctness of the related calculations;
- we have verified the coherence between the information used for calculating expected credit losses and those used in the other main decision-making, budget and assessment processes in place (for example in the goodwill impairment process, multi-period plans, stress test) with particular reference to qualitative and macroeconomic indicators and forward-looking information;
- we have verified the coherence of the information used to calculate the expected credit losses on impaired exposures (stage 3) for which the Group foresees the sale on the market as a recovery method with the Group's Non-Performing Asset Strategy communicated to the European Central Bank ("NPL Strategy");
- we have verified, also with the support of the Deloitte network IFRS specialists, the accounting treatment of the tax impact arising from the first time adoption of the Standard following the enforcement of the new tax law;
- we have verified the tax assets related to temporary differences (IRES and IRAP) arising from the first time adoption of the Standard recoverability, through the analysis of its sustainability test.

Finally, as far as the impact deriving from the first application of the Standard is concerned, we have acquired the details of the relative quantification and verified its mathematical accuracy. We have also verified the compliance and completeness of the information provided in this regard in *Part A - Accounting Policies Section 5 - Other matters (Transition to IFRS 9: Financial Instruments of UniCredit Group)* of the notes to the accounts of the consolidated financial statements of UniCredit Group as at December 31, 2018 in compliance with the requirements of the applicable International Financial Reporting Standards.

### ***Risk of uncorrected classification and valuation of performing customer loans***

#### **Description of the Key Audit Matter**

As represented in the report on operations in the table Loans to customers – Asset Quality, as at December 31, 2018, performing loans to customers, net of writedowns equal to 0.55%, has a carrying value of 456,936 million Euro, of which, as reported in the notes to the accounts *Part B - Balance Sheet - Assets (table 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers)*, loans are equal to 454,500 million Euro.

For the classification of credit exposures in the various homogeneous risk classes, the Group refers to sector regulations, supplemented by the internal rules governing the classification and transfer rules within the various risk categories.

In particular, the allocation of credit exposures in one of the IFRS 9 stages is done at initial recognition, when the exposures is classified at stage 1 and it is periodically reviewed based on "stage allocation" rules depending on a combination of relative and absolute elements as specified in *Part E - Information on risks and hedging policies - paragraph 2.3 Measurement method for expected losses*.



The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 16 – Other Information Impairment* describes the methods used for the impairment of groups of performing loans. In particular, for exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year, while for exposures in stage 2, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure. The notes to the accounts, in the same paragraph, describes the method to calculate the expected credit loss.

Considering the significance of the amount of the performing loans recorded in the consolidated financial statements, the complexity of the estimation processes adopted by the Group which implied an articulated classification activity into homogeneous risk categories and the use of valuation models characterized by numerous variables, including the existence of indicators of possible impairment, we have identified the classification and valuation of performing loans, with particular reference to performing credit portfolios with higher levels of management risk ("watchlist" exposures), as a Key Audit Matter of the consolidated financial statements of UniCredit S.p.A. as at December 31, 2018.

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**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the internal control system and the relative internal regulations concerning to the credit process which included, in particular, the identification of the organizational and procedural safeguards implemented to monitor credit quality as well as the adequacy of the classification according to the provisions of the sector legislation and for the relative assessment in compliance with the applicable accounting standard;
- analysis of the implementation of the procedures and processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures with reference to the most significant changes compared to the data of the previous year, if applicable, also through the obtainment and analysis of the monitoring reports; analysis of the related results with the heads of the departments and related organizational units involved;
- analysis and recalculation of the collective assessment of performing loans;
- analysis and understanding of the main valuation models adopted and verification, on a sample basis, of the reasonableness of the parameters subject to estimation, also used with the support of credit model experts and IT experts belonging to the Deloitte network;
- checks on a sample basis on the classification according to the provisions of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;

- analysis of events occurred after the reference date of the consolidated financial statements.

Finally, we verified the adequacy and compliance of the information provided in the notes to the accounts with respect to the requirements of the applicable accounting standards and the relevant legislation.

### ***Risk of uncorrected classification and valuation of non performing loans (unlikely to pay and bad loans)***

#### **Description of the Key Audit Matter**

As represented in the report on operations in the table Loans to customers – Asset Quality, as at December 31, 2018, non performing loans to customers, net of writedowns equal to 60.98%, has a carrying value of 14,903 million Euro of which, as reported in the notes to the accounts *Part B – Balance Sheet - Assets (table 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers)*, loans are equal to 14,864 million Euro.

In addition, the report on operations, shows that the coverage ratio for bad exposures is equal to 72.64% with a carrying value of 5,787 million Euro, for unlikely to pay is equal to 47.28% with a carrying value of 8,539 million Euro and for non-performing past due is equal to 31.35% with a carrying value of 577 million Euro.

The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 16 – Other Information Impairment* shows that in stage 3, there are impaired exposures corresponding to the aggregate Non-Performing Exposures in accordance with Bank of Italy Circular No.272 of 30 July 2008 and subsequent updates and with the EBA Implementing Technical Standards.

In the same paragraph of the notes to the accounts, it is also described that the assessment of bad exposures and unlikely to pay takes place:

- on an analytical basis, as the difference between the carrying amount and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset;
- through the comparison with coverage levels defined statistically for some credit portfolios below a predefined threshold.

Considering the significance of non performing loans amount recorded in the consolidated financial statements and the complexity of the estimation processes adopted by the Group which implied a complex classification activity into homogeneous risk categories and the use of some variables characterized by a high subjectivity (such as the estimates of expected cash flows, the relative recovery times, the value of any guarantees and the recovery strategies) for the determination of the relative recoverable amount, we have identified the classification of non performing loans and their valuation as a Key Audit Matter of the consolidated financial statements of UniCredit Group as at December 31, 2018.

#### **Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the internal control system as well as the related internal regulations regarding the monitoring of credit quality, the management of impaired loans as well as the adequacy of the



classification according to the provisions of the sector legislation and its assessment in compliance with the applicable accounting principles;

- analysis of the implementation of the procedures and processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures, for each category of non-performing loans, by calculating appropriate hedging indices and comparing them with the data for the previous year, if applicable, also by obtaining and analyzing the monitoring reports, and analysis of the relative results with the heads of departments and the related organizational units involved, in addition to sector data;
- analysis and understanding of the main evaluation models adopted and verification, on a sample basis, of the reasonableness of the parameters to be assessed, also with the support of credit model experts and IT experts belonging to the Deloitte network;
- checks on a sample basis, for each category of non-performing loans, on the classification according to the provisions of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurred after the reference date of the consolidated financial statements.

Finally, we verified the adequacy and compliance of the information provided in the notes to the accounts with respect to the requirements of the applicable accounting standards and the relevant legislation.

#### ***Legal risks related to non-compliance with the economic sanctions imposed by the United States of America ("U.S.") to other countries***

##### **Description of the key audit matter**

As described in the *Part E – Information on risks and hedging policies* of the notes to the accounts, in March 2011 the subsidiary UniCredit Bank AG ("UCB AG") received a subpoena from the District Attorney for New York County ("NYDA") relating to historical transactions involving certain Iranian entities designated by U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). In June 2012, the U.S. Department of Justice opened an investigation of OFAC-related compliance by UCB AG and, more generally, by its subsidiaries.

In this context, UCB AG conducted, with the support of external lawyers, a voluntary investigation of its U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions to other countries, in the course of which certain historical non-transparent practices have been identified. In addition, also UniCredit S.p.A. and its subsidiary UniCredit Bank Austria AG have independently started, with the support of external lawyers, a voluntary investigation of its historical compliance with applicable U.S. financial sanctions and have similarly identified certain historical non-transparent practices.

UniCredit S.p.A. and its subsidiaries continue settlement discussions with the relevant U.S. authorities to find an agreement and come to a resolution of these matters.

The Directors' considerations on this matter are reported in the *Part E - Information on risks and hedging policies* of the notes to the accounts in the paragraph "Financial sanctions matters".

In relation to the complexity of the matter, the uncertainties related to the outcomes of the investigations and the relevance of the economic and financial effects that may occur in connection therewith, we have identified the assessment of legal risks related to non-compliance with US economic sanctions a Key Audit Matter of the consolidated financial statements of the UniCredit Group as at December 31, 2018.

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**Audit procedures performed**

The main audit procedures, performed also with the support of legal experts belonging to the Deloitte network, were:

- analysis and understanding of the internal control system related to the monitoring and management of litigations and any other legal issue;
- analysis and understanding of the process adopted by the legal and the compliance functions to monitor, manage and report to the governance bodies with specific reference to the U.S. economic sanctions;
- periodic meetings with the heads of the legal and the compliance functions and with the external lawyers appointed by the Group;
- analysis of the criteria applied by the banks of the Group for the estimation of provisions for risks and charges accounted for in the consolidated financial statements as at December 31, 2018 with reference to the U.S. economic sanctions matter;
- obtaining and examining written confirmations and opinions prepared by the lawyers appointed by the Group to support the assessments made by the Directors of UniCredit S.p.A. for the purpose of preparing the consolidated financial statements for the year ended December 31, 2018;
- analysis of any significant events occurred after the reference date of the consolidated financial statements.

Finally, we verified the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

**Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements**

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company UniCredit S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

#### **Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of UniCredit S.p.A. has appointed us on May 11, 2012 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of UniCredit S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of UniCredit Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of UniCredit Group as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of UniCredit Group as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

**Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254**

The Directors of UniCredit S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Riccardo Motta**  
Partner

Milan, Italy  
March 8, 2019

*This report has been translated into the English language solely for the convenience of international readers.*





# One Bank, One UniCredit.

2018

Report and Accounts  
of UniCredit S.p.A.

GENERAL MEETING DRAFT

Banking that matters.





# Report and accounts 2018 of UniCredit S.p.A.

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# Maximise commercial bank value.



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

# Introduction and highlights

## Introduction to Report on operations of UniCredit S.p.A.

This Report on operations illustrates the performance of the Parent company and the related amounts and results. It includes financial information such as Highlights, Reclassified accounts and their quarterly figures as well as a comment on the Results of the year.

The information in this report is supported, in order to provide further information about the performance achieved by the company, by some alternative performance indicators ("API") such as: Cost/Income ratio, Net bad loans to customers/Loans to customers, Net Non-Performing loans to customers/Loans to customers.

Although some of this information, including certain APIs, is neither extracted nor directly reconciled with Company Financial Statements, the Report on operations, the Annexes and the Glossary provide explanatory descriptions of the contents and, in case, the calculation methods used, in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015.

For other information required by Law and regulations, refer to the Consolidated report on operations or to the Notes to the accounts of financial statements of UniCredit S.p.A. as better specified below.

Refer to Consolidated report on operations for information relating to:

- Share information - UniCredit share;
- Macroeconomic situation, banking and financial markets;
- qualitative disclosure of Principles of value creation and disciplined capital allocation, Capita ratios for information relating to transitional capital requirements and buffers for UniCredit group and Capital strengthening;
- references of UniCredit official website where can be found Report on corporate governance and ownership structure, Report on remuneration and Non-financial information;
- Research and development projects;
- Group activities development operations and other corporate transactions;
- Significant organisational changes and organisational structure;
- Certifications and other communications;
- Subsequent events;
- Outlook.

For information relating to related-party relations and transactions refer to the Notes to the Accounts - Part H of Company financial statements of UniCredit S.p.A.

For a complete description of risks and uncertainties that the bank has to face in the current market situation refer the Notes to the accounts - Part E of the Company financial statements of UniCredit S.p.A.

## Highlights, alternative performance indicators and other measures

### Income statement

(€ million)

	YEAR		% CHANGE
	2018	2017	
Operating income	10,619	11,773	- 9.8%
of which:			
- net interest	4,166	3,960	+ 5.2%
- dividends and other income from equity investments	2,630	3,808	- 30.9%
- net fees and commissions	3,839	3,798	+ 1.1%
Operating costs	(4,960)	(5,424)	- 8.6%
Operating profit (loss)	5,659	6,349	- 10.9%
Net write-downs on loans and provisions for guarantees and commitments	(1,986)	(2,103)	- 5.6%
Net operating profit (loss)	3,673	4,246	- 13.5%
Profit (Loss) before tax	1,302	6,122	- 78.7%
Net profit (loss)	<b>2,458</b>	<b>6,236</b>	<b>- 60.6%</b>

The figures in this table refer to the reclassified income statement. The amounts related to year 2017 differ from the ones published at that time.

For further details refer to "Reconciliation principles followed for the reclassified income statement". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

## Introduction and highlights

## Balance sheet

(€ million)

	AMOUNTS AS AT		% CHANGE
	12.31.2018	12.31.2017	
Total assets	405,616	404,980	+ 0.2%
Financial assets held for trading	11,834	13,864	- 14.6%
Loans and receivables with customers	222,591	206,546	+ 7.8%
<i>of which: non-performing loans</i>	9,367	13,894	- 32.6%
Financial liabilities held for trading	10,384	13,068	- 20.5%
Deposits from customers and debt securities issued	264,841	262,084	+ 1.1%
<i>of which:</i>			
- deposits from customers	211,872	197,139	+ 7.5%
- debt securities issued	52,969	64,945	- 18.4%
Shareholders' equity	50,836	53,508	- 5.0%

The figures in this table refer to the reclassified balance sheet. The amounts related to year 2017 differ from the ones published at that time. For further details refer to "Reconciliation principles followed for the reclassified balance sheet". In Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

For further details on "non-performing loans" see paragraphs "Loans to customers" and "Credit quality" in this Report on operations.

## Profitability ratios

	YEAR		CHANGE
	2018	2017	
EPS <sup>(1)</sup> (€)	1,070	3,180	- 2,110
Cost/Income ratio <sup>(2)</sup>	46.7%	46.1%	+ 0.6%
ROA <sup>(3)</sup>	0.6%	1.5%	- 0.9%

## Notes:

(1) Earnings per share. For further details refer to Part C - Section 22.

(2) Ratio between operating expenses and operating income.

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

## Risk ratios

	AS AT			% CHANGE ON 12.31.2018/01.01.2018	% CHANGE ON 01.01.2018/12.31.2017
	12.31.2018	01.01.2018	12.31.2017		
Net bad loans to customers/Loans to customers	1.3%	1.6%	2.7%	- 0.3%	- 1.1%
Net non-performing loans to customers/Loans to customers	4.2%	5.6%	6.7%	- 1.4%	- 1.1%

For more details refer to table "Loans to customers - Credit quality" in paragraph "Credit quality" in this Report on operations.

## Introduction and highlights

## Staff and branches

	AS AT		CHANGE
	12.31.2018	12.31.2017	
Employees	35,526	38,952	-3,426
Branches	2,845	3,096	-251
of which:			
- Italy	2,836	3,087	-251
- Other countries	9	9	-

## Transitional capital ratios

	AS AT		CHANGE
	12.31.2018 <sup>(*)</sup>	12.31.2017 <sup>(*)</sup>	
Total own funds (€ million)	56,527	60,332	- 3,805
Total risk-weighted assets (€ million)	204,991	202,121	+ 2,870
<b>Common Equity Tier 1 Capital Ratio</b>	<b>21.65%</b>	<b>22.99%</b>	<b>- 1.3%</b>
<b>Total Capital Ratio</b>	<b>27.58%</b>	<b>29.85%</b>	<b>- 2.3%</b>

## Note:

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

(\*\*) UniCredit S.p.A. has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values shown fully reflect the impact arising from the application of the IFRS9 principle.

For more details see paragraph "Capital and value management - Capital ratios", for more details of this Report on operations.

# Reclassified company accounts

## Reconciliation principles followed for the reclassified balance sheet

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

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

The format of the Reclassified Balance Sheet is different from the one used in the previous financial year following the reclassification/aggregation of item "Provisions for risks and charges" from a separate item to "Other liabilities" and of item "Revaluation Reserves" from a separate item to item "Capital and Reserves". The item "Financial investments" has also been renamed in "Other financial assets" as well as previous item "Deposits from customers and debt securities in issue" is now evidenced in two separate items "Deposits from customers and "Debt securities issued". The comparative periods were restated accordingly.

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

### Reclassified balance sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Cash and cash balances	7,461	25,817	- 18,356	- 71.1%
Financial assets held for trading	11,834	13,864	- 2,030	- 14.6%
Loans to banks	28,635	27,567	+ 1,068	+ 3.9%
Loans to customers	222,591	206,546	+ 16,045	+ 7.8%
Other financial assets	112,294	107,697	+ 4,597	+ 4.3%
Hedging instruments	5,853	6,114	- 261	- 4.3%
Property, plant and equipment	2,246	2,209	+ 37	+ 1.7%
Goodwill	-	-	-	-
Other intangible assets	4	4	-	-
Tax assets	10,704	10,311	+ 393	+ 3.8%
Non-current assets and disposal groups classified as held for sale	117	150	- 33	- 22.0%
Other assets	3,877	4,701	- 824	- 17.5%
<b>Total assets</b>	<b>405,616</b>	<b>404,980</b>	<b>+ 636</b>	<b>+ 0.2%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Deposits from banks	58,995	56,807	+ 2,188	+ 3.9%
Deposits from customers	211,872	197,139	+ 14,733	+ 7.5%
Debt securities issued	52,969	64,945	- 11,976	- 18.4%
Financial liabilities held for trading	10,384	13,068	- 2,684	- 20.5%
Financial liabilities designated at fair value	3,535	2,738	+ 797	+ 29.1%
Hedging instruments	6,295	6,279	+ 16	+ 0.3%
Tax liabilities	2	1	+ 1	+ 100.0%
Liabilities included in disposal groups classified as held for sale	-	-	-	-
Other liabilities	10,728	10,495	+ 233	+ 2.2%
Shareholders' Equity:	50,836	53,508	- 2,672	- 5.0%
- capital and reserves	48,378	47,272	+ 1,106	+ 2.3%
- net profit (loss)	2,458	6,236	- 3,778	- 60.6%
<b>Total liabilities and Shareholders' equity</b>	<b>405,616</b>	<b>404,980</b>	<b>+ 636</b>	<b>+ 0.2%</b>



## Reclassified company accounts

## Reclassified balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2018	09.30.2018	06.30.2018	03.31.2018	12.31.2017	09.30.2017	06.30.2017	03.31.2017
Cash and cash balances	7,461	6,347	4,849	22,951	25,817	20,437	24,093	9,489
Financial assets held for trading	11,834	17,605	16,595	15,877	13,864	17,980	15,794	17,749
Loans to banks	28,635	32,917	26,423	23,699	27,567	23,377	18,268	19,846
Loans to customers	222,591	215,733	220,447	205,697	206,546	207,856	211,148	215,815
Other financial assets	112,294	110,211	107,009	104,160	107,697	101,203	101,729	108,262
Hedging instruments	5,853	5,257	5,869	5,720	6,114	6,510	6,781	7,352
Property, plant and equipment	2,246	2,234	2,244	2,292	2,209	2,267	2,280	2,317
Goodwill	-	-	-	-	-	-	-	-
Other intangible assets	4	4	4	4	4	7	4	4
Tax assets	10,704	9,984	9,818	9,804	10,311	10,961	11,483	12,165
Non-current assets and disposal groups classified as held for sale	117	127	425	93	150	2,316	4,070	7,312
Other assets	3,877	4,084	4,375	3,888	4,701	4,189	4,759	4,503
<b>Total assets</b>	<b>405,616</b>	<b>404,503</b>	<b>398,058</b>	<b>394,185</b>	<b>404,980</b>	<b>397,103</b>	<b>400,409</b>	<b>404,814</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2018	09.30.2018	06.30.2018	03.31.2018	12.31.2017	09.30.2017	06.30.2017	03.31.2017
Deposits from banks	58,995	64,545	64,159	58,899	56,807	55,999	55,868	58,914
Deposits from customers	211,872	207,716	195,995	193,001	197,139	186,467	179,984	183,668
Debt securities issued	52,969	51,115	54,594	60,370	64,945	73,260	78,831	78,434
Financial liabilities held for trading	10,384	12,733	11,612	11,098	13,068	14,191	13,040	14,334
Financial liabilities designated at fair value	3,535	2,900	2,790	2,748	2,738	2,785	2,708	2,665
Hedging instruments	6,295	5,263	6,057	5,877	6,279	6,569	7,087	7,972
Tax liabilities	2	3	2	2	1	2	8	164
Liabilities included in disposal groups classified as held for sale	-	-	234	-	-	-	-	4
Other liabilities	10,728	9,927	10,963	11,320	10,495	10,373	15,114	13,639
Shareholders' Equity:	50,836	50,301	51,652	50,870	53,508	47,457	47,769	45,020
- capital and reserves	48,378	48,377	48,704	50,470	47,272	46,387	46,469	45,009
- net profit (loss)	2,458	1,924	2,948	400	6,236	1,070	1,300	11
<b>Total liabilities and Shareholders' equity</b>	<b>405,616</b>	<b>404,503</b>	<b>398,058</b>	<b>394,185</b>	<b>404,980</b>	<b>397,103</b>	<b>400,409</b>	<b>404,814</b>

# Reclassified company accounts

## Reconciliation principles followed for the reclassified income statement

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

- the inclusion in "Dividends and other income from equity investments" of "Profit (Loss) of equity investments valued at equity" and the exclusion of "Dividends from held for trading equity instruments" which are included in "Net trading income";
- the inclusion among "Net trading income" of net gains (losses) on trading, on hedge accounting, of net gains/losses on the financial assets/liabilities at fair value through profit or loss and of gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income;
- the inclusion in the "Net other operating expenses/income", excluding "Recovery of expenses" which is classified under its own item, the exclusion of the costs for "Write-downs on leasehold improvements" classified among "Other administrative expenses" and inclusion of result of industrial companies;
- presentation of "Payroll costs", "Other administrative expenses", "Amortisation, depreciation and impairment losses on tangible and intangible assets" and "Other charges and Provisions" net of any "Integration costs" relating to the reorganisation operations, classified as a separate item;
- the exclusion from the "Other administrative expenses" of the Contributions to the Resolution Funds (SRF), the Deposit Guarantee Schemes (DGS), the Bank Levies and the Guarantee fees for DTA reclassified in item "Other charges and provision";
- the exclusion from "Amortisation, depreciation and impairment losses on intangible and tangible assets" of property owned for investment and those related to operating lease assets, which are reclassified respectively among "Net income from investments" and "Net other expenses/income";
- the inclusion in "Net income from investments" of write-downs and write-backs on financial assets at amortised cost and at fair value through other comprehensive income - debt securities, gains (losses) on disposal of investments, gains (losses) on tangible and intangible assets measured at fair value as well as gains (losses) on equity investments and on disposal of investments;
- in "Net write-downs on loans and provisions for guarantees and commitments", the inclusion of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income net of debt securities and the inclusion of commitments and financial guarantees given on "Net provisions for risks and charge".

2017 figures were restated following the reclassification of interests from item "Net write-downs on loans and provisions for guarantees and commitments" to item "Net interest" considering:

- the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
- the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.

## Reclassified company accounts

## Reclassified income statement

(€ million)

	YEAR		CHANGE	
	2018	2017	P&L	%
Net interest	4,166	3,960	+ 206	+ 5.2%
Dividends and other income from equity investments	2,630	3,808	- 1,178	- 30.9%
Net fees and commissions	3,839	3,798	+ 41	+ 1.1%
Net trading income	78	302	- 224	- 74.2%
Net other expenses/income	(94)	(95)	+ 1	- 1.1%
<b>OPERATING INCOME</b>	<b>10,619</b>	<b>11,773</b>	<b>- 1,154</b>	<b>- 9.8%</b>
Payroll costs	(2,866)	(3,139)	+ 273	- 8.7%
Other administrative expenses	(2,465)	(2,694)	+ 229	- 8.5%
Recovery of expenses	508	546	- 38	- 7.0%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(137)	(137)	-	-
<b>Operating costs</b>	<b>(4,960)</b>	<b>(5,424)</b>	<b>+ 464</b>	<b>- 8.6%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>5,659</b>	<b>6,349</b>	<b>- 690</b>	<b>- 10.9%</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,986)	(2,103)	+ 117	- 5.6%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,673</b>	<b>4,246</b>	<b>- 573</b>	<b>- 13.5%</b>
Other charges and provisions	(786)	(565)	- 221	+ 39.1%
<i>of which: systemic charges</i>	(384)	(181)	- 203	n.m.
Integration costs	(3)	14	- 17	n.m.
Net income from investments	(1,582)	2,427	- 4,009	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,302</b>	<b>6,122</b>	<b>- 4,820</b>	<b>- 78.7%</b>
Income tax for the period	1,156	30	+ 1,126	n.m.
<b>PROFIT (LOSS) AFTER TAX</b>	<b>2,458</b>	<b>6,152</b>	<b>- 3,694</b>	<b>- 60.0%</b>
Profit (Loss) from non-current assets held for sale after tax	-	84	- 84	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,458</b>	<b>6,236</b>	<b>- 3,778</b>	<b>- 60.6%</b>
Goodwill impairment	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>2,458</b>	<b>6,236</b>	<b>- 3,778</b>	<b>- 60.6%</b>

## Reclassified company accounts

## Reclassified income statement - Quarterly figures

(€ million)

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	1,090	1,076	1,020	980	966	931	1,033	1,030
Dividends and other income from equity investments	36	54	2,393	147	106	2	3,607	93
Net fees and commissions	927	909	1,002	1,001	954	900	994	950
Net trading income	(6)	(19)	14	89	130	76	45	51
Net other expenses/income	(42)	(20)	(20)	(12)	(18)	(24)	(33)	(20)
<b>OPERATING INCOME</b>	<b>2,005</b>	<b>2,000</b>	<b>4,409</b>	<b>2,205</b>	<b>2,138</b>	<b>1,885</b>	<b>5,646</b>	<b>2,104</b>
Payroll costs	(715)	(705)	(717)	(729)	(785)	(779)	(793)	(782)
Other administrative expenses	(621)	(608)	(619)	(617)	(697)	(685)	(657)	(655)
Recovery of expenses	126	128	136	118	170	128	123	125
Amortisation, depreciation and impairment losses on intangible and tangible assets	(38)	(34)	(33)	(32)	(39)	(35)	(32)	(31)
<b>Operating costs</b>	<b>(1,248)</b>	<b>(1,219)</b>	<b>(1,233)</b>	<b>(1,260)</b>	<b>(1,351)</b>	<b>(1,371)</b>	<b>(1,359)</b>	<b>(1,343)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>757</b>	<b>781</b>	<b>3,176</b>	<b>945</b>	<b>787</b>	<b>514</b>	<b>4,287</b>	<b>761</b>
Net write-downs on loans and provisions for guarantees and commitments	(626)	(491)	(535)	(334)	(515)	(490)	(549)	(549)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>131</b>	<b>290</b>	<b>2,641</b>	<b>611</b>	<b>272</b>	<b>24</b>	<b>3,738</b>	<b>212</b>
Other charges and provisions	(223)	(151)	(221)	(191)	(108)	(241)	(76)	(140)
<i>o/w systemic charges</i>	(41)	(96)	(110)	(137)	44	(126)	17	(116)
Integration costs	(1)	(1)	(1)	-	16	(1)	1	(2)
Net income from investments	(330)	(1,182)	(49)	(21)	4,953	(9)	(2,468)	(49)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(423)</b>	<b>(1,044)</b>	<b>2,370</b>	<b>399</b>	<b>5,133</b>	<b>(227)</b>	<b>1,195</b>	<b>21</b>
Income tax for the period	957	20	178	1	(51)	(3)	94	(10)
<b>PROFIT (LOSS) AFTER TAX</b>	<b>534</b>	<b>(1,024)</b>	<b>2,548</b>	<b>400</b>	<b>5,082</b>	<b>(230)</b>	<b>1,289</b>	<b>11</b>
Profit (Loss) from non-current assets held for sale, after tax	-	-	-	-	84	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>534</b>	<b>(1,024)</b>	<b>2,548</b>	<b>400</b>	<b>5,166</b>	<b>(230)</b>	<b>1,289</b>	<b>11</b>
Goodwill impairment	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>534</b>	<b>(1,024)</b>	<b>2,548</b>	<b>400</b>	<b>5,166</b>	<b>(230)</b>	<b>1,289</b>	<b>11</b>

# Results of the year

## Main results and performance for the period

### Introduction

The 2018 net profit (€2,458 million) was affected in the third quarter of the year by the Koc Finansal Hizmetler Istanbul share impairment for -€1,293 million (-€1.319 million as at 31 December 2018) and by the extraordinary positive impact accounted in the fourth quarter of the year for a total amount of €887million related to:

- the recognition through P&L of the temporary differences tax effect (871 million) deriving from the change, due to new Italian Budgetary Law, of the fiscal treatment related to the IFRS9 First Time Adoption on Loan Loss Provisions;
- the effect on IRAP current tax (€16 million) following the adoption of the abovementioned approach.

Excluding these extraordinary elements, during 2018 a net profit of €2,864 million would have been recorded.

In case the positive tax effects related to IFRS9 First Time Adoption would have been recognized through equity, the 2018 net profit (€2,458 million) would have been equal to €1,571 million.

### The income statement

#### Breakdown of operating profit

Net operating profit (loss) at 31 December 2018 totaled €3,673 million, down -€573 million on the previous year. The Operating profit totaled €5,659 million (-€690 million or -10.9% year on year) and net write-downs of loans amounted to -€1,986 million (up +€117 million year-on-year).

The annual decrease in the Operating profit (loss) on December 2017 is attributable to the reduction in Operating income (-€1,154 million) partially offset by the decrease in Operating costs (+€464 million).

#### Net operating profit (loss)

	YEAR		CHANGE	
	2018	2017	P&L	%
<b>OPERATING INCOME</b>	<b>10,619</b>	<b>11,773</b>	<b>- 1,154</b>	<b>- 9.8%</b>
Operating costs	(4,960)	(5,424)	+ 464	- 8.6%
<b>OPERATING PROFIT (LOSS)</b>	<b>5,659</b>	<b>6,349</b>	<b>- 690</b>	<b>- 10.9%</b>
Net write-downs of loans and provisions for guarantees and commitments	(1,986)	(2,103)	+ 117	- 5.6%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,673</b>	<b>4,246</b>	<b>- 573</b>	<b>- 13.5%</b>

#### Operating income

At 31 December 2018, Operating income totaled €10,619 million, down -€1,154 million on the previous year (-9.8%). The decrease was mainly attributable to Dividends and other income from equity investments (-€1,178 million) and Net trading income (-€224 million). Increasing Net Interest (+€206 million) and Net commissions and fees (€41 million).

Net interest at December 2018 amounted to €4,166 million, with an improvement on the previous year (+5.2%).

In 2018 the system continued to be characterised by a compression on loan rates, due to the general presence of liquidity and the particular competitiveness of the market on interest rates. However the increase in corporates and households medium long-term loans volumes and the reduction in cost of funding contributed to the improvement in Net Interest on 2017.

In the fourth quarter 2018, the Bank went on in executing the Yearly Funding Plan carrying out the diversification of the funding mix in order to optimize access to capital market and the relating costs.

In all 2018 quarters, access to medium long term capital market was coherent with the evolution of other sources of liquidity as Institutional Investors or commercial network.

About that, at the end of November the Bank executed successfully a Senior non Preferred issue in USD, amounted to 3 billion. This issue was placed to a principal Institutional Investor under the US GMTN Programme, contributing to increase the amount of eligible instruments to satisfy TLAC requirements, which application is expected for 2019.

In the context of the volatility highlighted by Italian government bonds, especially in the second half of 2018, the cost of funding remained under the expectations at the beginning of the year as regards in terms of the medium long term interest rate spread over Euribor rate paid to Investors.

# Results of the year

Dividends and other income from equity investments recorded in 2018 totaled €2,630 million, down -€1,178 million year on year. The decrease was mainly due to lower dividends distributed in 2018 by UniCredit Bank AG, amounted to +€1,300 million (-€1,705 million compared to 2017), partially offset by UniCredit Bank Austria dividends, amounted to +€379 million.

Net fee and commission income and expense at 31 December 2018 amounted to €3,839 million, increased by +€41 million (+1.1%) year-on-year. This increase was mainly due to current accounts, loans and credit commitments sector (+€92 million). Decrease in Asset management, custody and administration (-€84 million) driven by the lower mutual funds fees.

Net trading income at December 2018 (+€78 million) was essentially attributable to the gains from investment portfolio (+€87 million). In 2018 Net trading income recorded gains from the effects of the exchange rate revaluation of the exposure in USD generated by the issuance of Additional Tier 1 instruments (+€34 million), Certificates and their derivatives (+€54 million) and XVA - Credit, Funding and Debt Value Adjustment (+€28 million). while losses related to valuation of shares in Bank Pekao S.A. and the linked Secured mandatorily exchangeable equity-linked certificate amounted to -€42 million.

Overall, Net trading income decreased by -€224 million compared to the previous year.

The mainly changes in comparison with 2017 are attributable to the following:

- -€207 million due to less gains from Investment Portfolio;
- -€54 million due to losses related to non core portfolio disposals and impairments;
- +€43 million from XVA.

The balance of other operating income and charges at December 2018 amounted to -€94 million, substantially unchanged respect to the result of the same period of the previous year. The main impacts in 2018 are due to charges relating to company activities (compensation, rebates, services provided, recoveries, rents, etc.) totaling -€85 million

## Operating costs

The total of Operating Costs at December 2018 amounted to -€4,960 million, recording a decrease of €464 million (-8.6%) compared to the previous year. Staff expenses, amounted to -€2,866 million, decreased compared to 2017 by approximately €273 million (-8.7%), mainly due to the effect of staff structure reduction.

The change in the staff structure, which in terms of Full Time Equivalent (FTE) stands 34,038 at 31 December 2018, showed a decrease of about 3,097 FTE from the previous year mainly attributable to exits related to Transform plan.

Other administrative expenses in 2018 totaled -€2,465 million, down €229 million (-8.5%) compared to 2017. This decrease was concentrated on credit recovery expenses (-€35 million), on direct costs for consulting (-€32 million), on indirect taxes and duties (-€18 million) mainly for less costs related to stamp duties, and on advertising expenses (-€11 million).

Recovery of expenses, amounting to €508 million, decreased (-€38 million, -7.0%), primarily for less recovery on stamp duties and for credit recovery expenses.

Amortization, depreciation and impairment losses on intangible and tangible assets amounted to -€137 million, flat compared to the previous year.

## Net impairment losses on loans

At the end of December 2018, net write-downs on loans and provisions for guarantees and commitments amounted to -€1,986 million, down €117 (-5.6%) million compared to the previous year. The cost of risk, measured as a ratio of average loans to customers, was equal to 0.93%.

## Net operating profit

Net operating profit (loss) came to +€3,673 million, down -€573 million compared to +€4,246 million in 2017, mainly due to the decrease in Dividends and other income from equity investments versus the previous year, partially offset by the reduction in Operating costs and net write-downs of loans and provisions for guarantees and commitments and Net Interest increase.

# Results of the year

## Net profit (loss)

In the table below, the data showing the transition from operating profit (loss) to net profit (loss) have been reclassified for illustrative purposes.

### Net profit (loss)

(€ million)

	YEAR		CHANGE	
	2018	2017	P&L	%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,673</b>	<b>4,246</b>	<b>- 573</b>	<b>- 13.5%</b>
Other charges and provisions	(786)	(565)	- 221	+ 39.1%
Integration costs	(3)	14	- 17	n.m.
Net income from investments	(1,582)	2,427	- 4,009	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,302</b>	<b>6,122</b>	<b>- 4,820</b>	<b>- 78.7%</b>
Income tax for the period	1,156	30	+ 1,126	n.m.
<b>PROFIT (LOSS) AFTER TAX</b>	<b>2,458</b>	<b>6,152</b>	<b>- 3,694</b>	<b>- 60.0%</b>
Profit (Loss) from non-current assets held for sale after tax	-	84	- 84	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,458</b>	<b>6,236</b>	<b>- 3,778</b>	<b>- 60.6%</b>
Goodwill impairment	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>2,458</b>	<b>6,236</b>	<b>- 3,778</b>	<b>- 60.6%</b>

## Other charges and provisions

Other charges and provisions, amounting to -€786 million, compared to -€565 million in 2017, consider the Deposit Guarantee Scheme (DGS) contribution to Fondo Interbancario di Tutela dei Depositi - FITD (-€81 million), the contribution ordinary and extraordinary to the Single Resolution Fund (-€192 million) and other general provisions for litigations, lawsuits, disputes, incidents and claims in which the Bank is a passive subject.

## Integration costs

Integration costs amounted to -€3 million, substantially attributable to the insourcing of the Shared Service Center.

## Net income (losses) from investments

Net income from investments was -€1,582 million, recording a decrease of -€4,009 million compared to 2017.

The decrease was mainly due to profit on Pioneer sale (+€1,551 million) and write-backs on equity for €1,021 million (of which +€947 million regarding UniCredit Bank Austria, +€293 million regarding UniCredit Bank AG), recorded in 2017.

In addition, in 2018 it was recorded a write-down on equity of -€1,319 million regarding Koc Finansal Hizmetler Istanbul.

Taxes on Income for 2018 reports a positive amount of €1,156 million, showing an increase in comparison with a positive amounts of €30 million in 2017.

During 2018 the following amendments to the tax legislation have been introduced. Specifically:

- Ministerial Decree 10 January 2018 was defined the tax regime applicable to the reclassification of financial assets from IAS39 categories to IFRS9 ones and establishes the full deductibility, for IRES and IRAP purposes, of the higher loan loss provisions determined by the adoption of a valuation criterion based on the expected losses in lieu of the actual losses.
- Law 30 December 2018 No.145 (Budget Law 2019) was introduced the following tax new provisions:
  - the tax effect determined by the IFRS9 first time adoption is spread over a 10-year period for IRES and IRAP purposes;
  - the reversal of convertible DTA on loan loss provision scheduled for 2018 is postponed to 2026;
  - the reversal plan of the convertible DTA on goodwill is re-determined up to 2029, for IRES and IRAP, based on fixed annual percentage, changing from year-to-year, as provided for by the law. No reversal is scheduled for 2018;
  - the Notional Interest Deduction ("ACE") has been repealed starting from 2019.

The postponement of the 2018 reversal of convertible DTA on loan loss provision and on goodwill (as per the second and third bullet above), has not determined a tax burden for UniCredit S.p.A. since the reversal at stake was already monetized in financial year 2017 in connection with the DTA conversion into tax credit performed on the 2016 accounting loss.



# Results of the year

The item Taxes in the reclassified income statement is equal to €1,156 million and is composed by:

- a positive IRES (current and deferred taxes) of €865 million, including +€727 million of DTAs relating to 9/10 of the tax effect of the higher loan loss provisions determined by IFRS9 first time adoption (FTA), deferred to subsequent years;
- a positive IRAP (current and deferred taxes) of €85 million, including +€144 million of DTAs relating to 9/10 of the tax effect of the higher loan loss provisions determined by IFRS9 first time adoption (FTA), deferred to subsequent years;
- tax provision of - €3 million related to the taxation on a transparent basis of controlled foreign companies (CFC);
- non-deductible withholding tax of - €15 million suffered in Italy and abroad;
- net extraordinary income of +€138 million, deriving from the true-up of the 2017 tax accrual following the submission of the 2017 tax return, impacted by the finalization of certain items evaluation which could only be estimated for the 2017 tax accrual and further by the positive responses to the tax rulings submitted to the Italian Revenue Agency on specific tax topics;
- tax accrual referred to foreign branches for an amount equal to -€13 million;
- tax credit deriving from the conversion of the "ACE" benefit into IRAP tax credit for €99 million.

Current IRES shows a tax loss of €91 million. Corresponding DTA on said tax loss, equal to €25 million, have not been accrued, which therefore increases the stock of the out of balance (unrecognized) DTAs on tax losses to a total amount of €3,350 million (already including €34 million tax loss deriving from the incorporation of the subsidiaries PGAM and Buddy Servizi Molecolari). Further, following the sustainability test, which is performed on the 5-year time horizon criterion used at Group level, also considered that the Tax Group shows a negative taxable base, the recognized amount of DTA is equal to €78 million, with no impact on the Income statement according to the international accounting standards.

Current IRAP tax accrual shows a negative amount equal to €63 million.

During 2018, in light of the negative taxable basis for IRES and the availability of tax losses carried forward determining an indefinite postponement of the monetization of the ACE benefit, the corresponding amount of said ACE benefit has been converted into a tax credit for IRAP purposes, as provided for by Law Decree 24 June 2014, No.91 (passed with modification by law 11 August 2014, No.116) prior to the deadline for the payment of the IRAP due for 2017. Therefore, the ACE benefit for 2016, equal to €43 million, and for 2017, equal to €56 million, were converted into a tax credit, determining an extraordinary income in the Income statement, considered that the corresponding DTA on the ACE benefit was impaired being not sustainable.

The IRAP credit will be used over 5 years in equal installments as provided for by the relevant law, with the possibility to carry forward any unused amount upon the fifth year.

## The Balance Sheet

### Loans to Customers

As of 31 December 2018, **loans to customers** totalled €222,591 million, a decrease of €16,045 million (+7.8%) compared to 31 December 2018.

#### Loans and advances to customers

	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Performing loans	179,399	168,762	+ 10,637	+ 6.3%
Repos	33,825	23,890	+ 9,935	+ 41.6%
Non-performing exposures	9,367	13,894	- 4,527	- 32.6%
<b>Total loans and receivables with customers</b>	<b>222,591</b>	<b>206,546</b>	<b>+ 16,045</b>	<b>+ 7.8%</b>

More specifically:

- **performing loans** increased by €10,637 million (+6.3%);
- **reverse repos** recorded an increase of €9,935 million (+41.6%);
- **impaired assets** recorded a decrease of €4,527 million (-32.6%).

**Performing loans** (€179,399 million at 31 December 2018) included €747 million due from Special Purpose Vehicles (SPVs), attributable mainly to liquidity which UniCredit S.p.A., following the downgrading from 2012 by the rating agencies involved in the transactions, had to transfer (based on the contractual documentation signed) to other banks, still considered "eligible", in favor of the SPVs granting loans as part of the transactions originated by UniCredit S.p.A. in relation to securitisations and covered bond issue programmes.

# Results of the year

During 2018 the aforementioned receivables from Special Purpose Vehicle (S.P.V.) fell by -€421 million compared to 31 December 2017. The reduction is due to the normal management of securitization transactions

**Reverse repos** amounted to €33,825 million at 31 December 2018 (€23,890 million at the end of 2017), and consisted almost entirely of transactions with Cassa di Compensazione e Garanzia, with Cassa Depositi e Prestiti and Poste Italiane Spa.

**Impaired loans** at the end of December 2018 amounted to €9,367 million and came to 4.2% of the total amount of loans to customers. They mainly referred to the business segment.

The reduction of 4.527 million (-32.6% compared to 13.894 million at the end of December 2017) is a direct consequence:

- the adoption of the IFRS9 principle (€ 2,427 million);
- the implementation of a new approach in the management and recovery of such loans that focuses on the timeliness of receipts in order to more quickly reduce their stock as envisaged in the new 2016-2019 Strategic Plan approved on 12 December 2016.

## Credit quality

As of 31 December 2018, the face value of the impaired assets totaled €25,507 million, representing 10.6% of total nominal loans to customers down by 13.5% on 1 January 2018 (post adoption of IFRS9 principle). At book value (net of write-downs of €16,140 million), impaired loans stood at €9,367 million at year-end 2018, down compared to €11,467 million at 1 January 2018, representing 4.2% of total loans compared to 5.6% at the beginning of 2018.

The ratio of non-performing loans (at face values) amounted to 5.4% of total loans to customers, 6.9% at 1 January 2018; loans classified as unlikely to pay amounted to 5.0% of total loans (6.4% at 1 January 2018), while impaired past due exposures amounted to 0.19% of total loans (0.24% at 1 January 2018).

The coverage ratio of impaired loans (specific write-downs to face value) came to around 63.3%, up on the 62.0% figure recorded at 1 January 2018 and consisting of 78.4% of non-performing loans, 48.0% of loans classified as unlikely to pay and 34.6% of impaired past due exposures.

Performing loans, which amounted to €214,474 million at face value (€193,548 million at 1 January 2018), were written down, at 31 December 2018, by a total of €1,250 million, with a coverage ratio of 0.6% (0.7% at 1 January 2018).

Overall, therefore, total Loans to customers at 31 December 2018 stood at €239,981 million, with value adjustments of €17,390 million taking the general level of coverage for Loans to Customers to 7.2% (9.0% at 1 January 2018).

The overall reduction in the coverage ratio is substantially due to the contraction of the impact of impaired loans on the aggregate of Loans to customer.

For the management and recovery of problematic loans (non-performing and unlikely to pay), the Bank uses the services offered by doBank S.p.A., a bank specialised in loan recovery.

## Results of the year

The summary table below provides additional details:

## Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL <sup>(*)</sup> NON-PERFORMING	PERFORMING	TOTAL LOANS
<b>As at 12.31.2018</b>						
Gross exposure	13,021	12,023	462	25,507	214,474	239,981
as a percentage of total loans	5.43%	5.01%	0.19%	10.63%	89.37%	
Writedowns	10,210	5,770	160	16,140	1,250	17,390
as a percentage of face value	78.41%	47.99%	34.56%	63.28%	0.58%	
Carrying value	2,811	6,254	302	9,367	213,224	222,591
as a percentage of total loans	1.26%	2.81%	0.14%	4.21%	95.79%	
<b>As at 01.01.2018<sup>(**)</sup></b>						
Gross exposure	15,346	14,272	547	30,165	193,548	223,713
as a percentage of total loans	6.86%	6.38%	0.24%	13.48%	86.52%	
Writedowns	12,107	6,388	202	18,698	1,405	20,103
as a percentage of face value	78.90%	44.76%	37.01%	61.99%	0.73%	
Carrying value	3,239	7,884	344	11,467	192,143	203,610
as a percentage of total loans	1.59%	3.87%	0.17%	5.63%	94.37%	
<b>As at 12.31.2017<sup>(***)</sup></b>						
Gross exposure	17,740	14,388	552	32,679	193,564	226,243
as a percentage of total loans	7.84%	6.36%	0.24%	14.44%	85.56%	
Writedowns	12,101	6,468	216	18,786	911	19,697
as a percentage of face value	68.22%	44.96%	39.16%	57.48%	0.47%	
Carrying value	5,638	7,920	336	13,894	192,653	206,546
as a percentage of total loans	2.73%	3.83%	0.16%	6.73%	93.27%	

## Notes:

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

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

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

## Deposits from customers and debt securities in issue

Deposits from customers and debt securities in issue, totaling €264,841 million (+1.1% year on year), recorded an increase of €2,757 million compared to the end of 2017 due to operating units in Italy for €5,542 million and an decrease attributable to operating units abroad for €2,785 million.

## Deposits from customers and debt securities in issue

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Deposits from customers	211,872	197,139	+ 14,733	+ 7.5%
Debt securities in issue	52,969	64,945	- 11,976	- 18.4%
<b>Total deposits from customers and debt securities in issue</b>	<b>264,841</b>	<b>262,084</b>	<b>+ 2,757</b>	<b>+ 1.1%</b>

Deposits from customers came to €211,872 million, an increase of €14,733 million on the end of 2017.

More specifically:

- current accounts and demand deposits increased by €3,577 million;
- time deposits reduced by €388 million;
- repurchase agreements with customers increased by €12.401 million;
- other types of deposits reduced by €857 million.

Debt securities in issue, equal to €52,969 million, decreased in 2018 for €11,976 million, mainly attributable to operating units in Italy that saw an overall decrease of €9,065 million, driven by bond issues (-€7,875), certificates of deposit (-€118 million) and to "buoni fruttiferi" (-€164 million); certificates of deposit with operating units abroad increased by €2,785 million.

## Results of the year

**Other financial assets**

In 2018 financial investments showed an increase of €4,597 million (+4.3%) resulting from the combination of the changes in financial assets at fair value through other comprehensive income (-€11,408 million), in debt securities at amortised cost (+€16,911 million), in investments in associates and joint ventures (-€1,272 million) and in financial assets at fair value through profit or loss (+€366 million).

**Other financial assets**

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Financial assets at fair value through profit or loss - Other financial assets mandatorily at fair value	3,164	2,798	+ 366	+ 13.1%
Financial assets at fair value through other comprehensive income	46,927	58,335	- 11,408	- 19.6%
Debt securities and loans at amortised cost	19,330	2,419	+ 16,911	n.m.
Equity investments	42,873	44,145	- 1,272	- 2.9%
<b>Total other financial assets</b>	<b>112,294</b>	<b>107,697</b>	<b>+ 4,597</b>	<b>+ 4.3%</b>

More specifically:

- financial assets at fair value through other comprehensive income included €45,271 million in debt and equity securities (decreased by €11,316 million primarily due to sales and redemption of government securities) and €1,656 million in equity interests. Equity interests included in this portfolio posted an annual decrease of €92 million, mainly attributable to:
  - sale of Banca d'Italia quotes (€53 million);
  - sale of Bank of Valletta quotes (€18 million, with a loss for -€3 million);
  - fair value changes, of which ABHH Holding (-€31 million);
- debt securities at amortised cost mainly include government securities;
- the value of equity investments, equal to €42,873 million, decreased by €1,272 million, mainly driven by the combined effects arising from:
  - the write-downs of the investment (of which: Koc Finansal Hizmetler Istanbul -€1.319 million, AO UniCredit Bank -€244 million, Cordusio Sim -€158 million, UniCredit Banka Slovenija D.D. -€17 million, UniCredit Consumer Financing Ifn S.A. -€16 million, UniCredit Bank Austria Credistanstalt Ag -€12 million, Unicredit Turn Around Management Cee Gmbh -€13 million, Unicredit Subito Casa S.p.A. -€1 million, UniCredit Global Leasing Export Gmbh -€1 million, Aviva S.p.A -€6 million, Risanamento S.p.A. -€6 million, Fenice S.r.l. -€2 million);
  - the write-up of the investment (of which: UniCredit Bank Ag €30 million, Mediobanca Banca di Credito Finanziario S.p.A. €28 million, UniCredit International Luxembourg €4 million, Nuova Compagnia di Partecipazioni €2 million);
  - capital increases in Koc Finansal Hizmetler Istanbul (€310 million) and Unicredit Bank S.A. (€150 million).

**Interbank position**

In the fourth quarter of 2018, the Bank went on in executing the Yearly Funding Plan carrying out the diversification of the funding mix in order to exploit all the Group liquidity hubs and enhancing the cost of medium long-term funding.

Along the 2018 quarters, d of December, the access to the debt capital markets has been performed in coherence with the wide range of the other liquidity sources coming from both Institutional Investors and commercial network customers.

To this respect, at the end of November the Bank executed successfully the Senior non Preferred issue US Dollar denominated, for a total amount of USD 3 billion. This issue has been allocated to a primary Institutional Investor as a private placement under the US GMTN Program and it provides a relevant contribution to the compliance towards the TLAC rules expected to enter into in force in 2019.

Finally, in the context of the Italian Governments Bonds volatility particularly relevant in the second half of the year, the cost of funding in 2018 over-performed the expectations in terms of the medium long-term interest rate spread over Euribor rate paid to Investors.

# Results of the year

## Capital and Value Management

### Principles of value creation and disciplined capital allocation

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group which is herewith quoted entirely.

### Capital ratios

#### Transitional own funds and capital ratios

(€ million)

	AS AT	
	12.31.2018 <sup>(*)</sup>	12.31.2017 <sup>(*)</sup>
Common Equity Tier 1 Capital	44,385	46,458
Tier 1 Capital	49,526	51,717
Total own funds	56,527	60,332
Total RWA	204,991	202,121
<b>Common Equity Tier 1 Capital Ratio</b>	<b>21.65%</b>	<b>22.99%</b>
<b>Tier 1 Capital Ratio</b>	<b>24.16%</b>	<b>25.59%</b>
<b>Total Capital Ratio</b>	<b>27.58%</b>	<b>29.85%</b>

**Note:**

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

(\*\*) UniCredit S.p.A. has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values shown fully reflect the impact arising from the application of the IFRS9 principle.

The negative change with respect to 31 December 2017 (about €3.8 billion on Total own funds), in addition to the effects of the first application of new IFRS9 accounting principle and the profit of the period recognised in CET1 capital net of dividends, mainly reflects the negative change on the reserve of capital instruments and debt securities measured at fair value that mainly reflect the trend related to the valuation of Italian government bonds and the impact referred to the maturity/redemption of subordinated instruments classified in Additional Tier 1 Capital and Tier 2 Capital".

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group with specific reference to 2018 transitional capital requirements and buffers for UniCredit group with the exception of what is reported below.

The profit eligible as at 31 December 2018, equal to €2,458 million is recognised in the Own Funds for €1,853 million, resulting after i) the destination, approved by the Board of Director, to dividends for €601 million, correspondent to the 20% of the rectified Group net profit (equal to €3,006 million), excluding the positive extraordinary impact linked to the tax effects deriving from the change of the fiscal treatment related to First Time Adoption of IFRS9 (€887 million) and ii) the social and charity initiatives for €4 million. The net profit 2018 as at 31 December 2018 is included in CET1 capital following the authorization by the competent Authority according to CRR Article 26(2).

### Capital strengthening

Reference is made to the paragraph Capital strengthening of the Consolidated report on operations, which is herewith quoted entirely.

## Results of the year

## Shareholders' Equity

## Shareholders' equity

	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	AMOUNT	%
Share capital	20,940	20,881	+ 59	+ 0.3%
Share premium	13,393	13,400	- 7	- 0.1%
Equity instruments	4,610	4,610	-	-
Reserves	9,940	7,798	+ 2,142	+ 27.5%
Revaluation reserves	(503)	585	- 1,088	n.m.
Treasury shares	(2)	(2)	-	-
<b>Total capital and reserves</b>	<b>48,378</b>	<b>47,272</b>	<b>+ 1,106</b>	<b>+ 2.3%</b>
Net profit (loss)	2,458	6,236	- 3,778	- 60.6%
<b>Total shareholders' equity</b>	<b>50,836</b>	<b>53,508</b>	<b>- 2,672</b>	<b>- 5.0%</b>

Shareholders' Equity at 31 December 2018 amounted to €50,836 million, a decrease of €2,672 million compared to 31 December 2017, attributable to:

- -€ 3,084 million for allocation to equity the reclassification and remeasurement effects resulting from the first time adoption of IFRS9;
- -€7 million for cash settlement adjustment provided for by the mandatory conversion of savings shares, paid through Share premium reserve;
- -€711 million for distribution of dividends from allocation of 2017 net profit, as approved by Shareholders' Meeting of 12 April 2018.
- -€4 million assigned to the charity fund from allocation of 2017 net profit, as approved by Shareholders' Meeting of 12 April 2018.
- -€2 million for the charge to reserve of the expenses related to capital increase (net of taxes);
- +€70 million from the adjustment to the reserve dedicated to Equity Settled Share Based Payments;
- -€242 million from the allocation to the reserves of the coupon paid to subscribers of Additional Tier 1 notes (net of taxes);
- -€93 million due to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes";
- -€19 million for allocation to equity of realized net gains and losses from disposal of financial assets and liabilities at fair value through comprehensive income.
- -€268 million from negative effects deriving from the non-sustainability of the tax benefits connected to the shareholders' equity items;
- -€770 million from the net effect deriving from revaluation reserves, of which: -€837 million from financial assets at fair value through "other comprehensive income; -€34 million from cash flow hedges; €+99 million from financial liabilities designated at fair value through profit or loss, due to changes in their creditworthiness and +€2 million from defined benefit plans;
- +€2,458 million from the profit for the period.

Note the following significant changes occurred in 2018 which, though reflected among the various components of shareholders' equity, did not change the overall amount thereof:

- following the resolutions of the Shareholders' Meeting of 12 April 2018 on allocation of the net profit of the year 2017 occurred: (i) €40 million allocated to the Reserve for the issue of the shares connected to the medium term incentive plan for Group personnel; (ii) +€5,481 million allocated to the Statutory reserve;
- the increase of €59 million in share capital following the resolution of the Board of Directors of 7 February 2018 executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.

# Results of the year

## Shareholders

The share capital, fully subscribed and paid up, amounts to €20,940,398,466.81 divided into No.2,230,176,665 ordinary shares with no face value. As at 31 December 2018, according to the analyses performed using data from heterogeneous sources, including the content of the Register of Shareholders, the documentation relating to the participation in the shareholders' meeting of the Company, communications to CONSOB, public filings available on the market:

- shareholders were approximately 293,000;
- resident shareholders held around 17.01% of the capital and foreign shareholders 82.99%;
- 92.13% of the share capital is held by legal entities, the remaining 7.87% by natural persons.

Also as of that date, the main shareholders, those holding significant shareholdings exceeding 3%, according to communications received in accordance with current legislation, who are not entitled to the exemption from the mandatory communication as set forth under Art.119bis of the Consob Regulation No.11971/99, are:

### Principal UniCredit shareholders

SHAREHOLDER	ORDINARY SHARES	% OWNED
Aabar Luxembourg S.a.r.l.	112,141,192	5.028%

## Treasury shares

The treasury share balance and relevant carrying value remain unchanged from year-end 2017, due to the fact that there were no transactions involving treasury shares in 2018.

The number of treasury shares in portfolio reflects the reverse stock split in preparation for the subsequent capital increase approved by the Extraordinary Shareholders' Meeting of 12 January 2017.



# Company activities

## The commercial network

### Operating structure in Italy

During 2018, UniCredit domestic network was subject to the changes described below:

- closure of 198 branches and opening of 1 branch of Commercial Banking Network;
- partial re-organisation of the Corporate Banking Network;
- sale of the pawn sector.

As a result of the above, the structure of the domestic network at 31 December 2018 consisted of a total of **2,836** units, of which 2,466 belonging to Commercial Banking Network.

At 31 December 2018, following the initiatives described above and a small-scale branch re-organisation resulting from the ongoing optimisation and streamlining process of organisational units, the Italian distribution network was structured as follows.

#### Italian branch network

REGION	NUMBER OF OFFICES	
	AT 12.31.2018	% BREAKDOWN
- Piedmont	296	10.5%
- Valle d'Aosta	15	0.5%
- Lombardy	350	12.3%
- Liguria	51	1.8%
- Trentino Alto Adige	48	1.7%
- Veneto	339	12.0%
- Friuli Venezia Giulia	92	3.2%
- Emilia Romagna	364	12.8%
- Tuscany	120	4.2%
- Umbria	66	2.3%
- Marche	59	2.1%
- Lazio	376	13.3%
- Abruzzo	29	1.0%
- Molise	28	1.0%
- Campania	133	4.7%
- Puglia	107	3.8%
- Basilicata	9	0.3%
- Calabria	22	0.8%
- Sicily	290	10.2%
- Sardinia	42	1.5%
<b>Total branches</b>	<b>2,836</b>	<b>100.0%</b>

### Branches and representatives abroad

At 31 December 2018 UniCredit S.p.A. had nine branches abroad, plus a Permanent Establishment in Vienna and five representative offices:

#### UniCredit S.p.A. international network as at 12.31.2018

BRANCHES	PERMANENT ESTABLISHMENT	REPRESENTATIVE OFFICES
PRC - Shanghai	AUSTRIA - Wien	BELGIUM - Brussels
GERMANY - Munich		BRAZIL - Sao Paulo <sup>(*)</sup>
GERMANY - Munich <sup>(*)</sup>		PRC - Beijing
UNITED KINGDOM - London		INDIA - Mumbai
UNITED STATES - New York		LYBIA - Tripoli
FRANCE - Paris		
SPAIN - Madrid		
UNITED ARAB EMIRATES - Abu Dhabi		

#### Notes:

(\*) Formerly Branch of UniCredit Family and Financing Bank.

(\*\*) Through the subsidiary BAVÁRIA SERVIÇOS DE REPRESENTAÇÃO COMERCIAL LTDA.

# Company activities

## Resources

### Personnel developments

At 31 December 2018, UniCredit S.p.A.'s headcount is No.35,526 compared to No.38,952 at 31 December 2017. The reduction of resource is mainly due to restructuring plan.

#### Category

	12.31.2018		12.31.2017		CHANGE	
	TOTAL	OF WHICH: OUTSIDE ITALY	TOTAL	OF WHICH: OUTSIDE ITALY	IN TOTAL	PERCENT
Senior Management	758	6	855	9	-97	- 11.4%
Management - 3rd and 4th grade	7,257	39	7,885	47	-628	- 8.0%
Management - 1st and 2nd grade	10,992	5	11,905	4	-913	- 7.7%
Other Staff	16,519	10	18,307	14	-1,788	- 9.8%
<b>Total</b>	<b>35,526</b>	<b>60</b>	<b>38,952</b>	<b>74</b>	<b>-3,426</b>	<b>- 8.8%</b>
<i>of which, Part-time staff</i>	5,085	-	5,314	-	-229	- 4.3%

The composition of the workforce by seniority and by age bracket is shown in the following tables. With respect to educational level, 37% of UniCredit S.p.A. employees have university degrees (mostly in the areas of economics and banking, or law). Women make up 46,1% of personnel.

#### Breakdown by seniority

	12.31.2018		12.31.2017		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 10	4,462	12.6%	5,660	14.5%	-1,198	- 21.2%
From 11 to 20 years	13,221	37.2%	12,021	30.9%	+1,200	+ 10.0%
From 21 to 30 years	9,966	28.1%	11,588	29.8%	-1,622	- 14.0%
Over 30	7,877	22.2%	9,683	24.9%	-1,806	- 18.7%
<b>Total</b>	<b>35,526</b>	<b>100.0%</b>	<b>38,952</b>	<b>100.0%</b>	<b>-3,426</b>	<b>- 8.8%</b>

#### Breakdown by age

	12.31.2018		12.31.2017		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 30	1,300	3.7%	1,018	2.6%	+282	+ 27.7%
From 31 to 40 years	6,275	17.7%	7,052	18.1%	-777	- 11.0%
From 41 to 50 years	12,759	35.9%	13,290	34.1%	-531	- 4.0%
Over 50	15,192	42.8%	17,592	45.2%	-2,400	- 13.6%
<b>Total</b>	<b>35,526</b>	<b>100.0%</b>	<b>38,952</b>	<b>100.0%</b>	<b>-3,426</b>	<b>- 8.8%</b>

With regard to training, managerial growth, union relations, environment and occupational safety, refer to the chapter "Human Capital" in the Integrated Report. This document, published on the institutional website, describes how UniCredit creates sustainable value that has a positive impact on society by supporting the advancement of local communities, the competitiveness of enterprises and the well-being of individuals. The Integrated Report of UniCredit constitutes a Non-Financial Statement pursuant to articles 3 and 4 of Legislative Decree 254/2016.

## Other information

### Group activities development operations and other corporate transactions

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group with specific reference to events relating to the parent company UniCredit S.p.A. which is herewith quoted entirely.

### Conversion of tax credits

The 2017 financial year closed with a profit of €6.236 million; therefore, the conditions for carrying out a new transformation of Deferred Tax Assets (DTAs) into tax credits pursuant to Article 2, paragraph 55 of the Decree-Law of 29 December 2010 no 225 were not met.

### Certifications and other communications

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group which is herewith quoted entirely. For more information on related-party transactions refer to Notes to the accounts - Part H.

## Subsequent events and outlook

### Subsequent events <sup>37</sup>

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group with specific reference to events relating to the parent company UniCredit S.p.A. which is herewith quoted entirely.

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<sup>37</sup> Up to the date of approval by the Board of Directors' Meeting of 6 February 2019 which, on the same date, authorised the publication also in accordance with IAS10.

# Subsequent events and outlook

## Outlook

Reference is made to the corresponding paragraph of Consolidated report on operations of UniCredit group which is herewith quoted entirely.

Milan - 6 February 2019

CHAIRMAN  
FABRIZIO SACCOMANNI



THE BOARD OF DIRECTORS

CEO  
JEAN PIERRE MUSTIER



# Adopt lean but steering center.



We have created a lean but steering center to drive Group-wide performance and ensure accountability. Through leaner support functions and transparent cost allocation, we focus on efficiency and simplification.

# Proposal to shareholders' Meeting

For the proposals to Shareholders' Meeting refer to the specific Board of Directors' reports in relation to the allocation of the 2018 result.





# Company accounts

## Balance sheet

(€)

ASSETS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
10. Cash and cash balances	7,460,706,040	25,816,708,377
20. Financial assets at fair value through profit or loss:	14,998,825,205	
a) financial assets held for trading	11,834,351,538	
b) financial assets designated at fair value	351	
c) other financial assets mandatorily at fair value	3,164,473,316	
<i>Financial assets held for trading (ex IAS39 Item 20)</i>		13,863,778,570
<i>Financial assets at fair value through profit or loss (ex IAS39 Item 30)</i>		651,920,173
30. Financial assets at fair value through other comprehensive income	46,926,536,608	
<i>Available-for-sale financial assets (ex IAS39 Item 40)</i>		59,718,169,298
40. Financial assets at amortised cost:	270,556,434,138	
a) loans and advances to banks	30,971,842,243	
b) loans and advances to customers	239,584,591,895	
<i>Held-to-maturity investments (ex IAS39 Item 50)</i>		762,430,874
<i>Loans and receivables with banks (ex IAS39 Item 60)</i>		27,566,760,856
<i>Loans and receivables with customers (ex IAS39 Item 70)</i>		208,965,454,636
50. Hedging derivatives	4,167,319,172	4,399,939,250
60. Changes in fair value of portfolio hedged items (+/-)	1,685,974,892	1,714,488,195
70. Equity investments	42,872,911,676	44,145,484,970
80. Property, plant and equipment	2,246,183,476	2,209,454,955
90. Intangible assets	3,932,839	4,349,513
<i>of which: goodwill</i>	-	-
100. Tax assets:	10,704,290,933	10,310,576,804
a) current	757,454,501	1,660,306,433
b) deferred	9,946,836,432	8,650,270,371
110. Non-current assets and disposal groups classified as held for sale	116,674,288	150,030,667
120. Other assets	3,875,730,081	4,700,353,858
<b>Total assets</b>	<b>405,615,519,348</b>	<b>404,979,900,996</b>

(€)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	
	12.31.2018	12.31.2017
10. Financial liabilities at amortised cost:	323,835,358,883	
a) deposits from banks	58,994,789,432	
b) deposits from customers	211,871,724,249	
c) debt securities in issue	52,968,845,202	
<i>Deposits from banks (ex IAS39 Item 10)</i>		56,807,016,417
<i>Deposits from customers (ex IAS39 Item 20)</i>		197,138,761,654
<i>Debt securities in issue (ex IAS39 Item 30)</i>		64,945,632,171
20. Financial liabilities held for trading	10,383,522,810	
<i>Financial liabilities held for trading (ex IAS39 Item 40)</i>		13,067,880,871
30. Financial liabilities designated at fair value	3,534,518,992	
<i>Financial liabilities at fair value through profit or loss (ex IAS39 Item 50)</i>		2,737,624,598
40. Hedging derivatives	4,525,258,448	4,558,319,891
50. Value adjustment of hedged financial liabilities (+/-)	1,770,149,836	1,720,371,037
60. Tax liabilities:	1,786,328	1,151,624
a) current	1,786,328	1,151,624
b) deferred	-	-
70. Liabilities associated with assets classified as held for sale	-	-
80. Other liabilities	7,617,123,027	7,823,823,206
90. Provision for employee severance pay	629,190,259	828,450,167
100. Provisions for risks and charges:	2,482,620,470	1,843,004,707
a) commitments and guarantees given	491,897,124	
b) post-retirement benefit obligations	90,539,306	77,312,166
c) other provisions for risks and charges	1,900,184,040	1,765,692,541
110. Valuation reserves	(502,666,304)	585,547,375
120. Redeemable shares	-	-
130. Equity instruments	4,610,073,464	4,610,073,464
140. Reserves	9,939,543,149	7,798,689,926
150. Share premium	13,392,918,356	13,399,798,681
160. Share capital	20,940,398,467	20,880,549,802
170. Treasury shares (-)	(2,440,001)	(2,440,001)
180. Profit (Loss) of the year (+/-)	2,458,163,164	6,235,645,406
<b>Total liabilities and shareholders' equity</b>	<b>405,615,519,348</b>	<b>404,979,900,996</b>

## Company accounts

## Income statement

(€)

ITEMS	AS AT	
	12.31.2018	12.31.2017
10. Interest income and similar revenues	5,275,772,261	5,626,643,041
<i>of which: interest income calculated with the effective interest method</i>	5,188,014,031	
20. Interest expenses and similar charges	(1,109,354,399)	(1,915,704,127)
<b>30. Net interest margin</b>	<b>4,166,417,862</b>	<b>3,710,938,914</b>
40. Fees and commissions income	4,350,574,073	4,312,823,798
50. Fees and commissions expenses	(400,336,954)	(391,567,552)
<b>60. Net fees and commissions</b>	<b>3,950,237,119</b>	<b>3,921,256,246</b>
70. Dividend income and similar revenues	2,630,046,719	3,808,045,507
80. Net gains (losses) on trading	(313,353)	
<i>Gains (Losses) on financial assets and liabilities held for trading (ex IAS39 Item 80)</i>		85,220,626
90. Net gains (losses) on hedge accounting	1,129,982	(12,707,305)
100. Gains (Losses) on disposal and repurchase of:	52,089,007	
a) financial assets at amortised cost	(34,059,358)	
b) financial assets at fair value through other comprehensive income	86,905,280	
c) financial liabilities	(756,915)	
<i>Gains (Losses) on disposal and repurchase of: (ex IAS39 Item 100)</i>		(219,217,125)
a) loans		(569,446,667)
b) available-for-sale financial assets		313,647,375
c) held-to-maturity investments		-
d) financial liabilities		36,582,167
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(8,815,157)	
a) financial assets/liabilities designated at fair value	124,803,444	
b) other financial assets mandatorily at fair value	(133,618,601)	
<i>Gains (Losses) on financial assets/liabilities at fair value through profit or loss (ex IAS39 Item 110)</i>		(101,000,034)
<b>120. Operating income</b>	<b>10,790,792,179</b>	<b>11,192,536,829</b>
130. Net losses/recoveries on credit impairment relating to:	(2,011,419,803)	
a) financial assets at amortised cost	(1,997,651,409)	
b) financial assets at fair value through other comprehensive income	(13,768,394)	
<i>Net losses/recoveries on impairment: (ex IAS39 Item 130)</i>		(1,582,779,892)
a) loans		(1,337,535,270)
b) available-for-sale financial assets		(313,534,043)
c) held-to-maturity investments		-
d) other financial assets		68,289,421
140. Gains/Losses from contractual changes with no cancellations	(3,293,454)	
<b>150. Net profit from financial activities</b>	<b>8,776,078,922</b>	<b>9,609,756,937</b>
160. Administrative expenses:	(5,825,870,722)	(6,116,091,163)
a) staff costs	(2,866,359,659)	(3,121,490,571)
b) other administrative expenses	(2,959,511,063)	(2,994,600,592)
170. Net provisions for risks and charges:	(390,722,022)	(388,397,245)
a) commitments and financial guarantees given	37,627,123	
b) other net provisions	(428,349,145)	(388,397,245)
180. Net value adjustments/write-backs on property, plant and equipment	(151,995,175)	(164,527,912)
190. Net value adjustments/write-backs on intangible assets	(2,136,588)	(4,433,882)
200. Other operating expenses/income	411,522,116	432,313,066
<b>210. Operating costs</b>	<b>(5,959,202,391)</b>	<b>(6,241,137,136)</b>
220. Gains (Losses) of equity investments	(1,589,813,036)	2,742,978,849
230. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-	-
240. Goodwill impairment	-	-
250. Gains (Losses) on disposals on investments	49,532,641	9,779,700
<b>260. Profit (Loss) before tax from continuing operations</b>	<b>1,276,596,136</b>	<b>6,121,378,350</b>
270. Tax (expenses) income of the year from continuing operations	1,181,567,028	30,164,357
<b>280. Profit (Loss) after tax from continuing operations</b>	<b>2,458,163,164</b>	<b>6,151,542,707</b>
290. Profit (Loss) after tax from discontinued operations	-	84,102,699
<b>300. Profit (Loss) of the year</b>	<b>2,458,163,164</b>	<b>6,235,645,406</b>

## Company accounts

## Statement of other comprehensive income

(€)

ITEMS	AS AT	
	12.31.2018	12.31.2017
<b>10. Net profit (loss) of the year</b>	<b>2,458,163,164</b>	<b>6,235,645,406</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>		
20. Equity instruments designated at fair value through other comprehensive income	19,186,637	
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	98,845,352	
40. Hedge accounting of equity instruments designated at fair value through other comprehensive	-	
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	1,726,609	15,218,639
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	-	-
<b>Other comprehensive income after tax reclassified to profit or loss</b>		
100. Foreign investments hedging	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedging	(33,793,267)	(38,978,962)
130. Hedging instruments (non-designated items)	-	
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(823,990,852)	
<i>Available-for-sale financial assets:(ex IAS39 Item 100)</i>		<i>(106,872,594)</i>
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	-	-
<b>170. Total other comprehensive income after tax</b>	<b>(738,025,521)</b>	<b>(130,632,917)</b>
<b>180. Other comprehensive income (Item 10+170)</b>	<b>1,720,137,643</b>	<b>6,105,012,489</b>

## Company accounts

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

	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE YEAR							OTHER COMPREHENSIVE INCOME 2018	SHAREHOLDERS' EQUITY AS AT 12.31.2018
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS							
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS		
Share capital:														
- ordinary shares	20,878,182,216	-	20,878,182,216	-	-	-	62,216,251	-	-	-	-	-	-	20,940,398,467
- other shares	2,367,586	-	2,367,586	-	-	-	-	(2,367,586)	-	-	-	-	-	-
Share premium	13,399,798,681	-	13,399,798,681	-	-	(6,880,325)	-	-	-	-	-	-	-	13,392,918,356
Reserves:														
- from profits	2,765,246,127	(2,765,649,153)	596,974	5,521,086,601	-	(11,965,232)	(59,846,665)	-	-	-	-	-	-	5,449,869,678
- other	5,032,443,799	-	5,032,443,799	-	-	(613,236,689)	-	-	-	-	-	70,465,361	-	4,489,673,471
Valuation reserves	585,547,376	(318,060,936)	267,486,440	-	-	(32,127,223)	-	-	-	-	-	-	(738,025,521)	(502,666,304)
Equity instruments	4,610,073,464	-	4,610,073,464	-	-	-	-	-	-	-	-	-	-	4,610,073,464
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Profit (Loss) of the year	6,235,645,406	-	6,235,645,406	(5,521,086,601)	(714,558,805)	-	-	-	-	-	-	-	2,458,163,164	2,458,163,164
Shareholders' equity	53,507,864,654	(3,083,710,089)	50,424,154,565	-	(714,558,805)	(664,208,469)	2,367,586	(2,367,586)	-	-	-	70,465,361	1,720,137,643	50,835,990,295

The column changes in opening balances includes the reclassification and remeasurement effects resulting from the first time adoption of the accounting principle IFRS9.

For further details refer to paragraph "Transition to 'IFRS9: Financial Instruments of UniCredit S.p.A.'" reported on the Notes to the Accounts - Part A - Accounting policies, section A.1.4. General - Other matters.

Changes in capital items represent the effects of mandatory conversion of savings shares into ordinary shares approved by Shareholders' Meeting on 4 December 2017.

The amounts disclosed in column "Stock Options" represent the effects of the delivery of shares connected with the ESOP Plans and other Group Executive Incentive Plans.

## Company accounts

## Statement of changes in shareholders' equity as at 31 December 2017

	BALANCE AS AT 12.31.2016	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2017	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE YEAR							SHAREHOLDERS' EQUITY AS AT 12.31.2017	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS					OTHER COMPREHENSIVE INCOME 2017		
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES			STOCK OPTIONS
Share capital:														
- ordinary shares	20,838,376,719	-	20,838,376,719	-	-	-	39,805,497	-	-	-	-	-	-	20,878,182,216
- other shares	8,516,718	-	8,516,718	-	-	-	(6,149,132)	-	-	-	-	-	-	2,367,586
Share premium	14,384,917,645	-	14,384,917,645	(11,460,132,615)	-	(2,508,551,030)	12,983,564,681	-	-	-	-	-	-	13,399,798,681
Reserves:														
- from profits	3,152,798,847	-	3,152,798,847	-	-	(368,965,123)	(17,587,597)	-	-	-	-	-	-	2,766,246,127
- other	2,675,567,091	-	2,675,567,091	-	-	2,278,537,320	-	-	-	-	-	78,339,388	-	5,032,443,799
Valuation reserves	716,180,292	-	716,180,292	-	-	-	-	-	-	-	-	-	(130,632,916)	585,547,376
Equity instruments	2,383,463,450	-	2,383,463,450	-	-	-	-	-	2,226,610,014	-	-	-	-	4,610,073,464
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Profit (Loss) of the year	(11,460,132,615)	-	(11,460,132,615)	11,460,132,615	-	-	-	-	-	-	-	-	6,235,645,406	6,235,645,406
Shareholders' equity	32,697,248,146	-	32,697,248,146	-	-	(598,978,833)	12,999,633,449	-	-	2,226,610,014	-	78,339,388	6,105,012,490	53,507,864,654

(€)

## Company accounts

## Cash flow statement (indirect method)

(€)

	AS AT	
	12.31.2018	12.31.2017
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations:</b>	<b>4,482,553,630</b>	<b>(925,520,821)</b>
- profit (loss) of the period (+/-)	2,458,163,164	6,235,645,406
- profit (loss) of merged companies (+/-)		(81,538,991)
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	315,724,218	
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-) (ex IAS39)		111,409,757
- gains (losses) on hedge accounting (-/+)	(1,129,982)	12,707,305
- net losses/recoveries on impairment (+/-)	2,728,453,465	
- net losses/recoveries on impairment (+/-) (ex IAS39)		1,582,779,892
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	154,131,763	168,961,794
- net provisions for risks and charges and other expenses/income (+/-)	249,442,852	
- provisions and other incomes/expenses (+/-) (ex IAS39)		(1,439,154,475)
- unpaid duties, taxes and tax credits (+/-)	(1,181,567,028)	(2,896,889,494)
- impairment/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	(240,664,822)	(4,619,442,015)
<b>2. Liquidity generated/absorbed by financial assets:</b>	<b>(26,030,069,943)</b>	<b>10,622,105,252</b>
- financial assets held for trading	2,775,852,205	
- financial assets held for trading (ex IAS39)		1,723,412,558
- financial assets designated at fair value	111	
- other financial assets mandatorily at fair value	(274,212,969)	
- financial assets at fair value (ex IAS39)		16,659,006
- financial assets at fair value through other comprehensive income	9,423,653,624	
- available-for-sale financial assets (ex IAS39)		3,678,177,287
- financial assets at amortised cost	(39,416,177,019)	
- loans and receivables with banks (ex IAS39)		(5,211,908,792)
- loans and receivables with customers (ex IAS39)		5,082,532,761
- other assets	1,460,814,105	5,333,232,432
<b>3. Liquidity generated/absorbed by financial liabilities:</b>	<b>2,185,793,164</b>	<b>(6,462,734,117)</b>
- financial liabilities at amortised cost	5,168,925,419	
- deposits from banks (ex IAS39)		16,286,194,508
- deposits from customers (ex IAS39)		617,827,511
- debt certificates including bonds (ex IAS39)		(18,181,172,815)
- financial liabilities held for trading	(3,773,190,709)	
- financial liabilities held for trading (ex IAS39)		(3,075,432,726)
- financial liabilities designated at fair value	1,040,196,632	
- financial liabilities designated at fair value (ex IAS39)		527,007,432
- other liabilities	(250,138,178)	(2,637,158,027)
<b>Net liquidity generated/absorbed by operating activities</b>	<b>(19,361,723,149)</b>	<b>3,233,850,314</b>



## Company accounts

continued: Cash flow statement (indirect method)

(€)

	AS AT	
	12.31.2018	12.31.2017
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Liquidity generated by:</b>	<b>2,868,978,416</b>	<b>7,052,946,913</b>
- sales of equity investments	89,572,834	3,213,120,624
- collected dividends on equity investments	2,571,148,764	3,808,045,507
- sales of property, plant and equipment	69,799,346	-
- sales of intangible assets	-	31,780,782
- sales of business units	138,457,472	-
- sales of financial assets held to maturity (ex IAS39)	-	-
<b>2. Liquidity absorbed by:</b>	<b>(751,416,024)</b>	<b>(735,923,592)</b>
- purchases of equity investments	(514,035,831)	(613,220,786)
- purchases of property, plant and equipment	(235,642,129)	(7,260,019)
- purchases of intangible assets	(1,738,064)	(114,428,858)
- purchases of business units	-	(1,013,929)
- purchases of financial assets held to maturity (ex IAS39)	-	-
<b>Net liquidity generated/absorbed by investment activities</b>	<b>2,117,562,392</b>	<b>6,317,023,321</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	12,570,507,695
- issue/purchase of equity instruments	-	2,226,610,014
- dividend distribution and other	(1,153,014,877)	(281,310,268)
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(1,153,014,877)</b>	<b>14,515,807,441</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR</b>	<b>(18,397,175,634)</b>	<b>24,066,681,076</b>

## Reconciliation

(€)

ITEMS	AS AT	
	12.31.2018	12.31.2017
Cash and cash balances at the beginning of the year	25,816,708,377	1,851,831,592
Net liquidity generated/absorbed in the year	(18,397,175,634)	24,066,681,076
Cash and cash balances: foreign exchange effect	41,173,297	(101,804,291)
Cash and cash balances at the end of the year	7,460,706,040	25,816,708,377



## Part A - Accounting policies

### A.1 - General

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

These Accounts have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to 31 December 2018, pursuant to EU Regulation No.1606/2002 which was incorporated into Italian legislation through Legislative Decree No.38 of 28 February 2005 (see Section 5 - Other matters).

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

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

Banca d'Italia issued on 22 December 2017 the V update of its circular 262 adjusting the formats for the financial statements and explanatory notes to the requirements of IFRS 9 Financial Instruments.

Please note that as a result of the first time adoption of the new accounting standard IFRS9 and the choice not to restate the previous period, the templates and the tables in the notes prescribed by the mentioned circular have been integrated with additional items in order to allow comparisons with the previous period that has been presented according to IAS39 standard and to Circular 262 (4th update of 15 December 2015). Opening balances shown in tables of the notes to the accounts are the ones coming from the first time adoption of the new accounting standard IFRS9.

In addition, with reference to Part E – Information on risks and hedging policies, the abovementioned circumstances have required the choice not to provide the comparison with the previous period with reference to certain tables whose content is not comparable with previous period tables.

#### Section 2 - General Preparation Criteria

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

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

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRSs;
- Interpretative documents on the application of IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- ESMA (European Securities and Markets Authority) and CONSOB documents on the application of specific IFRS provisions.

The Accounts include the Balance Sheet, the Income Statement, the Statement of Other Comprehensive Income, the Statement of changes in Shareholders' Equity, the Cash Flow Statement (compiled using the "indirect method") and the Notes to the Accounts, together with the Report on Operations and Annexes.

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

<https://www.unicreditgroup.eu/it/governance/system-policies/corporate-governance-report.html> - Italian version, and  
<https://www.unicreditgroup.eu/en/governance/system-policies/corporate-governance-report.html> - English version).

Figures in the financial statements and Notes to the Accounts are given in thousands of euros, unless otherwise specified.

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

In this regard, the Directors, based on the 2016-2019 Strategic Plan as well as on the results of the capital increase fully subscribed with effect from 2 March 2017, identified no symptoms in the capital and financial structure and in the economic performance that could indicate uncertainty about the ability to continue as a going-concern and therefore believe with reasonable certainty that the Bank will continue to operate profitably in the

## Part A - Accounting policies

foreseeable future; as a result, in accordance with the provisions of IAS1, the UniCredit S.p.A.'s Financial Statements as at 31 December 2018 have been prepared on a going-concern basis.

The measurement criteria adopted are therefore consistent with the assumption that the business is a going-concern and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form. These criteria have not changed compared with the previous year.

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

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

In particular estimated figures have been used for the recognition of some of the largest value-based items in the Accounts at 31 December 2018, as required by the accounting policies and regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going-concern, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted confirm the carrying values at 31 December 2018. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment.

The parameters and information used to check the above-mentioned values were therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying values cannot be ruled out.

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

Uncertainty affecting estimates is generally inherent in the measurement of:

- fair value of financial instruments not listed in active markets;
- loans and receivables, equity investments and, in general, any other financial assets/liabilities;
- severance pay (Italy) and other employee benefits;
- provisions for risks and charges and contingent assets (for more information on legal risks see Part E – Section 5 - Operational risk);
- deferred tax assets;
- investment properties;

whose assessment may significantly change over time according to the trend in (i) domestic and international socio-economic conditions and subsequent impact on the Bank's profitability and customers' creditworthiness, (ii) financial markets, which affect changes in interest rates, prices and actuarial assumptions and (iii) real estate market affecting the value of property owned by the Bank or received as collateral.

Regarding the evaluation of credit exposures, it should be noted that, with the entrance into force of IFRS9, their evaluation depends on forward-looking information and, in particular, on the evolution of macro-economic scenarios used in the calculation of loan loss provisions.

Please note that the economic and political uncertainty in Turkey and Russia were taken into account during the assessment of the net assets owned by the Bank in these countries. Please see Part E - Information on risks and hedging policies - Section 5 - Other Risks - Top and emerging risks of the Financial Statements.

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

With specific reference to future cash flow projections used in the valuation of deferred tax assets, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change in unpredictably.

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

## Part A - Accounting policies

### Section 3 - Subsequent events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as of 31 December 2018.

For a description of the significant events after year end see the specific paragraph of the Report on Operations.

### Section 4 - Other matters

In 2018 the following standards, amendments or interpretations came into force:

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

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

As of 31 December 2018 the European Commission endorsed the following accounting principles that will be applicable for reporting periods beginning on or after 1 January 2019:

- IFRS16 - Leasing (EU Regulation 2017/1986);
- IFRIC 23 Uncertainty over Income Tax Treatments (Reg. UE 2018/1595);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

IFRS16, effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the current set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right-of-use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

In this context, the Bank is performing the activities aimed to ensure compliance with this accounting principle, in particular with reference to the calculation and accounting for Right of Use and Lease Liability that represent the main discontinuity compared to the current accounting model required by IAS17.

The activities aimed to the development of rules, principles and IT systems to be used for the proper evaluation of new assets and liabilities and the subsequent calculation of the related economic effects have been finalised.

In this context the Bank has decided, as allowed by the standard, not to apply IFRS16 provisions to:

- leases of intangible assets;
- short term leases, lower than 12 months; and
- low value assets leases. For this purpose an asset is considered as "low value" when its fair value when new is equal to or lower than €5 thousand. This category mainly comprises office equipment (PC, monitors, tablets, etc.) and fixed and mobile phones.

In order to calculate the lease liability and the related right-of-use asset, the Bank proceeds with discounting the future lease payments at a proper discount rate.

In this respect, future lease payments to discount are determined based on contractual provisions and net of VAT, when applicable, as the obligation to pay such a tax starts when the invoice is issued by the lessor and not at the starting date of the lease contract.

In addition if the lease payments foreseen by the contracts include additional services beside the mere rental of the asset, the right of use and the associated lease liability are calculated considering also these components.

## Part A - Accounting policies

To perform the mentioned calculation lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract.

In determining the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset taking also into account potential renewal options if the lessee is reasonably certain to renew.

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

The Bank has decided not to restate comparatives and has chosen, for First Time Adoption purposes, to put the value of right of use equal to the lease liability.

In particular, the adoption of IFRS16 will determine an increase of the Bank's total assets and liabilities that can be preliminary estimated in the range of 0.3% while the effect on Bank's CET1 ratio can be preliminarily estimated in the range of -0.1%, gross of tax effect.

As of 31 December 2018 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17: Insurance Contracts (May 2017);
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (October 2017);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (February 2018);
- Amendments to the IFRS Conceptual Framework (March 2018);
- Amendments to IFRS3: Business combination (October 2018);
- Amendments to IAS1 and IAS8: Definition of Material (October 2018).

### Transition to “IFRS15: Revenue from contracts with customers” of UniCredit S.p.A.

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

IFRS15 provides for:

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

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

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

## Part A - Accounting policies

### Transition to “IFRS9: Financial instruments” of UniCredit S.p.A.

#### 1. Summary of impacts

As at 1 January 2018, UniCredit group S.p.A. adopted the accounting standard “IFRS9: Financial instruments”.

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

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

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

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

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

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

- has introduced significant changes in the rules for classifying and measuring financial instruments compared to IAS39. With reference to loans and debt securities, the classification and consequent measurement of these instruments is based on the “business model” and on the characteristics of the financial instrument cash flows (SPPI criterion - Solely Payments of Principal and Interests). With reference to equity instruments, they will be classified as financial instruments at fair value, with differences recognised through profit or loss or in other comprehensive income. In the latter case, unlike the requirements of IAS39 for available-for-sale financial assets, IFRS9 no longer requires to recognise impairment losses and provides that, in the event of sale of the instrument, the profits and losses on disposal must be reclassified to other shareholders’ equity reserve and not to profit or loss. In the end, with reference to financial liabilities designated at fair value, it modified the accounting of “own credit risk”, i.e. the changes in the value of liabilities at fair value that are due to fluctuations in their creditworthiness. According to the new standard, these changes must be recognised in an equity reserve, rather than in the income statement as per IAS39, thus eliminating a source of volatility in economic results.
- has introduced a new accounting model of impairment for credit exposures based on (i) an “expected losses” approach replacing the current one based on the recognition of “incurred losses” and (ii) the concept of “lifetime” expected loss.
- has introduced guidelines that clarify when financial instruments shall be written off by specifying that the write-off constitutes an event of accounting derecognition;
- has also modified the rules applicable to “hedge accounting” with regard to designating a hedging relationship and verifying its effectiveness with the aim of ensuring a higher alignment between the accounting recognition of hedges and the underlying management rationale. The Bank has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

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

## Part A - Accounting policies

UniCredit S.p.A. Balance Sheet as at 1 January 2018 is presented below, prepared in accordance with the mandatory format envisaged by the V Update of Banca d'Italia Circular 262 issued on 22 December 2017.

### Balance sheet

	(€ '000)
	AMOUNTS AS AT
ASSETS	01.01.2018
10. Cash and cash balances	25,816,708
20. Financial assets at fair value through profit or loss:	16,884,089
a) Financial assets held for trading	13,863,779
b) Financial assets designated at fair value	-
c) Other financial assets mandatorily at fair value	3,020,310
30. Financial assets at fair value through other comprehensive income	57,541,000
40. Financial assets at amortised cost:	234,110,104
a) Loans and advances to banks	27,922,885
b) Loans and advances to customers	206,187,219
50. Hedging derivatives	4,399,939
60. Changes in fair value of portfolio hedged items (+/-)	1,743,968
70. Equity investments	44,145,485
80. Property, plant and equipment	2,209,455
90. Intangible assets	4,350
<i>of which: goodwill</i>	-
100. Tax assets:	10,414,745
a) Current	1,660,306
b) Deferred	8,754,439
110. Non-current assets and disposal groups classified as held for sale	150,031
120. Other assets	4,717,335
<b>Total assets</b>	<b>402,137,209</b>

### continued: Balance sheet

	(€ '000)
	AMOUNTS AS AT
LIABILITIES AND SHAREHOLDERS' EQUITY	01.01.2018
10. Financial liabilities at amortised cost:	318,891,410
a) Deposits from banks	56,807,016
b) Deposits from customers	197,138,762
c) Debt securities in issue	64,945,632
20. Financial liabilities held for trading	13,095,915
30. Financial liabilities designated at fair value	2,737,625
40. Hedging derivatives	4,530,286
50. Value adjustment of hedged financial liabilities (+/-)	1,720,371
60. Tax liabilities:	1,152
a) Current	1,152
b) Deferred	-
70. Liabilities associated with assets classified as held for sale	-
80. Other liabilities	7,535,311
90. Provision for employee severance pay	828,450
100. Provisions for risks and charges:	2,372,535
a) Commitments and guarantees given	529,530
b) Post-retirement benefit obligations	77,312
c) Other provisions for risks and charges	1,765,693
110. Valuation reserves	267,486
120. Redeemable shares	-
130. Equity instruments	4,610,073
140. Reserves	5,033,041
150. Share premium	13,399,799
160. Share capital	20,880,550
170. Treasury shares (-)	(2,440)
180. Profit (Loss) for the period (+/-)	6,235,645
<b>Total Liabilities and Shareholders' Equity</b>	<b>402,137,209</b>



## Part A - Accounting policies

The adoption of IFRS9 has determined:

- an overall negative effect on equity for an amount of -€3,083,710 thousand net of taxes calculated on 1 January 2018<sup>38</sup> (-€3,187,879 thousand gross of taxes);
- an overall negative effect on CET1<sup>39</sup> fully loaded equal to -151 bps (-156 bps gross of taxes);
- the increase of loan loss provisions to an amount equal to €20,606,292 thousand.

In particular, this effect (-€3,083,710 thousand net of taxes and -€3,187,879 thousand gross of taxes) stems from:

- for an amount, net of the taxes, of -€318,061 thousand (-€358,122 thousand gross of taxes) from changes in the revaluation reserves reported in item "110. Valuation reserves" which is attributable to instruments classified in item "30 Financial assets at fair value through other comprehensive income" and in item "30. Financial liabilities designated at fair value", for the component relating to the valuation of own creditworthiness;
- for an amount, net of the tax effect, of -€2,765,649 thousand (-€2,829,757 thousand gross of taxes) from changes in item "140. Reserves" attributable to the effects of reclassification and measurement of financial instruments other than those reported in item "30. Financial assets at fair value through other comprehensive income" and to the calculation of impairment on on-balance-sheet and off-balance sheet exposures.

Note that these final impacts are different from those preliminarily disclosed in the Reports and Accounts as at 31 December 2017<sup>40</sup> mainly as a result of:

- the observation of market transactions occurred on a specific asset class of NPL loans that are included in the NPL Strategy that has required the revision of prices, estimated through internal models, considered in the sale scenario for the measurement of non-performing exposures<sup>41</sup>. This price adjustments has determined a negative FTA effect of €270,675 thousand, gross of taxes.
- the inclusion in the "NPL strategy" of an additional portfolio of non-performing exposures for an amount equal to their residual value after write-off recognition in light of:
  - the Group strategy for the management of the Non-performing loan portfolio that gives precedence to the deleveraging of such portfolio, as illustrated in the Multi-year Plan (MYP) communicated to the market in December 2017;
  - the introduction by IFRS9 of specific guidance on write-off.

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

Write-offs have determined a negative FTA effect of €802,763 thousand, gross of taxes<sup>42</sup>.

### 2. Classification and measurement

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

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

The analysis of the business model was conducted by mapping the business areas that make up the Bank and by allocating a specific business model, for IFRS9 purposes, to each of them.

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

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

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

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

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

<sup>38</sup> In the current section "Transition to "IFRS9: Financial instruments" of UniCredit S.p.A." the tax impacts shown are based on tax regulation existing as at 1 January 2018.

<sup>39</sup> UniCredit S.p.A has decided to not apply the IFRS9 transitional approach as reported in article 473a of the CRR. Therefore, the calculation of own funds, capital absorption, capital ratios and leverage fully reflects the impact arising from the application of the IFRS9 principle.

<sup>40</sup> UniCredit S.p.A. Reports and Accounts as at 31 December 2017, page 73: "[...] Overall adjustments to the carrying value of financial instruments due to IFRS9 transition will be accounted for through Equity as of 1 January 2018, and they will have an impact on fully loaded CET1 ratio, gross of tax effect, that can be preliminarily estimated in the range of -102bps which is equivalent to about -€2.1 billion."

<sup>41</sup> Refer to the related paragraph of Part A – Section 15 – Other Information.

<sup>42</sup> Refer to the related paragraph of Part A – Section 15 – Other Information.

## Part A - Accounting policies

### 3. Impairment

The entry into force of the new accounting standard has required the developments of model aimed at calculating the amount of loan loss provisions on the basis of the expected credit loss.

The models developed are based on two main pillars:

- the allocation of credit exposures in the Stages 1, 2 and 3 as required by the standard (Stage Allocation);
- the calculation of the associated expected credit loss.

With reference to stage allocation the Bank has developed a combination of relative and absolute elements aimed at granting the proper allocation of credit exposures in the different credit Stages. For additional information refer to Part E - Section 1 - Credit risk.

With reference to the calculation of expected credit loss, Bank models leverage on the Probability of Default ("PD"), Loss Given Default, ("LGD") and Exposure at Default ("EAD") used for regulatory purposes, with specific adjustments in order to ensure compliance with accounting rules.

These adjustments are aimed, among other things, at introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for regulatory purposes and including "forward looking" information.

With reference to the latter the Bank has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario.

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

- The Base Scenario ("Baseline") reflects the macroeconomic evolution expected from the Bank and as such is coherent with the assumptions used by the Bank in the planning processes. The Baseline Scenario foresees an economic growth stable and positive, both for the Eurozone and for the CEE countries, in a context where the interest rates in the Euro area are expected to be slightly growing even though they continue to be at historical low levels. Specifically, the annual growth of the real GDP for the Eurozone is foreseen at +1.8% for 2018 and +1.5% for 2019 (with Italy at +1.2% and +1.0% and Germany at +1.9% and +1.8%, respectively), while the foreseen growth for the CEE countries is +2.4% in 2018 and +2.2% in 2019. The Scenario implies that the 3 months Euribor stays negative for 2018 and comes back near zero in 2019.
- The Positive Scenario is based on the hypothesis that the positive economic growth of 2017 both at global level and at European level might consolidate even in 2018, sustained by the trend in the global commerce and by accommodating economic policies. This would imply, for the biggest European countries, a maximum phase of the economic cycle prolonged by an year, that would reflect in a bigger growth of the annual real GDP (with respect to the baseline scenario) of about 0.2%-0.5% both in 2018 and in 2019. Specifically, the annual growth of the real GDP for the Eurozone would grow to +2.3% for 2018 and +1.9% for 2019 (with Italy at +1.5% and +1.2% respectively) in a context of short term rates (3 months Euribor) still negatives or close to zero. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a better trend of the economy than the one assumed in the Baseline scenario.
- The Adverse Scenario reflects one of the scenarios used in the evaluation processes of the capital adequacy (ICAAP). In coherence with the ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Bank foresees as most relevant in the context of the countries where it operates and for its business activities. The scenario of Widespread Contagion is based on the hypothesis of intensification of political risks of the European Union, caused by an increased influence of populist parties in Italy, Germany and France alongside with, among others, the extension of tension between Spanish government and Catalonia Region. This context would lead to an increase of the risk premiums for different "asset class" and to a slowdown of the economic growth both of the Eurozone (lower of about 1.5 per year with respect to the baseline scenario, in terms of real GDP) and of CEE countries (lower of about 2. points percentage, respectively). Specifically, the annual growth of the GDP for the Eurozone would be +0.4% for 2018 and -0.1% for 2019 (with Italy to -0.2% and -1.1% respectively) in a context of rates in the short run (3 months Euribor) that would stay negative even in 2019, based on the hypothesis that the ECB would prolong in such a market context the liquidity support to markets. The likelihood of happening of such scenario, at the time of its definition, is foreseen probable and appropriate to quantify the adverse trend of the of the economy. In coherence with the scenario and with the magnitude of changes compared to the baseline scenario, it is assumed that the negative scenario is less likely than the positive scenario.

In addition the assessment of impaired exposures (Stage 3) considered sale scenarios whereas the Bank's Non-Performing Asset Strategy foresees the sale on the market as a recovery method

For additional information on the methods used for the calculation of expected loss refer to Part E - Section 1 - Credit risk.

## Part A - Accounting policies

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

The following tables summarise the reclassifications performed on Balance Sheet (Assets and Liabilities) based on IFRS9 initial application and Banca d'Italia Circular 262 fifth amendment.

#### Balance sheet

(€ '000)

	AMOUNTS AS AT				
	12.31.2017	RECLASSIFICATION OF BALANCE SHEET VALUE ON 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	01.01.2018
<b>ASSETS</b>					
10. Cash and cash balances	25,816,708	-	-	-	25,816,708
20. Financial assets at fair value through profit or loss:		16,908,530	(24,441)	-	16,884,089
a) Financial assets held for trading		13,863,779	-	-	13,863,779
b) Financial assets designated at fair value		-	-	-	-
c) Other financial assets mandatorily at fair value		3,044,751	(24,441)	-	3,020,310
<i>Financial assets held for trading (ex IAS39 Item N. 20)</i>	13,863,779	(13,863,779)	-	-	
<i>Financial assets at fair value through profit or loss (ex IAS39 Item N. 30)</i>	651,920	(651,920)	-	-	
30. Financial assets at fair value through other comprehensive income		57,506,967	34,033	-	57,541,000
<i>Available-for-sale financial assets (ex IAS39 Item N. 40)</i>	59,718,169	(59,718,169)	-	-	
40. Financial assets at amortised cost:		237,113,018	(3,002,914)	-	234,110,104
<i>Held-to-maturity investments (ex IAS39 Item N. 50)</i>	762,431	(762,431)	-	-	
<i>Loans and receivables with banks (ex IAS39 Item N. 60)</i>	27,566,761	(27,566,761)	-	-	
<i>Loans and receivables with customers (ex IAS39 Item N. 70)</i>	208,965,455	(208,965,455)	-	-	
50. Hedging derivatives	4,399,939	-	-	-	4,399,939
60. Changes in fair value of portfolio hedged items (+/-)	1,714,488	-	29,480	-	1,743,968
70. Equity investments	44,145,485	-	-	-	44,145,485
80. Property, plant and equipment	2,209,455	-	-	-	2,209,455
90. Intangible assets	4,350	-	-	-	4,350
<i>of which: goodwill</i>	-	-	-	-	-
100. Tax assets:	10,310,576	-	104,169	-	10,414,745
a) Current	1,660,306	-	-	-	1,660,306
b) Deferred	8,650,270	-	104,169	-	8,754,439
110. Non-current assets and disposal groups classified as held for sale	150,031	-	-	-	150,031
120. Other assets	4,700,354	-	-	16,981	4,717,335
<b>Total assets</b>	<b>404,979,901</b>				<b>402,137,209</b>

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

## Part A - Accounting policies

continued: Balance sheet

(€ '000)

	AMOUNTS AS AT				01.01.2018
	12.31.2017	RECLASSIFICATION OF BALANCE SHEET VALUE ON 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
10. Financial liabilities at amortised cost:		318,891,410	-	-	318,891,410
a) Deposits from banks		56,807,016	-	-	56,807,016
b) Deposits from customers		197,138,762	-	-	197,138,762
c) Debt securities in issue		64,945,632	-	-	64,945,632
<i>Deposits from banks (ex IAS39 Item N. 10)</i>	56,807,016	(56,807,016)	-	-	
<i>Deposits from customers (ex IAS39 Item N. 20)</i>	197,138,762	(197,138,762)	-	-	
<i>Debt securities in issue (ex IAS39 Item N. 30)</i>	64,945,632	(64,945,632)	-	-	
20. Financial liabilities held for trading		13,067,881	28,034	-	13,095,915
<i>Financial liabilities held for trading (ex IAS39 Item N. 40)</i>	13,067,881	(13,067,881)	-	-	
30. Financial liabilities designated at fair value		2,737,625	-	-	2,737,625
<i>Financial liabilities at fair value through profit or loss (ex IAS 39 Item N. 50)</i>	2,737,625	(2,737,625)	-	-	
40. Hedging derivatives	4,558,320	-	(28,034)	-	4,530,286
50. Value adjustment of hedged financial liabilities (+/-)	1,720,371	-	-	-	1,720,371
60. Tax liabilities:	1,152	-	-	-	1,152
a) Current	1,152	-	-	-	1,152
b) Deferred	-	-	-	-	-
70. Liabilities associated with assets classified as held for sale	-	-	-	-	-
80. Other liabilities	7,823,823	-	(305,487)	16,975	7,535,311
90. Provision for employee severance pay	828,450	-	-	-	828,450
100. Provisions for risks and charges:	1,843,005	-	529,530	-	2,372,535
110. Valuation reserves	585,547	-	(318,061)	-	267,486
120. Redeemable shares	-	-	-	-	-
130. Equity instruments	4,610,073	-	-	-	4,610,073
140. Reserves	7,798,690	-	(2,765,649)	-	5,033,041
150. Share premium	13,399,799	-	-	-	13,399,799
160. Share capital	20,880,550	-	-	-	20,880,550
170. Treasury shares (-)	(2,440)	-	-	-	(2,440)
180. Profit (Loss) for the period (+/-)	6,235,645	-	-	-	6,235,645
<b>Total Liabilities and Shareholders' Equity</b>	<b>404,979,901</b>				<b>402,137,209</b>

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

### 3.1 Reclassification of financial instruments performed as at 1 January 2018

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

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

## Part A - Accounting policies

### Reclassification of financial assets

#### Legend

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New book value as per IFRS9

(€ '000)

IAS39 CATEGORY		NEW IFRS9 CATEGORY					
	BOOK VALUE AT 12.31.2017 IAS39	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
		A	B	C	A	B	C
Financial assets held for trading	13,863,779	13,863,779	-	13,863,779	-	-	-
Financial assets at Fair Value through profit or loss	651,920	-	-	-	-	-	-
Available for sale financial assets	59,718,169	-	-	-	-	-	-
Held to Maturity Investments	762,431	-	-	-	-	-	-
Loans to Banks	27,566,761	-	-	-	-	-	-
Loans to Customers	208,965,455	-	-	-	-	-	-
<b>IFRS9 Total</b>				<b>13,863,779</b>			<b>-</b>

(€ '000)

IAS39 CATEGORY		NEW IFRS9 CATEGORY					
	BOOK VALUE AT 12.31.2017 IAS39	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
		A	B	C	A	B	C
Financial assets held for trading	13,863,779	-	-	-	-	-	-
Financial assets at Fair Value through profit or loss	651,920	651,920	-	651,920	-	-	-
Available for sale financial assets	59,718,169	1,399,307	-	1,399,307	57,377,980	-	57,377,980
Held to Maturity Investments	762,431	746,713	12,354	759,067	-	-	-
Loans to Banks	27,566,761	29,511	(1,057)	28,454	128,987	34,033	163,020
Loans to Customers	208,965,455	217,300	(35,738)	181,562	-	-	-
<b>IFRS9 Total</b>				<b>3,020,310</b>			<b>57,541,000</b>

(€ '000)

IAS39 CATEGORY		NEW IFRS9 CATEGORY					
	BOOK VALUE AT 12.31.2017 IAS39	FINANCIAL ASSETS AT AMORTIZED COST			TOTAL		
		A	B	C	A	B	C
Financial assets held for trading	13,863,779	-	-	-	13,863,779	-	13,863,779
Financial assets at Fair Value through profit or loss	651,920	-	-	-	651,920	-	651,920
Available for sale financial assets	59,718,169	940,882	(60,457)	880,425	59,718,169	(60,457)	59,657,712
Held to Maturity Investments	762,431	15,718	-	15,718	762,431	12,354	774,785
Loans to Banks	27,566,761	27,408,263	(9,117)	27,399,146	27,566,761	23,859	27,590,620
Loans to Customers	208,965,455	208,748,155	(2,933,340)	205,814,815	208,965,455	(2,969,078)	205,996,377
<b>IFRS9 Total</b>				<b>234,110,104</b>			

## Part A - Accounting policies

The reclassification of financial assets shows:

- with reference to financial assets previously classified under item “20. Financial assets held for trading” the almost complete classification in the same category foreseen by IFRS9;
- with reference to financial assets previously classified under item “30. Financial assets at fair value through profit or loss” their almost complete classification in the same categories foreseen by IFRS9;
- with reference financial assets previously classified under item “40. Available-for-sale-financial assets”:
  - the almost complete reclassification of debt securities (€57,059,031 thousand) in item “30. Financial assets at fair value through other comprehensive income” (€55,625,365 thousand). The remaining part was reclassified under item “20.c) Other financial assets mandatorily at fair value” or in item “40. Financial assets at amortised cost” due to the characteristics of cash flows, which do not allow for classification as Financial assets at fair value through other comprehensive income despite a “held to collect and sell” business model or to better reflect the “held to collect” business model associated with these financial instruments;
  - With reference to the reclassifications to financial assets carried at amortised cost, it should be noted that this transfer had a negative effect of - €60,457 thousand due to the simultaneous reversal of previously recognised revaluation reserves and the recognition of impairment on these instruments;
  - The classification of equity instruments (€1,906,311 thousand) in item “30. Financial assets at fair value through other comprehensive income” (€1,752,614 thousand) given the nature of the relationship and/or the characteristics of the instrument. The remaining part was classified under item “20.c) Other financial assets mandatorily at fair value”. In this case the revaluation reserve have been reclassified in item “140. Reserves”;
  - The classification of units in investment funds (€752,827 thousand) in item “20.c) Other financial assets mandatorily at fair value” also due to regulatory clarifications according to which these instruments cannot be considered as equity instruments with consequent recognition of the related revaluation reserves recognised under IAS39 in item “140. Reserves”;
- with reference to financial assets previously classified under item “50. Financial assets held to maturity”, consisting exclusively of debt securities (€762.431 thousand), they were mainly classified under item “20.c) Other financial assets mandatorily at fair value” (€746.713 thousand) as a consequence of the characteristics of the cash flow that do not allow for their classification under financial assets at amortised cost. This reclassification had a positive effect of €12,354 thousand due to application of the new impairment rules. The remaining part of the portfolio was reclassified in item “40. Financial Assets at amortised cost”;
- with reference to financial assets previously classified under item “60. Loans and receivables with banks” (€27,566,761 thousand) consisting of both loans and debt securities, they were almost entirely classified (€27,408,263 thousand) under item “40. Financial assets at amortised cost”. This reclassification had a negative effect of €9,117 thousand due to application of the new impairment rules. The remaining part has been reclassified in item “20.c) Financial assets mandatorily measured at fair value” (€29,511 thousand) due to the characteristics of the cash flows or, as regards debt securities, in item “30. Financial assets at fair value through other comprehensive income” (€128,987 thousand) to reflect the changed business model associated with these positions. These reclassifications had a positive impact on shareholders' equity of €32,976 thousand arising from fair value measurement;
- with reference to financial assets previously classified under item “70. Loans and receivables with customers” (€208,965,455 thousand) consisting of both loans and debt securities, they were almost entirely classified (€208,748,155 thousand) under item “40. Financial assets at amortised cost”. This reclassification had a negative effect of €2,933,340 thousand due to application of the new impairment rules. The remaining part has been reclassified in item “20.c) Other financial assets mandatorily at fair value” (€217,300 thousand) due to the characteristics of the cash flows. These reclassifications had a negative impact on shareholders' equity of €35,738 thousand arising from fair value measurement.

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

These effects, however, do not have an impact on shareholders' equity since, according to the rules of the standard, the impairment leads to recognition upon first application of a negative reserve in item “140. Reserves” which is offset by an increase of equal amount in item “110.Valuation reserves”.

## Part A - Accounting policies

The following table focuses on the reclassification from "Available-for-sale-financial assets", according to IAS39, to "Financial assets at amortised cost", according to IFRS9, in order to represent, both for debt securities and loans, carrying value as of 31 December 2018, the Fair Value that would have been accounted for at the same date in case of no reclassification in FTA and the consequent changes in Fair Value that would have been recognised in the period:

(€ '000)

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO UNDER IAS39	ACCOUNTING PORTFOLIO UNDER IFRS9	CARRYING AMOUNT AS AT	FAIR VALUE AS AT	FAIR VALUE GAINS OR LOSSES ABSENT RECLASSIFICATION
			12.31.2018	12.31.2018	
Financial Assets reclassified from Available for sale (AFS) to Financial Assets at amortized cost					
1. Debt securities	AFS	AC	726,430	757,978	(32,441)
2. Loans	AFS	AC	-	-	-
<b>Total</b>			<b>726,430</b>	<b>757,978</b>	<b>(32,441)</b>

### Reclassification of financial liabilities

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New IFRS9 book value

(€ '000)

IAS39 CATEGORY		NEW IFRS9 CATEGORY					
	BOOK VALUE AT 12.31.2017 IAS39	FINANCIAL LIABILITIES AT AMORTIZED COST - DEPOSITS FROM BANKS			FINANCIAL LIABILITIES AT AMORTIZED COST - DEPOSITS FROM CUSTOMERS		
		A	B	C	A	B	C
Deposits from banks	56,807,016	56,807,016	-	56,807,016	-	-	-
Deposits from customers	197,138,762	-	-	-	197,138,762	-	197,138,762
Debt securities in issue	64,945,632	-	-	-	-	-	-
Financial liabilities held for trading	13,067,881	-	-	-	-	-	-
Financial liabilities at fair value through p&l	2,737,625	-	-	-	-	-	-
<b>IFRS9 total</b>				<b>56,807,016</b>			<b>197,138,762</b>

(€ '000)

IAS39 CATEGORY		NEW IFRS9 CATEGORY					
	BOOK VALUE AT 12.31.2017 IAS39	FINANCIAL LIABILITIES AT AMORTIZED COST - DEBT SECURITIES IN ISSUE			FINANCIAL LIABILITIES HELD FOR TRADING		
		A	B	C	A	B	C
Deposits from banks	56,807,016	-	-	-	-	-	-
Deposits from customers	197,138,762	-	-	-	-	-	-
Debt securities in issue	64,945,632	64,945,632	-	64,945,632	-	-	-
Financial liabilities held for trading	13,067,881	-	-	-	13,067,881	28,034	13,095,915
Financial liabilities at fair value through p&l	2,737,625	-	-	-	-	-	-
<b>IFRS9 total</b>				<b>64,945,632</b>			<b>13,095,915</b>



## Part A - Accounting policies

(€ '000)

IAS39 CATEGORY		NEW IFRS9 CATEGORY					
	BOOK VALUE AT 12.31.2017 IAS39	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			TOTAL		
		A	B	C	A	B	C
Deposits from banks	56,807,016	-	-	-	56,807,016	-	56,807,016
Deposits from customers	197,138,762	-	-	-	197,138,762	-	197,138,762
Debt securities in issue	64,945,632	-	-	-	64,945,632	-	64,945,632
Financial liabilities held for trading	13,067,881	-	-	-	13,067,881	28,034	13,095,915
Financial liabilities at fair value through p&l	2,737,625	2,737,625	-	2,737,625	2,737,625	-	2,737,625
<b>IFRS9 total</b>				<b>2,737,625</b>			

The reclassification of financial liabilities highlights a substantial continuity of the classifications compared to those applied according to IAS39, taking also into account the change in name of the various categories following implementation of the V Update of Circular 262.

As regards financial liabilities recorded in item "30. Financial liabilities designated at fair value", the cumulative fair value changes deriving from changes in own creditworthiness as of the issue date have been reported in item "110. Valuation reserves" in application of the rules established by IFRS9.

As regards the financial liabilities previously recorded in item "50. Financial liabilities at fair value", the application of this rule does not affect the shareholders' equity but leads to a transfer between item "140. Reserves" and item "110. Valuation reserves".

It is worth specifying that in the column Change in measurement the Bank has reclassified an amount equal to €28,034 thousand relating to hedging derivatives that have been reclassified to trading derivatives given the reclassification of the hedged items in a portfolio measured at fair value through profit and loss.

### 3.2 Loan loss provisions

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

(€ '000)

	GROSS AMOUNT			LOAN LOSS PROVISIONS			NET EXPOSURE		
	S1	S2	S3	S1	S2	S3	S1	S2	S3
<b>Item 30. Financial assets at fair value through other comprehensive income</b>	<b>55,796,727</b>	<b>375</b>	<b>-</b>	<b>(8,645)</b>	<b>(71)</b>	<b>-</b>	<b>55,788,082</b>	<b>304</b>	<b>-</b>
- Debt securities	55,796,727	375	-	(8,645)	(71)	-	55,788,082	304	-
- Loans and advances with banks	-	-	-	-	-	-	-	-	-
- Loans and advances with customers	-	-	-	-	-	-	-	-	-
<b>Item 40. Financial assets measured at amortized cost</b>	<b>210,596,842</b>	<b>13,516,694</b>	<b>30,064,614</b>	<b>(560,145)</b>	<b>(891,551)</b>	<b>(18,616,351)</b>	<b>210,036,697</b>	<b>12,625,143</b>	<b>11,448,264</b>
- Debt securities	3,259,813	22,978	7,018	(12,813)	(17,608)	(3,003)	3,247,000	5,370	4,014
- Loans and advances with banks	27,226,667	92,560	6,524	(15,795)	(224)	(1,526)	27,210,872	92,336	4,998
- Loans and advances with customers	180,110,363	13,401,156	30,051,072	(531,537)	(873,720)	(18,611,821)	179,578,825	12,527,437	11,439,251

The amount of loan loss provision on commitments and guarantees given are equal to €529.530 thousand as reported in the Balance Sheet Liabilities in item "100. Provisions for risks and charges: a) commitments and guarantees given".



## Part A - Accounting policies

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

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

(€ '000)

IAS39 CATEGORY	PERFORMING	NON PERFORMING	TOTAL
	CUMULATED WRITEDOWNS (EX IAS39)	CUMULATED WRITEDOWNS (EX IAS39)	CUMULATED WRITEDOWNS (EX IAS39)
20. Financial assets held for trading	-	-	-
30. Financial assets at fair value through profit or loss	-	-	-
40. Financial assets available for sale	-	20,042	20,042
50. Held to maturity investments	-	-	-
60. Loans and receivables with banks	6,964	1,526	8,490
70. Loans and receivables with customers	916,319	18,790,900	19,707,219
<b>Total</b>	<b>923,284</b>	<b>18,812,467</b>	<b>19,735,751</b>

(€ '000)

IAS39 CATEGORY	PERFORMING								
	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FV THROUGH OTHER COMPREHENSIVE INCOME			FINANCIAL ASSETS MEASURED AT AMORTIZED COST		
	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)
20. Financial assets held for trading	-	-	-	-	-	-	-	-	-
30. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
40. Financial assets available for sale	-	-	-	-	8,716	8,716	-	3,222	3,222
50. Held to maturity investments	-	-	-	-	-	-	-	-	-
60. Loans and receivables with banks	-	-	-	-	-	-	6,964	9,087	16,052
70. Loans and receivables with customers	3,422	(3,422)	-	-	-	-	912,897	519,525	1,432,422
<b>Total</b>	<b>3,422</b>	<b>(3,422)</b>	<b>-</b>	<b>-</b>	<b>8,716</b>	<b>8,716</b>	<b>919,862</b>	<b>531,834</b>	<b>1,451,696</b>

## Part A - Accounting policies

(€ '000)

IAS39 CATEGORY	NON PERFORMING								
	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FV THROUGH OTHER COMPREHENSIVE INCOME			FINANCIAL ASSETS MEASURED AT AMORTIZED COST		
	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)
20. Financial assets held for trading	-	-	-	-	-	-	-	-	-
30. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
40. Financial assets available for sale	20,042	(20,042)	-	-	-	-	-	-	-
50. Held to maturity investments	-	-	-	-	-	-	-	-	-
60. Loans and receivables with banks	-	-	-	-	-	-	1,526	-	1,526
70. Loans and receivables with customers	67,103	(67,103)	-	-	-	-	18,723,797	(108,972)	18,614,825
<b>Total</b>	<b>87,145</b>	<b>(87,145)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,725,323</b>	<b>(108,972)</b>	<b>18,616,351</b>

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

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

(€ '000)

IAS39 CATEGORY	PERFORMING			NON PERFORMING			TOTAL	
	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CUMULATED WRITEDOWNS (EX IFRS9)
Off-balance sheet exposures	43,054	64,068	107,122	262,433	159,975	422,408	305,487	529,530

Note that the item "change in measurement" includes, in addition to the effects deriving from the adoption of new IFRS 9 loan loss provision calculation rules, the impacts linked to the reversal of penalty interest from loan loss provisions as requested by the fifth Update of Banca d'Italia Circular 262, the impact of write-off of some credit exposures included in the NPL strategy and the impact coming from the reclassification of some exposures to portfolio evaluated at fair value through profit or loss.

## Part A - Accounting policies

### 3.3 Further reclassifications carried out as at 1 January 2018 in compliance with IFRS9 and the V update of circular 262

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

In this regard the following should be noted:

- the item "Changes in fair value of portfolio hedged items" (assets and liabilities) that as of 31 December 2017 were respectively amounted to €1,714,488 thousand turn to €1,743,968 thousand. Those differences relate to the reclassification of assets and liabilities subject to "macro-hedging" relationship in item "20.c) Other financial assets mandatorily at fair value" with their consequent exclusion from hedging relationship;
- tax assets that as of 31 December 2017 amounted to €10,310,576 thousand now amount to €10,414,745 thousand as a result of tax effects on the accounting changes resulting from IFRS9 application;
- the Other Assets that as of 31 December 2017 amounted to €4,700,354 thousand now amount to €4,717,335 thousand as a consequence of the application of IFRS9 by the Bank's foreign branches.

It should be noted that the V Update of Circular 262 clarified that tangible assets accounted for in accordance with the provisions of IAS2 must be recorded in item "90. Tangible assets" rather than in item "Other Assets". The same update also required provisions for off-balance sheet exposures to be shown in item "100. Provisions for risks and charges" rather than in item "Other liabilities".

### Approval of 2019 Budgetary law and consequent effects on deferred taxes related to IFRS9 adoption

Starting from 1 January 2018, the new accounting standard IFRS9 which deals with the recognition and measurement of Financial instruments has been applied for the preparation of Financial statements. The adoption of the new accounting standard has determined, among other effects, an increase in Loan Loss Provisions (LLPs) whose economic effects have been recognized as a reduction of 1 January 2018 net equity (First Time Adoption - FTA<sup>43</sup>).

At the same date, UniCredit S.p.A. has not recognised IRAP and IRES tax assets related to the mentioned LLPs because the tax rule applicable at the time required the full deductibility in 2018 and, absent a sufficient taxable income, the sustainability test showed the inability to recover the IRES deferred tax assets associated with tax losses carried forward.

The new 2019 Budgetary Law approved in December 2018 envisaged the deductibility of LLPs recognized in FTA on a 10 years period (1/10 in 2018 and 9/10 in future periods up to 2027), for both IRES and IRAP purposes. This circumstance has determined the transformation of these DTAs from tax assets related to tax losses carried forward to tax assets related to temporary differences (IRES and IRAP) and, consequently, their recognition in financial statements for an amount determined through the sustainability test carried out coherently with the new tax rules.

Recognition of these DTAs has required an in-depth analysis by the management so to assess the proper accounting treatment, given the absence of specific indications by IAS 12 on their recognition against equity or against P&L.

On this matter, which pertains to a strict representation issue not involving recognition nor measurement topics, the management:

- has performed technical analysis, also considering the content of the Document issued by Banca d'Italia, Consob and ISVAP (now IVASS) on 21 February 2008 concerning the application of IAS/IFRS (in particular the Document was issued so to clarify the accounting treatment of negative changes in DTA related to the first time adoption of IAS/IFRS and resulting from the change in IRES and IRAP tax rates set by 2008 Budgetary Law);
- has concluded that the content of the mentioned Document is applicable also to the present case absent further indications by IFRS IC (Interpretation Commitments) or changes by IASB (International Accounting Standard Board).

In conclusion, DTAs related to the first time adoption of IFRS9, have been recognised against P&L for an amount of €871 million. As a result, also considering the impact of IRAP current taxes for €16 million, the net profit for 2018 is equal to €2,458 million (€534 million in the fourth quarter of 2018).

In case these DTAs were recognised against equity, the net profit for 2018 would have been equal to €1,571 million (in the fourth quarter of 2018 would have been net loss of €353 million).

Lastly note that the choice to recognise these DTAs against equity, instead against P&L as happened, would have not determined different effects on the overall equity capital of the Bank.

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The Parent Company Accounts and the Consolidated Accounts as at 31 December 2018 are audited by Deloitte & Touche S.p.A. pursuant to Legislative Decree No.39 of 27 January 2010 and to the resolution passed by the Shareholders' Meeting on 11 May 2012.

43.Refer to Part A - Accounting policies - Section 4 Other matters - "Transition to IFRS9: Financial Instruments" of UniCredit S.p.A." for an explanation of the effects arising from the first time adoption of IFRS9.

## Part A - Accounting policies

UniCredit group prepared and published within the time limits set by law and in manner required by Consob, the Consolidated First Half Financial Report as at 30 June 2018, subject to limited scope audit, as well as the Consolidated Interim Reports as at 31 March and 30 September 2018, both as Press Releases.

The Parent Company Accounts and the Consolidated Accounts as at 31 December 2018 has been approved by the Board of Directors' meeting of 6 February 2019, which authorised its disclosure to the public, also pursuant to IAS10.

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

### A.2 - Main items of the accounts

#### 1 - Financial assets at fair value through profit or loss

##### a) Financial assets held for trading

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

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

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

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

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

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

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

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

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

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

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

## Part A - Accounting policies

### b) Financial assets designated at fair value through profit or loss

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

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

### c) Other financial assets mandatorily at fair value

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

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

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

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

## 2 - Financial assets at fair value through other comprehensive income

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

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

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

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

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortised cost criterion in item "10. Interest income and similar revenues" if positive, or in item 20. "Interest expenses and similar charges" if negative.

The gains and losses arising from changes in fair value are recognised in the Statement of comprehensive income and shown under item "110. Valuation reserves" in shareholders' equity.

These instruments are tested for impairment as illustrated in the specific section 15 - Other Information - Impairment.

Impairment losses are recorded in the income statement, in item "130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income" with contra-entry in the statement of other comprehensive income and also shown under item "110. Valuation reserves" in shareholders' equity.

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

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

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

## Part A - Accounting policies

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

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

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognised in the Statement of other comprehensive income and reported under item "110. Valuation reserves" in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in item "140. Reserves".

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

### 3 - Financial assets at amortised cost

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

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

These items also include the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

On initial recognition, at settlement date, financial assets at amortised cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

After initial recognition at fair value, these assets are measured at amortised cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan. Such interest is recognised in item "10. Interest income and similar revenues" if positive, or in item "20. Interest expenses and similar charges" if negative.

The amount of financial assets at amortised cost is adjusted in order to take into account impairment losses arising from valuation process as illustrated in the specific section 15 - Other information - Impairment.

Impairment losses are recorded in the income statement, in item "130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost".

In the event of disposal, the accumulated profits and losses are recorded in the income statement in item "100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost".

Amounts deriving from financial assets carrying amount adjustment, gross of cumulated write-downs, in order to reflect modifications on contractual cash flows that do not give rise to accounting derecognition, are recognised in P&L in item "140. Gains/Losses from contractual changes with no cancellations"; such line does not include the impact of contractual modifications on the amount of expected loss recognised in item "130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost".

Such item can also include on-balance credit exposures which are already non-performing on initial recognition. These exposures are qualified as "Purchased Originated Credit Impaired - POCI".

The amortised cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset.

This expected credit loss is subject to periodic review thus determining the recognition of impairment or write-backs.

For further information on "Purchased Originated Credit Impaired" assets see Part E - Section 1 - Credit risk.

### 4 - Hedge accounting

Hedging instruments are created to hedge market (interest-rate, currency and price) and/or credit risk to which the hedged positions are exposed. They may be described as follows:

- Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- Hedge of a net investment in a foreign entity, whose operations are based or conducted in a currency other than euro.

It should be noted that the Group has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

## Part A - Accounting policies

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Generally a hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80 -125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when (i) the hedging instrument expires or is sold, terminated or exercised, (ii) the hedged item is sold, expires or is repaid, (iii) it is no longer highly probable that the forecast transaction will occur.

Hedging instruments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:

- **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting"; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the difference is recognised in profit or loss under item "90. Net gains (losses) on hedge accounting" at once. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in item "100. Gains (Losses) on disposal and repurchase";
- **Cash Flow Hedging** - hedging instruments are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognised in equity item "110. Revaluation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item "90 Net gains (losses) on hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in revaluation reserves from the period when the hedge was effective remains separately recognised in revaluation reserves until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to "90 Net gains (losses) on hedge accounting". The fair value changes are recorded in the Statement of Other Comprehensive Income and disclosed in item "110. Revaluation reserves";
- **Hedging a Net Investment in a Foreign Entity** - hedges of a net investment in a foreign entity whose activities are based or conducted in a country or currency other than those of the reporting entity are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign entity.  
The fair value changes are recorded in the Statement of Comprehensive Income and disclosed in item "110. Valuation reserves"; the ineffective portion of the gain or loss is recognised through profit or loss in item "90. Net gains (losses) on hedge accounting";
- **Macro-hedges of Financial Assets (Liabilities)** - IAS39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro-hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macrohedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes, gains or losses, in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item "60. Changes in fair value of portfolio hedged items (+/-)" or liability item "50. Value adjustment of hedged financial liabilities (+/-)", respectively and offset the profit or loss item "90. Net gains (losses) on hedge accounting".



## Part A - Accounting policies

The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item "90. Net gains (losses) on hedge accounting".

If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items "60. Changes in fair value of portfolio hedged items (+/-)" (Assets) and "50. Value adjustment of hedged financial liabilities (+/-)" (Liabilities) is recognised through profit or loss in items "10. Interest income and similar revenues" or "20. Interest expenses and similar charges", along the residual life of the hedged financial assets or liabilities.

If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item "100. Gains (Losses) on disposal and repurchase".

### 5 - Equity investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32.

Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

The following are the types of equity investment:

#### Subsidiaries

Entities, including structured entities, over which the Bank has direct or indirect control, are considered subsidiaries. Control over an entity entails the Bank's ability to exercise power in order to influence the variable returns to which the Bank is exposed through its relationship with them.

In order to verify the existence of control, the Group considers the following factors:

- the purpose and establishment of the investee, in order to identify which are the entity's objectives, the activities that determine its returns and how these activities are ruled;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to rule the relevant activities; to this end only substantial rights that provide practical ability to rule are considered;
- the exposure held in relation to the investee, in order to assess whether the Group has relationships with the investee, the returns of which are subject to changes deriving from variations in the investee's performance;
- the existence of potential principal - agent relationships.

If the relevant activities are ruled through voting rights, the existence of control is verified considering the voting rights held, including the potential ones, and the existence of any shareholders' or other agreements which attribute the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the entity's financial and operating policies.

Subsidiaries may also include any "structured entity" in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities (or those that contribute most to the results) and the Group's exposure to the variability of returns deriving from these activities.

#### Joint venture

A joint venture is an entity in which the Bank has:

- a joint control agreement;
- rights on the net assets of the entity.

In detail a joint control exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

#### Associates

An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.

Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity, or
- is able, also through shareholders' agreements, to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in the policy-making process, including participation in decisions about dividends or other distributions;



## Part A - Accounting policies

- the existence of significant transactions;
- interchange of managerial personnel;
- provision of key technical information.

It should be noted that only companies which are governed through voting rights can be classified as associates.

Investments in subsidiaries, associates and joint ventures are measured at cost.

The purchase price of an equity investment is the sum of:

- the fair value, at the date of acquisition, of the assets sold, liabilities assumed and equity instruments issued by the purchaser in exchange for control of the investee;
- and
- any cost directly attributable to the acquisition.

If there is evidence that an equity investment may have become impaired, its carrying value is compared with its recoverable value, which is determined on the basis of its value in use, in turn calculated by means of valuation models in general use in financial business, which discount expected future cash flow from the equity investment.

If it is not possible to obtain sufficient information the value in use is considered to be the net worth of the company.

If the recovery value is less than the carrying value, the difference is recognised through profit or loss in item "220. Gains (Losses) of equity investments". If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, write-backs are made through same profit or loss item.

Equity investments considered strategic investments not covered by the above definitions and not recognised in item "110. Non-current assets and disposal groups classified as held for sale" are classified as financial assets at fair value through other comprehensive income or other financial assets mandatorily at fair value and accordingly treated.

### 6 - Property, plant and equipment

The item includes:

- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;

and is divided between:

- assets used in the business;
- assets held as investments;
- Inventories in the scope of IAS2 Standard.

This item also includes tangible assets arising from collection of collaterals.

#### Assets used in the business and Assets held as investments

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used for more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease.

The item "Property, plant and equipment" includes assets used as lessee under a finance lease, or let/hired out as lessor under an operating lease.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use.

Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item "120. Other assets".

## Part A - Accounting policies

Assets held for investment purposes are properties covered by IAS40, i.e. properties held (owned or under a finance lease) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured.

Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:

“160. Administrative expenses: b) other administrative expenses”, if they refer to assets used in the business;

or:

“200. Other operating expenses/income”, if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

An item with a finite useful life is subject to straight-line depreciation.

Residual useful life is usually assessed as follows:

- Buildings up to 33 years;
- Furniture up to 7 years;
- Electronic equipment up to 12 years;
- Other up to 7 years;
- Leasehold Improvements up to 15 years.

An item with an indefinite useful life is not depreciated.

Land and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life.

Buildings have instead a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis *inter alia* of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is clear evidence that an asset has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in profit and loss item “180. Net value adjustments/write-backs on property, plant and equipment”.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

An item of property, plant and equipment is derecognised (i) on disposal or (ii) when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in profit and loss item “250. Gains (Losses) on disposal of investments” or “180. Net value adjustments/write-backs on property, plant and equipment”, respectively.

### Inventories in the scope of IAS2 standard

Inventories are assets held for sale in the ordinary course of business. They are accounted for at the lower of their carrying amounts and net realizable value. Any value adjustment arising from the application of the aforementioned criterion is recognised under item “180. Net value adjustments/write-backs on property, plant and equipment”.

## 7 - Intangible assets

An intangible asset is an identifiable non-monetary without physical substance which is expected to be used for more than one period and from which future economic benefits are probable.

Intangible assets are principally represented by software.

## Part A - Accounting policies

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.

Costs sustained after purchase are:

- added to initial cost, provided they increase future economic benefits arising from the underlying asset (i.e. if they increase its value or productive capacity);
- in other cases (i.e. when they do not increase the asset's original value, but are intended merely to preserve its original functionality) are taken to profit or loss in a single amount in the year in which they have been borne.

An intangible asset with a definite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- Software up to 10 years.

If there is clear evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item "190. Impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is derecognised (i) on disposal or (ii) when no further future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item "250. Gains (Losses) on disposal of investments" or "190. Impairment/write-backs on intangible assets", respectively.

### 8 - Non-current assets held for sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the related liabilities, as required by IFRS5.

Individual assets (or groups of assets held for sale) are recognised in item "110. Non-current assets and disposal groups classified as held for sale" and item "70. Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to non-current assets classified as held for sale, which are recorded as a contra item to changes in value relevant for this purpose, are reported separately in the Statement of Other Comprehensive Income (see Explanatory notes - Part D – Other Comprehensive Income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to discontinued operations are recognised in the income statement under item "290. Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets or disposal groups, that do not constitute discontinued operations, held for disposal are recognised in the income statement under the appropriate item.

## Part A - Accounting policies

### 9 - Current and deferred tax

Tax assets and tax liabilities are recognised in the Balance Sheet respectively in item 100. of assets ("Tax assets") and item 60. of liabilities ("Tax liabilities").

In compliance with the "Balance sheet method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with local tax regulations;
- current tax liabilities, i.e. amounts of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses;
  - the carryforward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

Current tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognised in profit or loss on an accrual basis. In particular current corporate tax ("IRES") is calculated at a rate of 27.50%; the regional tax on productive activity ("IRAP") is applied on a regional basis. The national rate is set at 4.65%, to which each Region can autonomously increase a surcharge up to 0.92%, therefore theoretically a rate of 5.57% (plus an additional surcharge of 0.15% provided for the Regions with an healthcare deficit status).

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Under the tax consolidation system adopted by the Bank, deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit evaluated based on the Bank's ability to generate it in future financial years will be available. Deferred tax liabilities are always recognised. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognised in profit and loss item "270. Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on financial assets at fair value through other comprehensive income and those relating to changes in the fair value of cash flow hedging instruments, whose changes in value are recognised, net of tax, directly in the Statement of Other Comprehensive Income - Valuation reserves. IRES is determined on the basis of the "consolidato fiscale" rules pursuant to L.D.344/03; UniCredit S.p.A. opted to apply tax consolidation of the Group's Italian entities (see also Part B of these Notes - Section 10.7 Further information).

Current tax assets and liabilities are presented on the Balance Sheet net of the related current tax liabilities if the following requirements are met:

- existence of a legally enforceable right to offset the amounts recognised;
- the intention to extinguish for the remaining net, or realise the asset and at the same time extinguish the liability.

Deferred tax assets are presented on the Balance Sheet net of the related deferred tax liabilities if the following requirements are met:

- existence of an enforceable right to offset current tax assets with current tax liabilities; and
- the deferred tax assets and liabilities must relate to income taxes applied to the same tax authority on the same taxable entity or on different taxable entities that intend to settle the current tax liabilities and assets on a net basis (usually in presence of a "consolidato fiscale").

## Part A - Accounting policies

### 10 - Provisions for risks and charges

#### Commitments and guarantees given

Provisions for risks and charges for commitments and guarantees given are recognised against for irrevocable commitments and guarantees whether they are in scope of IFRS9 or IAS37.

The item hosts the estimates of expected loss calculated on these instruments resulting from valuation process as described in Section 15 - Other Information - Impairment.

The provision of the period is accounted under item "170. Net provisions for risks and charges: a) commitments and financial guarantees given".

Please note that all contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument are considered financial guarantees.

#### Retirement payments and similar obligations

Retirement provisions, i.e. provisions for employee benefits payable after the completion of employment, are defined as contribution plans or defined-benefit plans according to the nature of the plan.

In detail:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefits to all employees.

Defined-benefit plans are present-valued by an external actuary using the Unit Credit Projection method.

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

More specifically, the amount recognised according to IAS19 Revised as a net liability/asset in item "100. Provisions for risks and charges: b) post-retirement benefit obligations" is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses arising from the valuation of defined-benefit liabilities are recorded in the Statement of Other Comprehensive Income and disclosed in the item "110. Revaluation reserves".

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds (HQCB: high quality corporate bonds) with an average life in keeping with that of the relevant liability.

#### Other provisions

Provisions for risks and charges are recognised when:

- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation.

The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

In particular, where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

## Part A - Accounting policies

Provisions are used only for expenses for which they were originally recognised.

Allocations made in the year are recognised in profit and loss item "170. Net provisions for risks and charges: b) other net provisions" and include increases due to the passage of time; they are also net of any reversals.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the Unit Credit Projection method (see previous paragraph Retirement Payments and Similar Obligations).

### 11 - Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost comprise financial instruments (other than liabilities held for trading or those designated at fair value) representing the various forms of third-party funding.

These financial liabilities are recognised at settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method. Such interest is recognised in item "20. Interest expenses and similar charges" if negative or in item "10. Interest income and similar revenues" if positive.

Hybrid debt instruments indexed to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is recognised at its fair value, classified as financial assets or liabilities held for trading and subsequently measured at fair value through profit or loss with changes in fair value recognised in P&L in item "80. Net gains (losses) on trading". The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuance date, of a financial liability and of the equity part to be recognised in item "130. Equity instruments", if a physical delivery settles the contract.

The equity part is initially measured at the residual value, i.e. the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flows.

The resulting financial liability is recognised at amortised cost using the effective interest method.

Securities in issue are recognised net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to buy it is recognised into profit and loss in line "100. Gains (Losses) on disposal and repurchase of: c) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

### 12 - Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the short term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction. A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial liability is recognised in profit or loss in item "80. Net gains (losses) on trading".

## Part A - Accounting policies

### 13 - Financial liabilities designated at fair value

Financial liabilities, like financial assets may also be designated, according to IFRS9, on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces an accounting or measurement inconsistency that would arise from the application of different methods of measurement to assets and liabilities and related gains or losses; or
- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity's key management personnel.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities presented in this category are measured at fair value at initial recognition and for the life of the transaction.

The changes in fair value are recognised in the income statement in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss - a) financial assets/liabilities designated at fair value" except for any changes in fair value arising from changes in their creditworthiness, which are shown under item "110. Valuation reserves" of shareholders' equity unless such accounting results in an inconsistency that arises from the application of different methods of measuring assets and liabilities and related gains or losses, in which case also the changes in fair value deriving from changes in creditworthiness are recorded in the income statement. In case of redemption the balance of cumulated changes in fair value due to own credit risk booked in item "110. Valuation reserves" is reclassified in line "140. Reserves".

### 14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item "80. Gains (Losses) on financial assets and liabilities held for trading".

Exchange rate differences arising on a monetary item that is part of an entity's net investment in a foreign operation whose activities are based or conducted in a country or currency other than those of the reporting entity are initially recognised in the entity's equity, and recognised in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. In this case the exchange differences are recognised:

- in profit and loss if the financial asset is classified in a portfolio measured at fair value through profit or loss; or
- in the Statement of Other Comprehensive Income, and disclosed in the Revaluation reserves, if the financial asset is classified in "Financial assets at fair value through other comprehensive income".

Hedges of a net investment in a foreign operation are recognised similarly to cash flow hedges.

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences, classified in an Equity reserve, is reclassified in profit or loss.

### 15 - Other information

#### Impairment

Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and related off-balance sheet exposures are tested for impairment as required by IFRS9.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

- Stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption);
- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- Stage 3: includes impaired credit exposures.



## Part A - Accounting policies

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.

For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

The allocation of credit exposures in one of the abovementioned stages is done at initial recognition, when the exposures is classified at stage 1 and it is periodically reviewed based on "stage allocation" rules as specified in Part E - Section 1 - Credit risk.

In order to calculate the expected loss and the related loan loss provision, the Bank uses Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") parameters, used for regulatory purposes and adjusted in order to ensure that impairment measurement represents values which are "point in time", "forward looking" and inclusive of multiple scenarios. In this respect see Part E - Section 1 - Credit risk for further information on expected loss calculation methodologies.

With reference to stage 3, it should be noted that it includes impaired exposures corresponding to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS /2013/03/rev1 7/24/2014), in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates.

In particular EBA has defined as "Non-Performing" the exposures that meet one or both of the following criteria:

- material exposures with more than 90 days past due;
- exposures for which the bank values that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realisation of collaterals, regardless of past due exposures and the number of days the exposure is past due.

In addition, the abovementioned Circular No.272 establishes that the aggregate of impaired assets is divided into the following categories:

- Bad loans: cash and off-balance exposures to counterparty in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation. The assessment is generally carried out on an analytical basis (also through the comparison with coverage levels statistically defined for credit portfolios below a predefined threshold) or, in case of non-significant individually amounts, on a flat-rate basis for homogeneous types of exposures;
- Unlikely to pay: cash and off-balance exposures for which conditions for evaluating the debt as bad loan are not met and for which it is unlikely that without recurring to enforcement of collaterals the debtor is able to pay in full (capital and/or interests) his credit obligations. Such assessment is made independently of any past due and unpaid amount/instalments. The classification among unlikely to pay is not necessarily linked to anomalies (non-repayment), rather it is linked to factors that indicate a situation of risk of default of the debtor. Unlikely to pay are generally accounted analytically (also through the comparison with coverage levels statistically defined for credit portfolios below a predefined threshold) or on a flat-rate basis for homogeneous types of exposures.

The exposures classified among unlikely to pay and qualified as so-called forbore can be reclassified among non-impaired receivables only after at least one year has elapsed from the time of granting and the conditions indicated in paragraph 157 of EBA Implementing Technical Standards . With reference to their evaluation:

- they are generally analytically evaluated and may include the discounted charge deriving from the possible renegotiation of the rate at conditions below the original contractual rate;
- the renegotiations of loans that require their derecognition in exchange of shares through "debt-to-equity swap" transactions requires the assessment, before executing the swap, of the credit exposures in accordance with stipulated agreements at the date of preparation of the financial statements. Any differences between the value of receivables and the value at initial recognition of equity instruments is accounted in income statement in the impairment losses;
- Past due exposures: cash exposures different from those classified as non-performing loans and unlikely to pay that at the reporting date are past due. Past due exposures can be determined referring alternatively to individual debtor or individual transaction. In particular they represent an entire exposure to counterparties different from those classified as unlikely to pay and bad loans that at the reporting date show past due receivables from more than 90 days as well as requirements established by local prudential regulation for the inclusion of these credits into "past due" (standardised banks) or "default exposures" (IRB banks).

Past due exposures are evaluated on a on a flat-rate basis on historical/statistical basis, applying, if available, the riskiness identified by the risk factor used for the purposes of EU Regulation No.575/2013 (CRR) relating to prudential requirements for credit institutions and investment firms (LGD - Loss Given Default).

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.



## Part A - Accounting policies

In particular, the amount of the loss on impaired exposures classified as bad loans and unlikely to pay, according to the categories specified above, is the difference between the carrying amount and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed rate positions, the interest rate thus determined is kept constant in subsequent financial years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate cannot be found, or if finding it would be excessively burdensome, the rate that best approximates is applied, also recurring to "practical expedients" that do not alter the substance, and ensure consistency with the international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, the type of loan, the type of security and any other factors considered relevant.

Also the impairment on impaired exposures was calculated as required by the new accounting standard IFRS9 to include (i) the adjustments necessary to reach the calculation of a point-in-time and forward-looking loss; and (ii) multiple scenarios applicable to this type of exposure including any sale scenarios in case the Bank's NPE strategy foresees the recovery through sale on the market according to what is specified in Part E - Section 1 - Credit risk.

If there are no reasonable expectations to recover a financial assets in its entirety or a portion thereof, the gross exposure is subject to write-off. Write-off, that may involve either a full or a part of a financial asset, might be accounted for before that the legal actions, activated to recover the credit exposure, are closed and doesn't imply the forfeiture of the legal right to recover. In this context the Bank has developed a specific guideline that assess the need to recognize a write-off. For further information see Part E - Section 1 - Credit risk.

### Modification

Renegotiations of financial instruments which cause a change in contractual conditions are accounted for depending on the significance of the contractual change itself.

In particular, when renegotiations are not considered significant the gross exposure is re-determined through the calculation of the present value of cash flows following the renegotiation at the original effective interest rate

The difference between the gross exposure before and after renegotiation, adjusted to consider changes in the related loan loss provision, is recognised in P&L as modification gain or loss.

In this regard, renegotiations achieved both by amending the original contract or by closing a new one, are considered significant when they determine the expiry of the right to receive cash flows accordingly to the original contract.

In particular, the rights to receive cash flows are considered as expired in case of renegotiations that introduce contractual clauses which determine a change in the financial instrument classification, which determine a change in the currency or which are carried out at market conditions therefore without causing credit concession.

### Business combinations

A business combination is a transaction through which an entity obtains control of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree is a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS3 requires that all business combinations concerning business divisions shall be accounted for by applying the purchase method, that involves the following steps:

- i) identifying an acquirer;
- ii) measuring the cost of the business combination; and
- iii) allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

## Part A - Accounting policies

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value, and the recognition of the effects in the Income Statement, of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

Positive difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and recognise immediately any excess remaining after that reassessment in profit or loss.

In the case of business combinations resulting in a Parent company-subidiary (acquirer-acuiree) relationship, the equity investment is accounted for under the cost method.

### Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity's balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset, or a group of assets, (e.g. interest cash flows from an asset);
- the part comprises a clearly identified percentage of the cash flows from a financial asset (e.g. a 90 per cent share of all cash flows from an asset);
- the part comprises only a fully proportionate (pro-rata) share of specifically identified cash flow (e.g. 90 per cent share of interest cash flows from an asset).

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety)

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Bank to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Bank is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset and expense accruing on the liability.

The main transactions that could not permit, under the above rules, full derecognition of a financial asset are securitisations, reverse repos and lending transactions.

## Part A - Accounting policies

In the case of securitisations the Bank does not derecognise the financial asset on purchase of the equity tranche or provision of other types of support of the structure which result in the Bank retaining the credit risk of the securitised portfolio.

In the case of reverse repos and stock securities lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Finally, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

### Repo transactions and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks, or as an asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers, or as held for trading financial liability. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The P&L items connected with these transactions are booked respectively:

- in item Interest, with respect to the positive item (borrower) and the negative item (lender) relating to the return on cash paid to the lender;
- in item Fees and commissions, with respect to the negative item (borrower) and the positive item (lender) relating to the service provided by the lender by making the security available.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role, lender or borrower, respectively, played in the transaction.

Counterparty risk relating to the latter securities lending or borrowing transactions is shown under the tables of Explanatory notes - Part E - Section 1 - Credit risk - Quantitative information - A. Credit quality.

### Equity instruments

Equity instruments are instruments that represent a residual interest in Group's assets net of its liabilities.

Classification of an issued instrument as equity is possible only if there are no contractual obligation to make payments in form of capital redemptions, interest or other kinds of returns.

In particular, instruments having the following features are classified as equity instruments:

- the instrument is perpetual or has a maturity equal to duration of the entity;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Additional Tier 1 instruments are included in this category, in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, if, additionally to the characteristics described above:

- maintain within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- do not incorporate outlook that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Equity instruments, different from common or saving shares, are presented in item "130. Equity instruments" for the consideration received including transaction costs directly attributable to the instruments.

Any coupon paid, net of related taxes, reduces item "140. Reserves".

Any difference between the amounts paid for the redemption or repurchase of these instruments and their carrying value is recognised in item "140. Reserves".

## Part A - Accounting policies

### Treasury shares

Changes in treasury shares are reported as a direct contra item to Shareholders' Equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax repurchase cost is recognised entirely as a contra item to Shareholders' Equity.

### Finance Leases

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee; ownership of the asset is transferred to the lessee, however not necessarily at contractual maturity.

The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

See previous paragraphs 6 - Property, Plant and Equipment and 7 - Intangible Assets below for treatment of the lessee's assets.

### Factoring

Loans acquired in factoring transactions with recourse are recognised to the extent of the advances granted to customers on their consideration. Loans acquired without recourse are recognised as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

### Italian staff severance pay (Trattamento di fine rapporto - "TFR")

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see previous paragraph 10 - under Provisions for Risks and Charges - *Retirement Payments and Similar Obligations*). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following pension reform by Law No.252/2005, TFR installments accrued to 31 December 2006, to the date between 1 January 2007 and 30 June 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e. forecast future pay rises are not considered.

TFR installments accrued since 1 January 2007 (date of Law 252's coming into effect) (or since the date between 1 January 2007 and 30 June 2007) have been, at the employee's discretion, either (i) paid into a pension fund or (ii) left in the company and (where the company has in excess of 50 employees) are paid into an INPS Treasury fund by the employer, are assimilated to a defined-contribution plan.

Costs relating to TFR are recognised in the Income Statement in item "160. Administrative costs: a) staff expense" and include, for the part of obligations already existing at the date of the reform (assimilated to a defined benefit plan), interest cost accrued in the year; for the part of plan considered defined contribution plan, the accrued installments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains (losses), i.e. the difference between the liabilities' carrying value and the present value of the obligation at the end of the period are recorded in the Statement of Other Comprehensive Income and disclosed in the Revaluation reserves according to IAS19 Revised.

### Share-based payment

Equity-settled payments made to employees or other staff in consideration of goods received or services rendered, using equity instruments comprise:

- Stock options;
- Performance shares (i.e. awarded on attainment of certain objectives);
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services rendered against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

## Part A - Accounting policies

This fair value is recognised as cost in profit and loss item “160. Administrative costs: a) staff expenses” offsetting the Shareholders’ Equity item “140. Reserves”, on an accruals basis over the period in which the services are rendered.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in item “80. Other liabilities”. The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognised in profit and loss item “160. Administrative costs: a) staff costs”.

### Guarantees and credit derivatives in the same class

Guarantees and credit derivatives in the same class measured under IFRS9 (i.e. contracts under which the issuer make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument) are initially and subsequently (on remeasurement following impairment losses) recognised in item “100. Provisions for risks and charges: a) commitments and guarantees given”.

On initial recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued.

After the initial recognition, guarantees given are recognised at the higher of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation.

The effects of valuation, relating to any impairment of the underlying, are recognised in the same balance-sheet item contra item “170. Net provisions for risks and charges: a) commitments and financial guarantees given” in the income statement.

### Offsetting financial assets and financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS32, assessing the fulfillment of the following requirements:

- a) current legally enforceable right to set off the recognised amounts;
- b) intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS7, further information have been included in the table of Note to the accounts, in Part B - Other information.

In these tables, in particular, following information have to be reported:

- balance-sheet values, before and after the accounting offsetting effects, related to the assets and liabilities which meet the criteria for applying those effects;
- values of the exposures which do not meet the above mentioned criteria, but are included in Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances (i.e. default events);
- amounts of related collaterals.

### Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at the initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer’s or borrower’s financial situation, for valuation and registration of security, and generally for the completion of the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include financing costs or internal administrative or holding costs.

## Part A - Accounting policies

### Recognition of income and expenses

#### **Interest income and expenses**

Interest income and expenses and similar income and expense items relate to monetary items, i.e. liquidity and debt financial instruments (i) held for trading, (ii) designated at fair value (iii) mandatorily at fair value (iv) at fair value through other comprehensive income (v) at amortised cost and financial liabilities at amortised cost.

Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:

- hedging interest-bearing assets and liabilities;
- HfT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HfT assets and liabilities paying differentials or margins on different maturities.

#### **Fees and commissions income and other operating income**

Fees and commissions income and other operating income are accounted for in P&L as the entity satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognized in P&L when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in P&L in order to reflect the progress of satisfaction of such obligation.

Due to the above mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognized during the term of the contract (input method).

For this second type of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Bank accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Bank expects to receive.

Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

Please note, nevertheless, that for the services provided by the Bank such a variability is not usually foreseen.

Finally, if a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore accounted for in P&L on the basis of the timing of satisfaction of each obligation.

This circumstance, which is not significant, might happen in case of customer loyalty programs that require to provide goods or services for free, or by cashing-in a price not at market condition, if the client reaches a specific volume of fees, or in case of programs to acquire new customers that assign a bonus to the target (in the form of a product or a service) when it becomes a new client.

#### **Dividends**

Dividends are recognised in the profit and loss account for the year in which their distribution has been approved.

## A.3 - Information on transfers between portfolios of financial assets

There were no transfers between portfolios of financial assets in 2018.

## Part A - Accounting policies

### A.4 - Information on fair value

#### Qualitative information

This section presents a disclosure on fair value as required by IFRS13.

Fair value is the price that could be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants in the principal market at the measurement date (i.e. an exit price).

The fair value of a financial liability with a demand feature (e.g. a demand deposit) cannot be lower than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

For financial instruments listed in active markets the fair value is determined on the basis of official prices in the principal market to which the Group has access (*Mark to Market*).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service, the dealer, the broker, the agency that determines prices or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value can be determined on the basis of the relevant market prices for the component parts.

If the observable prices in active market or other observable inputs, such as the quoted price of a similar instrument in an active market, the Group may use another valuation techniques, such as:

- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);
- cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

The Group uses valuation models (*Mark to Model*) in keeping with the methods generally accepted and used by the market. Valuation models include techniques based on the discounting of future cash flows and on volatility estimates, and they are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile. Indeed, these prices/quotations are relevant for determining significant parameters in terms of credit, liquidity and price risk of the instrument being valued. Reference to these market parameters allows to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified. If, for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations derived from valuation models, the Group employs:

- Independent price verifications (IPVs);
- Fair value adjustments (FVAs).

Independent price verification requires that the prices are verified at least monthly by Risk Management units that are independent from the units that assume the risk exposure.

This verification calls for comparing and adjusting the price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by *info providers* as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued. This valuation can include the "executability" of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the *info provider* to obtain the information.



## Part A - Accounting policies

### A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Hereby we provide IFRS13 disclosure requirements about accounting portfolios measured at fair value on a recurring basis, not measured at fair value, or measured at fair value on a non-recurring basis.

#### **Assets and liabilities measured at fair value on a recurring basis**

##### *Fixed-Income securities*

Fixed-Income securities are priced in a two tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1<sup>44</sup>. In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account:

- the number of executable bid/ask quotes,
- their relative sizes and spreads.

Such indicator is tracked over a 20 business days time window in order to obtain a stable monthly indicator.

Instruments not traded in active markets are marked to model based on implied credit spread curves derived from the former Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3, Level 3 is applied in case credit spread curves used are significantly unobservable. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.

In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

##### *Structured financial products*

The fair value of structured financial products not quoted is determined on active markets using the appropriate derivative valuation methodology given the nature of the embedded structure (when this is not to be separated). Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

##### *Asset Backed Securities*

UniCredit valuation process relies on internal policies centred on:

- extension and implementation across all the Group's Legal Entities of an independent Price Verification (IPV) process suited to the changed market conditions for Structured Credit Bonds;
- integration of current Fair Value Adjustments Policy.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets.

The process relies first on *consensus data provider* as reliable collector of market quotes.

As a second step, prices are assessed by *benchmarking* each security to a pool of similar securities with available market quotes. An alternative approach consists in evaluating the instrument through the use of quantitative pricing models, which are applicable every time that information regarding market participants assumptions on model parameters are reasonably made available without excessive costs or efforts.

##### *Derivatives*

Fair value of derivatives not traded in an active market is determined using a *mark-to-model* valuation technique. In such cases, where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts. Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use significant unobservable inputs are referred to as Level 3 valuations.

##### *Equity instruments*

Equity Instruments are assigned to Level 1 when a quoted price is available on a liquid market and to Level 3 when no quotations are available or quotations have been suspended indefinitely. These instruments are classified as Level 2 only when trading volume on the market where the instrument is quoted has decreased significantly.

<sup>44</sup> As far as Italian Government bonds are concerned, it is worth stressing they are typically exchanged on the MTS market which is largely acknowledged as the main liquid platform for this kind of asset.



## Part A - Accounting policies

### *Investment funds*

The Group holds investments in certain investment funds that publish net asset value (NAV) per share, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. The Group's investments include co-investments in funds that are managed by the Group and investments in funds that are managed by third parties and in particular:

### *Real estate funds*

Real Estate Funds are mapped to Level 1 when quoted prices are available on an active market; when this condition does not hold, Real Estate Funds are disclosed as Level 3 and they are evaluated through an adequate credit adjustment of the NAV based on the specific features of each fund.

### *Other funds*

The Group holds investments also in mutual funds, *hedge funds* and *private equity* funds.

Funds are usually assigned to Level 1 when a quoted price is available on an active market.

Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues relating to position write-off.

### *Property, plant and equipment measured at fair value*

The Group owns property, plant and equipment held for investment purposes, which are valued according to the fair value model for Real Estate investments linked to liabilities that generate a return on investments themselves.

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. Given the current portfolio composition, most of the positions are at level 3.

### **Fair Value Adjustments (FVA)**

Fair Value Adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position which reflects the actual exit price of a certain position.

Below a list of adjustments:

- Credit/Debit Valuation Adjustment (CVA/DVA);
- Model risk;
- Close-out costs;
- Other adjustments.

### *Credit/Debit Valuation Adjustment (CVA/DVA)*

Credit Valuation Adjustments (CVAs) and Debit Valuation Adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively.

UniCredit CVA/DVA methodology is based on the following inputs:

- EAD derived by simulation techniques. Simulated exposures also take into account Specific Wrong-Way Risk that arises from transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD implied by current market default rates, obtained from Credit Default Swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and implied by current market default rates, obtained from credit default swaps.

As of 31 December 2018, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €38 million negative. The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €41 million negative.

### *Funding Cost and Benefit Adjustment (FCA/FBA)*

Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and of a Funding Benefit Adjustment (FBA) that indeed accounts for the expected future funding costs/benefits for derivatives that are not fully collateralised. Most material contributors are in-the-money trades with uncollateralised counterparties.

UniCredit FVA methodology is based on the following inputs:

- positive and negative exposure profiles derived leveraging on a risk-neutral spin-off of the Counterparty Credit Risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- a funding spread curve that is representative of the average funding spread of peer financial groups.

As of 31 December 2018 the Fair Value adjustment component (FundVA) reflect into P&L amounts to €14.24 million negative.

## Part A - Accounting policies

### *Model risk*

Financial models are used for the valuation of the financial instruments if the direct market quotes are not readily available. In general the model risk is represented by the possibility that a financial instrument's evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

### *Close-out costs*

It measures the implicit costs of closing an (aggregated) trading position. The position could be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition a close-out adjustment of the NAV is applied when there are some penalties relating to position write-off in an investment fund.

### *Other adjustments*

Other fair value adjustments, which are not included in the previous categories, could be taken into consideration to align the evaluation to the current exit price, also according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

### **Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis**

Financial instrument not carried at fair value, for example retail loans and deposit, and credit facilities extended to corporate clients are not managed on a fair value basis.

For these instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS13.

### *Cash and cash balances*

Cash and cash balances are not carried at fair value on the Consolidated Balance Sheets, but they are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk.

### *Financial assets at amortised cost*

For the assets that are composed by securities, fair value is determined according to what explained in section "Assets and Liabilities measured at fair value on a recurring basis - Fixed Income Securities".

On the other hands, fair value for performing Loans and Receivables to banks and customers is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

### *Property, plant and equipment held for investment purposes*

The fair value of property, plant and equipment held for investment purposes is determined on the basis of a valuation by an independent appraiser who holds a recognised and relevant professional qualification which perform its valuation mainly on the basis of an indirect knowledge of the assets through the information made available by the owner and relating to the localization, consistency, destination and in consideration of market analysis.

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique.

### *Financial liabilities at amortised cost*

Fair value for debt securities in issue is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves.

On the other hands, Fair value for other financial liabilities is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's senior and subordinated risk curves.

### **Description of the valuation techniques**

Specific valuation techniques are used to value positions for which a market price is not directly observable from market sources. The Group uses well known valuation techniques for determining fair values of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and 3 assets and liabilities are described below.

## Part A - Accounting policies

### *Option Pricing Model*

Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option Pricing Models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

### *Discounted cash flow*

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "discounted value". The fair value of the contract is given by the sum of the present values of future cash flows.

### *Hazard Rate Model*

The valuation of CDS instruments requires the knowledge of the entity's survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk free curve and the expected recovery rate.

The hazard rate is part of the described process and it indicates the instantaneous probability of default at different future instants.

### *Market Approach*

A valuation technique that uses prices generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

### *Gordon Growth Model*

This is the model used to determine the intrinsic value of an equity investment, based on a series of future dividends which grow at a constant rate. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the present value of future dividends.

### *Dividend Discount Model*

This model is used to determine the value of an equity investment, based on the series of predicted future dividends. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the fair value of an equity share as the sum of the present value of all future dividends.

### *Adjusted NAV*

Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measure. Usually for funds classified as Level 3, NAV represents a risk free valuation, therefore in this case the NAV is adjusted so as to consider the issuer's default risk.

### **Description of the inputs used to measure the fair value of items categorised in Level 2 and 3**

Hereby a description of the main significant inputs used to measure the fair value of items categorised in Level 2 and 3 of the fair value hierarchy.

#### *Volatility*

Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.

There are different types of volatility:

- volatility of interest rate,
- inflation volatility,
- volatility of foreign exchange,
- volatility of equity stocks, equity or other indexes/prices.

#### *Correlation*

Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measure. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measure. Therefore changes in correlation levels can have a major impact, favorable or unfavorable, on the fair value of an instrument, depending on the type of correlation.

## Part A - Accounting policies

Correlation is a pricing input for a derivative product where the payoff is driven by multiple underlying risks. The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks.

### *Dividends*

The derivation of a forward price for an individual stock or index is important both for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings and, to a lesser extent, the relevant funding rates applicable to the stock in question. The dividend yield and timing represents the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price.

### *Interest rate curve*

The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency, which turns interest rates in zero-coupon.

Less liquid currencies interest curve refer to the rates in currencies for which a market liquidity doesn't exist in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

### *Inflation Swap rate*

The determination of forward levels for inflation indexes is based on swap quote over inflation indexes. Swap over inflation may present a low liquidity level whether there is no liquid market in terms of rigidity, deepness and resistance. The illiquidity of those inputs has an indirect impact on the valuation of a debt instrument linked to inflation (inflation-linked note) or in case of a derivative over inflation.

### *Credit spreads*

Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name. The credit spread of a particular *security* is quoted in relation to the yield on a *benchmark security* or reference rate, typically either U.S. Treasury or LIBOR/EURIBOR and is generally expressed in terms of basis points.

The ranges for credit spreads cover a variety of underlings (index and *single names*), regions, sectors, *maturities* and credit qualities (*high-yield* and *investment-grade*). The broad range of this population gives rise to the width of the *ranges* of unobservable inputs.

### *Loss Given Default (LGD)/Recovery Rate*

LGD also known as *loss severity* (the inverse concept is the *recovery rate*) represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relating to the outstanding balance. An increase in the *loss severity*, in isolation, would result in a decrease in a fair value measure. The *Loss given default* is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of *collateral* and the degree of subordination.

### *Price*

Where market prices are not observable, comparison via proxy is used to measure a fair value.

### *Prepayment Rate (PR)*

The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security.

In general as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

### *Probability of Default (PD)*

The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also the economic environment and the degree to which it affects the obligor.

### *Early Conversion*

The early conversion is the estimate of the probability that the liability would be converted into equity earlier than the terms stated.

## Part A - Accounting policies

### EBITDA

EBITDA is an indicator of the current operating profitability of the business, that is the income generated by the use of the company's assets and the commercialisation of the products manufactured.

### Ke

The Ke (cost of capital) represents the minimum rate that the company has to offer to its shareholders as remuneration for the funds received.

### Growth rate

It is the constant growth rate used for the future dividends estimate.

### Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorised as Level 3

The following table shows, for each product category, the amount of Assets and Liabilities measured at fair value and the range of variation of unobservable parameters, across the whole portfolio, as monitored by group Risk Management functions.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	RANGE							
<b>Derivatives</b>	Financial	Foreign Exchange	44.32	48.36	Option Pricing Model	Volatility	1%	40%					
					Discounted Cash Flows	Interest rate	-60%	30%					
		Interest Rate	75.33	16.36	Discounted Cash Flows	Swap Rate (bps)	-40 bps	1000 bps					
						Inflation Swap Rate	0 bps	230 bps					
	Credit	Equity & commodities	502.67	373.45	Option Pricing Model	Volatility	1%	107%					
						Correlation	-98%	98%					
		Credit	-	-	Hazard Rate Model	Credit Spread	100%	28%					
						Recovery rate	0%	54%					
						<b>Debt Securities and Loans</b>	Corporate/ Government/Other	235.36	-	Market Approach	Price (% of used value)	0%	199%
											Mortgage & Asset Backed Securities	231	-
Recovery rate	20%	100%											
Default Rate	0%	8%											
Prepayment Rate	0%	30%											
<b>Equity Securities</b>	Unlisted Equity & Holdings	752.65	-	Market Approach	Price (% of used value)	0%	100%						
				Gordon Growth Model	Ke	8.0%	16.0%						
					Growth Rate	2.0%	3.0%						
<b>Units in Investment Funds</b>	Real Estate & Other Funds	1,057.21	-	Adjusted Nav	PD	1%	30%						
					LGD	35%	60%						

## Part A - Accounting policies

### A.4.2 Valuations processes and sensitivities

The Group verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as *discounted cash flow* and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.

When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and *benchmarking*. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the *bid/ask* spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily *mark-to-market* or *mark-to-model* valuation, the *Independent Price Verification* (IPV) is applied by from *Market Risk* function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.

#### **Fair value sensitivity to variations in unobservable inputs used in the fair value computation for instruments categorised as Level 3**

The direction of sensitivity for instruments categorised at level 3 of fair value hierarchy to variations in significant unobservable inputs is supplied in the following table. For fair value computations where significant unobservable input are employed (Level 3), the sensitivity analysis is performed using a range of reasonable alternatives for the unobservable parameters.

The Company takes into account that the impact of unobservable inputs in the fair value computation of level 3 financial instruments, depends on the correlation among different inputs used in the valuation technique. In addition, the effect of unobservable input variation has an impact on the amount and the direction of fair value measurement, also according to the instrument nature and sign.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
Derivatives	Financial	Equities & Commodities	+/- 14.45
		Foreign Exchange	+/- 9.27
		Interest Rate	+/- 22.27
	Credit		+/- -
Debt Securities and Loans		Corporate/Government/Other	+/- 1.49
		Mortgage & Asset Backed Securities	+/- 9.45
Equity Securities		Unlisted Equity & Holdings	+/- 46.44
Units in investment funds		Real Estate & Other Funds	+/- 11.77

Within the unlisted Level 3 Units in Investment Funds, measured using a model, the shares in Atlante and Italian Recovery Fund, former Atlante II, (€355 million at 31 December 2018) are classified and, within Equity Securities, the investments in the Voluntary Scheme (as at 31 December 2018 equal to €40,4 million). For further information, please refer to Part B - Section 4 - Available for sale financial assets.

## Part A - Accounting policies

### A.4.3 Fair value hierarchy

IFRS13 establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used.

A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.

In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

- level 1: fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- level 3: fair value for instruments classified within this level is determined according to the valuation models which prevalently use significant unobservable input on active markets.

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

**Level 1 (quoted prices in active markets):** quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the entity has the ability to access at the measurement date. An active market is a market in which orderly transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an on-going basis (e.g. MTS market about prices for most of the government bonds therein traded).

**Level 2 (observable inputs):** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are observable if they are developed on the basis of publicly available information about actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

**Level 3 (unobservable inputs):** inputs other than the ones included in level 1 and level 2, not directly observable on the market for the evaluation of asset and liability, or used for the definition of significant adjustments to fair value. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

When fair value is measured directly taking into consideration an observable price and quoted on an active market, the hierarchy attribution process will assign Level 1. When fair value has to be measured either via Comparable approach or via Mark-to-Model approach, the hierarchy attribution process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

Within the choice among various valuation techniques the Group employs the one which maximises the use of observable inputs.

#### **Transfers between hierarchy levels**

The main drivers to transfers in and out the FV levels (both between L1 and L2 and in/out L3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.

Quantitative and qualitative details about transfers between FV levels occurred in the period is presented in Part A.4.5 - Fair value hierarchy.

### A.4.4 Other information

The Group uses the IFRS13 exception for fair value measurements on a net basis with reference to financial assets and liabilities with offsetting positions of market risk or counterparty credit risk.

## Part A - Accounting policies

### Quantitative information

#### A.4.5 Other information

The following tables show the portfolios breakdown in terms of (i) financial assets and liabilities valued at fair value as well as (ii) assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis, according to the above-mentioned levels.

##### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	7,107,361	5,819,883	2,071,581
a) Financial assets held for trading	6,516,349	4,700,268	617,735
b) Financial assets designated at fair value	-	-	-
c) Financial assets mandatorily at fair value	591,012	1,119,615	1,453,846
2. Financial assets at fair value through other comprehensive income	41,694,542	4,350,833	881,162
3. Hedging derivatives	98,971	4,063,749	4,599
4. Property, plant and equipment	-	-	-
5. Intangible assets	-	-	-
<b>Total</b>	<b>48,900,874</b>	<b>14,234,465</b>	<b>2,957,342</b>
1. Financial liabilities held for trading	4,661,768	5,295,491	426,264
2. Financial liabilities designated at fair value	-	3,534,519	-
3. Hedging derivatives	99,485	4,413,864	11,909
<b>Total</b>	<b>4,761,253</b>	<b>13,243,874</b>	<b>438,173</b>

The item "1. c) Financial assets mandatorily at fair value" at level 3 as at 31 December 2018 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €355 million) and in "Schema Volontario" (carrying value €40,4 million). Since no market valuations or prices of comparable securities are available for Schema Volontario, at 31 December 2018 the fair value of such instrument was determined using internal models (Discounted Cash Flow and Market Multiples) also having as reference the valuation of the financial assets of the "Schema Volontario" (supported by the advisor in charge) contained in the Rendiconto 2018 of the "Schema Volontario" itself,

while concerning Atlante and Italian Recovery Fund, former Atlante II, the Fair Value was determined having as reference the valuation of the financial assets provided from the fund itself, supplemented, if appropriate, using internal models (Discounted Cash Flow and Market Multiples). See Part B - Section 2.5 - Financial assets mandatorily at fair value income for further information.

Transfers between level of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution.

Besides the transfers related to financial assets and liabilities carried at level 3 detailed in the sections below during the year no transfers between level 1 and 2 occurred.



## Part A - Accounting policies

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

(€ '000)

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	8,165,654	4,983,336	714,789
2. Financial assets at fair value through P&L	509,418	58,783	83,719
3. Available for sale financial assets	55,143,740	2,914,862	1,389,652
4. Hedging derivative assets	16,896	4,383,043	-
5. Property, plant and equipment	-	-	-
6. Intangible assets	-	-	-
<b>Total</b>	<b>63,835,708</b>	<b>12,340,024</b>	<b>2,188,160</b>
1. Financial liabilities held for Trading	7,240,313	5,297,269	530,299
2. Financial liabilities at fair value through P&L	-	2,737,625	-
3. Hedging derivative liabilities	29,210	4,529,110	-
<b>Total</b>	<b>7,269,523</b>	<b>12,564,004</b>	<b>530,299</b>

### A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(€ '000)

	CHANGES IN 2018							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE				
<b>1. Opening balances</b>	<b>1,770,874</b>	<b>714,789</b>	-	<b>1,056,085</b>	<b>888,262</b>	-	-	-
<b>2. Increases</b>	<b>1,909,672</b>	<b>1,279,052</b>	-	<b>630,620</b>	<b>696,925</b>	<b>5,713</b>	-	-
2.1 Purchases	678,197	283,397	-	394,800	20,485	-	-	-
2.2 Profits recognised in	1,036,560	965,441	-	71,119	23,070	-	-	-
2.2.1 Income statement	1,036,560	965,441	-	71,119	3,681	-	-	-
- of which unrealised gains	511,097	446,981	-	64,116	-	-	-	-
2.2.2 Equity	X	X	X	X	19,389	-	-	-
2.3 Transfers from other levels	173,251	30,214	-	143,037	430,945	1,114	-	-
2.4 Other increases	21,664	-	-	21,664	222,425	4,599	-	-
<b>3. Decreases</b>	<b>1,608,965</b>	<b>1,376,106</b>	-	<b>232,859</b>	<b>704,025</b>	<b>1,114</b>	-	-
3.1 Sales	754,567	678,415	-	76,152	371,492	-	-	-
3.2 Redemptions	23,879	3	-	23,876	55,673	-	-	-
3.3 Losses recognised in	674,131	605,470	-	68,661	111,391	-	-	-
3.3.1 Income statement	674,131	605,470	-	68,661	2,853	-	-	-
- of which unrealised losses	481,834	445,424	-	36,410	-	-	-	-
3.3.2 Equity	X	X	X	X	108,538	-	-	-
3.4 Transfers to other levels	127,675	92,010	-	35,665	-	-	-	-
3.5 Other decreases	28,713	208	-	28,505	165,469	1,114	-	-
- of which: business combinations	-	-	-	-	-	-	-	-
<b>4. Closing balances</b>	<b>2,071,581</b>	<b>617,735</b>	-	<b>1,453,846</b>	<b>881,162</b>	<b>4,599</b>	-	-

The items "2. Increases" and "3. Decreases" in financial assets are included in the profit and loss in the following items:

- Item 80: Gains and losses on financial assets and liabilities held for trading;
- Item 90: Fair value adjustments in hedge accounting;
- Item 110: Net gains (losses) on other financial assets/liabilities at fair value through profit or loss.

The sub-item "2.2 Profits" and the sub-item "3.3 Losses" on fair value on financial assets at fair value through other comprehensive income are accounted in item "120. Revaluation reserves" of Shareholder's Equity, with the exception of impairment and gains and losses on exchange rates on monetary assets (liabilities) which are reported respectively within item "130. Net losses/recoveries on credit impairment: b) financial assets/liabilities at fair value through other comprehensive income" and item "80. Gains and losses on financial assets and liabilities held for trading" until the financial asset is not sold, instant in which cumulative gains and losses are reported at Income Statement at item "100. b) Gains and losses on financial assets at fair value through other comprehensive income".

## Part A - Accounting policies

## A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

	(€ '000)		
	CHANGES IN 2018		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>530,298</b>	-	-
<b>2. Increases</b>	<b>996,730</b>	-	<b>11,909</b>
2.1 Issuance	145,122	-	-
2.2 Losses recognised in	820,575	-	-
2.2.1 Income statement	820,575	-	-
- of which unrealised losses	354,148	-	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	31,033	-	5,422
2.4 Other increases	-	-	6,487
<b>3. Decreases</b>	<b>1,100,764</b>	-	-
3.1 Redemptions	468,701	-	-
3.2 Purchases	-	-	-
3.3 Profits recognised in	539,551	-	-
3.3.1 Income statement	539,551	-	-
- of which unrealised gains	363,398	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	92,512	-	-
3.5 Other decreases	-	-	-
of which: business combinations	-	-	-
<b>4. Closing balances</b>	<b>426,264</b>	-	<b>11,909</b>

The items "2. Increases" and "3. Decreases" in financial assets are included in the profit and loss in the following items:

- Item 80: Gains and losses on financial assets and liabilities held for trading;
- Item 90: Fair value adjustments in hedge accounting.
- Item 110: Net gains (losses) on other financial assets/liabilities at fair value through profit or loss.

## A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	(€ '000)			
	AMOUNTS AS AT 12.31.2018			
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at amortised cost	270,556,434	16,476,688	130,496,611	122,714,962
2. Property, plant and equipment held for investment	568,627	-	-	742,709
3. Non-current assets and disposal groups classified as held for sale	116,674	-	57,273	-
<b>Total</b>	<b>271,241,735</b>	<b>16,476,688</b>	<b>130,553,884</b>	<b>123,457,671</b>
1. Financial liabilities at amortised cost	323,835,359	27,590,067	95,423,293	200,695,283
2. Liabilities associated with assets classified as held for sale	-	-	-	-
<b>Total</b>	<b>323,835,359</b>	<b>27,590,067</b>	<b>95,423,293</b>	<b>200,695,283</b>

The changes occurred between 31 December 2017 and 31 December 2018 in the ratio between fair value and book value for financial assets at amortised cost reflect the enhancement of the methodology and the parameters adopted for the fair value calculation for disclosure and the evolution in the benchmark interest rate, in the risk premium and in the probability of default depending on or deriving from markets trend. These events together with the evolution of the approach to identify the significance of non-observable inputs have been reflected in fair value hierarchy level distribution.

The book value of items "3. Non-current assets and disposal groups classified as held for sale" (Assets) includes amounts referred to assets measured on Balance Sheet on the basis of their cost €59 million. For further details on these two sub-items see Part B - Section 11 - table 11.1.

## Part A - Accounting policies

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis:  
breakdown by fair value level**

(€ '000)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	BOOK VALUE	AMOUNTS AS AT 12.31.2017		
		LEVEL 1	LEVEL 2	LEVEL 3
1. Held-to-maturity investments	762,431	22,403	759,067	-
2. Loans and receivables with banks	27,566,761	29,292	12,005,277	15,780,419
3. Loans and receivables with customers	208,965,455	-	92,410,539	115,728,812
4. Property, plant and equipment held for investment	540,914	-	-	704,974
5. Non-current assets and disposal groups classified as held for sale	150,031	-	79,306	-
<b>Total</b>	<b>237,985,592</b>	<b>51,695</b>	<b>105,254,189</b>	<b>132,214,205</b>
1. Deposits from banks	56,807,016	-	13,896,046	43,033,573
2. Deposits from customers	197,138,762	-	37,732,119	159,325,053
3. Debt securities in issue	64,945,632	30,184,820	31,599,312	6,316,916
4. Liabilities included in disposal groups classified as held for sale	-	-	-	-
<b>Total</b>	<b>318,891,410</b>	<b>30,184,820</b>	<b>83,227,477</b>	<b>208,675,542</b>

The value at which financial instruments are recognised is equal to their fair value on the same date.

The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading (see Sections 1 and 14 of part A.2 above) and instruments designated at fair value (see Sections 5 and 15 of part A.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

The use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk ensure that the amount recognised in the income statement is not derived from the use of valuation parameters that cannot be observed.

More specifically, the calculation of fair value adjustments to reflect model risk ensures that the fair value portion of these instruments relating to the use of subjective parameters is not recognised in the profit and loss account, but changes the balance sheet value of these instruments.

Recognition of this portion in the profit and loss account is then made only when objective parameters are applied and therefore the adjustments are derecognised.

At 31 December 2018, as well as at 31 December 2017, there were no value adjustments to reflect model risk (amount not recognised through profit or loss).

## Parte B - Balance sheet - Assets

### Assets

#### Section 1 - Cash and cash balances - Item 10

##### 1.1 Cash and cash balances: breakdown

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
a) Cash	1,530,300	1,483,113
b) Demand deposits with Central banks	5,930,406	24,333,595
<b>Total</b>	<b>7,460,706</b>	<b>25,816,708</b>

(€ '000)

The change in the item "Demand deposits with Central Banks" is mainly attributable to the increase in cash invested with Banca d'Italia.

#### Section 2 - Financial assets at fair value through profit or loss - Item 20

##### 2.1 Financial assets held for trading: breakdown by product

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial assets (non-derivatives)</b>			
<b>1. Debt securities</b>	<b>6,511,690</b>	<b>64</b>	<b>-</b>
1.1 Structured securities	-	-	-
1.2 Other debt securities	6,511,690	64	-
<b>2. Equity instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Units in investment funds</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Reverse Repos	-	-	-
4.2 Other	-	-	-
<b>Total (A)</b>	<b>6,511,690</b>	<b>64</b>	<b>-</b>
<b>B. Derivative instruments</b>			
<b>1. Financial derivatives</b>	<b>4,659</b>	<b>4,700,204</b>	<b>617,735</b>
1.1 Trading	4,659	4,574,375	349,879
1.2 Linked to fair value option	-	6,650	227,758
1.3 Other	-	119,179	40,098
<b>2. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Trading	-	-	-
2.2 Linked to fair value option	-	-	-
2.3 Other	-	-	-
<b>Total (B)</b>	<b>4,659</b>	<b>4,700,204</b>	<b>617,735</b>
<b>Total (A+B)</b>	<b>6,516,349</b>	<b>4,700,268</b>	<b>617,735</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>11,834,352</b>

(€ '000)

The sub-item "Financial assets (non-derivatives)" consists mainly of Italian government bonds from Market Making activity.

The sub-item "Derivative instruments-Financial derivatives-Other" comprises: (i) derivatives embedded in structured financial instruments, where the host has been classified in a category different from held-for-trading or fair value option and (ii) derivatives that, for economic purposes, relate to banking book entries.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value of this Notes to the accounts.

## Part B - Balance sheet - Assets

## 2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018
	(€ '000)
<b>A. Financial assets (non-derivatives)</b>	
<b>1. Debt securities</b>	<b>6,511,754</b>
a) Central Banks	-
b) Governments and other Public Sector Entities	6,511,742
c) Banks	12
d) Other financial companies	-
<i>of which: insurance companies</i>	-
e) Non-financial companies	-
<b>2. Equity instruments</b>	-
a) Banks	-
b) Other financial companies	-
<i>of which: insurance companies</i>	-
c) Non-financial companies	-
d) Other issuers	-
<b>3. Units in investment funds</b>	-
<b>4. Loans</b>	-
a) Central Banks	-
b) Governments and other Public Sector Entities	-
c) Banks	-
d) Other financial companies	-
<i>of which: insurance companies</i>	-
e) Non-financial companies	-
f) Households	-
<b>Total A</b>	<b>6,511,754</b>
<b>B. Derivative instruments</b>	
a) Central counterparties	153,012
d) Other	5,169,586
<b>Total B</b>	<b>5,322,598</b>
<b>Total (A+B)</b>	<b>11,834,352</b>

## 2.3 Financial assets designated at fair value: breakdown by product

The items are composed of debt securities for an immaterial amount of €351.

## 2.4 Financial assets designated at fair value: breakdown by borrowers/issuers

No data to be disclosed.

## 2.5 Other financial assets mandatorily at fair value: breakdown by product

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>174,666</b>	<b>1,053,382</b>	<b>235,364</b>
1.1 Structured securities	-	4,694	29,042
1.2 Other debt securities	174,666	1,048,688	206,322
<b>2. Equity instruments</b>	<b>416,346</b>	<b>37,464</b>	<b>102,838</b>
<b>3. Units in investment funds</b>	-	<b>28,769</b>	<b>1,057,208</b>
<b>4. Loans</b>	-	-	<b>58,436</b>
4.1 Structured	-	-	-
4.2 Other	-	-	58,436
<b>Total</b>	<b>591,012</b>	<b>1,119,615</b>	<b>1,453,846</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>3,164,473</b>		

The sub-item "Debt securities" includes investments in FINO Project's Mezzanine and Junior Notes with a value of €60 million.

## Parte B - Balance sheet - Assets

The item "Equity instruments" includes the investment in a "Schema Volontario" (presented among level 3 instruments) with a value of €40 million and the residual shares of Bank Pekao S.A. with a value of €416 million, reclassified into such category after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. (with subsequent loss of control) occurred in first half of 2017 and the IFRS9 adoption starting from 2018. This classification is consistent with the recognition of the "Secured mandatorily exchangeable equity-linked certificate" into financial liabilities at fair value.

The item "Unit in investment funds" includes the investments in Atlante and Italian Recovery Fund, former Atlante II, presented among level 3 instruments, with a value of €355 million.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

### Exposures to securities relating to Securitisation transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2018
Senior	7,338
Mezzanine	52,147
Junior	57,447
<b>Total</b>	<b>116,932</b>

### Information about the units of Atlante Fund and Italian Recovery Fund (former Atlante II)

Atlante is a closed-end alternative investment fund (FIA) ruled by Italian law reserved to professional investors, and managed by Quaestio Capital Management SGR S.p.A. Unipersonale (the "Quaestio SGR"). The size of the fund was equal to €4,249 million, of which UniCredit S.p.A. invested for about 19.9%.

The investment policy of Atlante foresees that the fund may be invested (i) in banks with regulatory capital ratios lower than the minimum level set down in the SREP process and, thus, realise, upon request of the supervisory authority, actions of capital strengthening through capital increases and (ii) in Non-Performing Loans (NPLs) of a plurality of Italian banks.

With reference to Atlante fund, as at 31 December 2018 UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value (till 2017, before adoption of new principle IFRS9, shares were classified as available for sale) with a carrying value of €171 million. The year-to-date overall cash investments are equal to €844 million (€64 million carried in 2018) against which 2016 and 2017 impairments for €684 million were carried out. In addition UniCredit S.p.A. has a residual commitment to invest in the fund for an amount less than €2 million.

On August 2016, it was launched the Atlante II fund, redenominated Italian Recovery Fund since 27 October 2017, a closed-end investment alternative fund reserved to professional investors, also managed by Quaestio SGR, which, unlike the Atlante fund, may invest only in NPL and instruments linked to NPL transactions (such as warrants) in order to reduce the risk in line with the parameters used by the largest world institutional investors.

With reference to Italian Recovery Fund, as at 31 December 2018 UniCredit S.p.A. holds shares with a carrying value of €184 million, classified as financial assets mandatory at fair value (till 2017, before adoption of new principle IFRS9, shares were classified as available for sale. During 2018, the net investments made in the fund amounted to €82 million. In addition UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €10 million.

The book value of both funds is substantially in line with the information provided, till 31 December 2018, by the management company Quaestio SGR relating to the shares valuation. This valuation, based on the value of the assets held by the funds, determined in the year a higher value for €14 million accounted into the Bank profit and loss.

Under a regulatory perspective, the treatment of the quotes held by UniCredit S.p.A. in the Atlante Fund and Italian Recovery Fund foresees the application of article 128 of the CRR (Items associated with particular high risk). With reference to the residual commitments, the regulatory treatment foresees the application of a Credit Conversion Factor equal to 100% ("full risk" according to the Annex I of CRR), for the calculation of the related Risk Weighted Assets.

### Information about the investment in the Schema Volontario

Please refer to Part B Balance sheet – Section 2 Financial assets at fair value through profit and loss - item 20 - Information about investment in the Schema Volontario of consolidated financial statements notes that here are intended as completely reported.

## Part B - Balance sheet - Assets

## 2.6 Other Financial assets mandatorily at fair value:breakdown by borrowers/issuers

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	
<b>1. Equity instruments</b>	<b>556,648</b>	
of which: banks	416,347	
of which: other financial companies	140,300	
of which: non-financial companies	1	
<b>2. Debt securities</b>	<b>1,463,412</b>	
a) Central banks	-	
b) Governments and other Public Sector Entities	809,576	
c) Banks	397,760	
d) Other financial companies	219,600	
of which: insurance companies	43,179	
e) Non-financial companies	36,476	
<b>3. Units in investment funds</b>	<b>1,085,977</b>	
<b>4. Loans and advances</b>	<b>58,436</b>	
a) Central banks	-	
b) Governments and other Public Sector Entities	-	
c) Banks	-	
d) Other financial companies	-	
of which: insurance companies	-	
e) Non-financial companies	58,001	
f) Households	435	
<b>Total</b>	<b>3,164,473</b>	

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4th update of 15 December 2015) are reported below for the purpose of comparability.

## 2.1 Financial assets held for trading: product breakdown

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>A) Financial assets (non-derivatives)</b>			
<b>1. Debt securities</b>	<b>8,127,515</b>	<b>67</b>	<b>3</b>
1.1 Structured securities	-	-	3
1.2 Other debt securities	8,127,515	67	-
<b>2. Equity instruments</b>	-	-	-
<b>3. Units in investment funds</b>	-	-	-
<b>4. Loans</b>	-	-	-
4.1 Reverse Repos	-	-	-
4.2 Other	-	-	-
<b>Total (A)</b>	<b>8,127,515</b>	<b>67</b>	<b>3</b>
<b>B) Derivative instruments</b>			
<b>1. Financial derivatives</b>	<b>38,139</b>	<b>4,983,269</b>	<b>714,786</b>
1.1 Trading	38,139	4,841,652	446,345
1.2 Related to fair value option	-	9,682	208,876
1.3 Other	-	131,935	59,565
<b>2. Credit derivatives</b>	-	-	-
2.1 Trading	-	-	-
2.2 Related to fair value option	-	-	-
2.3 Other	-	-	-
<b>Total (B)</b>	<b>38,139</b>	<b>4,983,269</b>	<b>714,786</b>
<b>Total (A+B)</b>	<b>8,165,654</b>	<b>4,983,336</b>	<b>714,789</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>13,863,779</b>		

## Parte B - Balance sheet - Assets

### 2.2 Financial assets held for trading: breakdown by issuer/borrower

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2017	
<b>A. Financial assets (non-derivatives)</b>		
<b>1. Debt securities</b>	<b>8,127,585</b>	
a) Governments and Central Banks	8,127,568	
b) Other public-sector entities	-	
c) Banks	12	
d) Other issuers	5	
<b>2. Equity instruments</b>	<b>-</b>	
a) Banks	-	
b) Other issuers	-	
- insurance companies	-	
- financial companies	-	
- non-financial companies	-	
- other	-	
<b>3. Units in investment funds</b>	<b>-</b>	
<b>4. Loans</b>	<b>-</b>	
a) Governments and Central Banks	-	
b) Other public-sector entities	-	
c) Banks	-	
d) Other issuers	-	
<b>Total A</b>	<b>8,127,585</b>	
<b>B. Derivative instruments</b>		
a) Banks	2,711,969	
b) Customers	3,024,225	
<b>Total B</b>	<b>5,736,194</b>	
<b>Total (A+B)</b>	<b>13,863,779</b>	

### 3.1 Financial assets at fair value through profit or loss: breakdown by product

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	-	58,783	26,982
1.1 Structured securities	-	-	-
1.2 Other debt securities	-	58,783	26,982
<b>2. Equity instruments</b>	509,381	-	-
<b>3. Units in investment funds</b>	37	-	56,737
<b>4. Loans</b>	-	-	-
4.1 Structured	-	-	-
4.2 Other	-	-	-
<b>Total</b>	<b>509,418</b>	<b>58,783</b>	<b>83,719</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>651,920</b>		



## Part B - Balance sheet - Assets

### 3.2 Financial assets at fair value through profit or loss: breakdown by issuer/borrower

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT
	12.31.2017
<b>1. Debt securities</b>	<b>85,765</b>
a) Governments and central banks	-
b) Other public-sector entities	-
c) Banks	84
d) Other issuers	85,681
<b>2. Equity instruments</b>	<b>509,381</b>
a) Banks	509,381
b) Other issuers:	-
- insurance companies	-
- financial companies	-
- non-financial companies	-
- other	-
<b>3. Units in investment funds</b>	<b>56,774</b>
<b>4. Loans</b>	<b>-</b>
a) Governments and central banks	-
b) Other public-sector entities	-
c) Banks	-
d) Other entities	-
<b>Total</b>	<b>651,920</b>

### Section 3 - Financial assets at fair value through other comprehensive income - Item 30

#### 3.1 Financial assets at fair value through other comprehensive income: breakdown by product

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>41,694,225</b>	<b>3,342,558</b>	<b>231,347</b>
1.1 Structured securities	-	-	-
1.2 Other	41,694,225	3,342,558	231,347
<b>2. Equity instruments</b>	<b>317</b>	<b>1,008,275</b>	<b>649,815</b>
<b>3. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>41,694,542</b>	<b>4,350,833</b>	<b>881,162</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>46,926,537</b>

Item "Debt Securities" includes investments FINO Project's in instrument Senior and in part in instrument Mezzanine notes with a value of €230 million.

Item "Equity instruments" includes (i) Banca d'Italia stake (presented among level 2 instruments), with a value of €1,008 million and (ii) ABH Holding SA investments (presented among level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsootbank to Alfa Group, with a value of €334 million.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

#### Exposures to securities relating to Securitisation transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2018
Senior	205,211
Mezzanine	24,316
Junior	-
<b>Total</b>	<b>229,528</b>

## Parte B - Balance sheet - Assets

### Information about the shareholding in Banca d'Italia

Since the third quarter of 2015, UniCredit S.p.A. started the disposal of its stake in Banca d'Italia, for an amount corresponding to its carrying value. UniCredit S.p.A. completed, until fourth quarter 2018, the disposal of about 8.7% of Banca d'Italia share capital for about €650 million, of which about €53 million in 2018, reducing its shareholding to 13.4% (carrying value equal to about €1,008 million).

The disposal process is the result of a capital increase carried out in 2013 when, in order to facilitate the redistribution of shares, a limit of 3% was introduced in respect of holding shares: after an interim period of no more than 36 months, no economic rights are applicable to shares exceeding the above limit.

During last years shareholders with excess shares started the disposal process, finalising sales for about 28% of the total capital. The carrying value at year end, in line with the figure at the end of the last period and the outcome of the measurement conducted by the committee of high-level experts on behalf of Banca d'Italia at the time of the capital increase, is supported by the price consideration of the transactions that took place since 2015. The relevant measurement was therefore confirmed as level 2 in the fair value classification.

With regard to regulatory treatment as at 31 December 2018, the value of the investment measured at fair value in the balance sheet is given a weighting of 100% (in accordance with article 133 "Exposures in Equity Instruments" of the CRR).

### 3.2 Financial assets at fair value through other comprehensive income: breakdown by borrowers/issuers

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	
<b>1. Debt securities</b>	<b>45,268,130</b>	
a) Central Banks	-	
b) Governments and other Public Sector Entities	41,670,646	
c) Banks	2,554,689	
d) Other financial companies	409,591	
<i>of which: insurance companies</i>	-	
e) Non-financial companies	633,204	
<b>2. Equity instruments</b>	<b>1,658,407</b>	
a) Banks	1,115,463	
b) Other issuers	542,944	
- Other financial companies	430,487	
<i>of which: insurance companies</i>	4,400	
- Non-financial companies	112,457	
- Other	-	
<b>3. Loans and advances</b>	<b>-</b>	
a) Central Banks	-	
b) Governments and other Public Sector Entities	-	
c) Banks	-	
d) Other financial companies	-	
<i>of which: insurance companies</i>	-	
e) Non-financial companies	-	
f) Households	-	
<b>Total</b>	<b>46,926,537</b>	

### 3.3 Financial assets at fair value through other comprehensive income: gross value and total accumulated impairments

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1		STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION						
Debt securities	45,286,933	45,053,747	-	70	18,845	-	28	-
Loans and advances	-	-	-	-	-	-	-	-
<b>Total 12.31.2018</b>	<b>45,286,933</b>	<b>45,053,747</b>	<b>-</b>	<b>70</b>	<b>18,845</b>	<b>-</b>	<b>28</b>	<b>-</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	-	-	-	-	-	-	-	-

Note:

(\*) value shown for information purposes

## Part B - Balance sheet - Assets

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4th update of 15 December 2015) are reported below for the purpose of comparability.

## 4.1 Available for sale financial assets:breakdown by product

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>55,045,801</b>	<b>1,784,209</b>	<b>229,021</b>
1.1 Structured securities	74,029	4,752	301
1.2 Other	54,971,772	1,779,457	228,720
<b>2. Equity instruments</b>	<b>97,939</b>	<b>1,099,213</b>	<b>709,159</b>
2.1 Measured at fair value	97,939	1,099,213	552,077
2.2 Carried at cost	-	-	157,082
<b>3. Units in investment funds</b>	<b>-</b>	<b>31,440</b>	<b>721,387</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>55,143,740</b>	<b>2,914,862</b>	<b>1,659,567</b>

Total Level 1, Level 2 and Level 3

59,718,169

## 4.2 Available-for-sale financial assets: breakdown by issuer/borrower

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT
	12.31.2017
<b>1. Debt securities</b>	<b>57,059,031</b>
a) Governments and central banks	52,501,087
b) Other public-sector entities	222,815
c) Banks	3,269,761
d) Other issuers	1,065,368
<b>2. Equity instruments</b>	<b>1,906,311</b>
a) Banks	1,206,412
b) Other issuers:	699,899
- insurance companies	305
- financial companies	421,782
- non-financial companies	277,812
- other	-
<b>3. Units in investment funds</b>	<b>752,827</b>
<b>4. Loans</b>	<b>-</b>
a) Governments and central banks	-
b) Other public-sector entities	-
c) Banks	-
d) Other entities	-
<b>Total</b>	<b>59,718,169</b>

## Parte B - Balance sheet - Assets

### Section 4 - Financial assets at amortised cost - Item 40

#### 4.1 Financial assets at amortised cost: breakdown by product of loans and advances to banks

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT			12.31.2018		
	BOOK VALUE		OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans and advances to Central Banks</b>	<b>1,837,348</b>	-	-	-	-	<b>1,837,348</b>
1. Time deposits	-	-	-	X	X	X
2. Compulsory reserves	1,837,086	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X
4. Other	262	-	-	X	X	X
<b>B. Loans and advances to banks</b>	<b>29,134,494</b>	-	-	<b>1,224,219</b>	<b>21,110,669</b>	<b>6,996,918</b>
1. Loans	26,798,034	-	-	-	19,988,641	6,988,169
1.1 Current accounts and demand deposits	1,600,923	-	-	X	X	X
1.2 Time deposits	4,153,148	-	-	X	X	X
1.3 Other loans	21,043,963	-	-	X	X	X
- Reverse repos	10,739,487	-	-	X	X	X
- Finance leases	-	-	-	X	X	X
- Other	10,304,476	-	-	X	X	X
2. Debt securities	2,336,460	-	-	1,224,219	1,122,028	8,749
2.1 Structured	-	-	-	-	-	-
2.2 Other	2,336,460	-	-	1,224,219	1,122,028	8,749
<b>Total</b>	<b>30,971,842</b>	-	-	<b>1,224,219</b>	<b>21,110,669</b>	<b>8,834,266</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>31,169,154</b>		

Loans and receivables with banks are not managed on the basis of their fair value, which is only shown in order to meet financial disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

## Part B - Balance sheet - Assets

## 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT			12.31.2018		
	BOOK VALUE		OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Loans</b>	<b>213,176,720</b>	<b>9,355,744</b>	<b>8,902</b>	-	<b>107,618,804</b>	<b>113,585,140</b>
1.1 Current accounts	13,300,407	1,172,458	4,880	X	X	X
1.2 Reverse repos	33,824,856	-	-	X	X	X
1.3 Mortgages	94,393,045	5,575,586	3,696	X	X	X
1.4 Credit cards and personal loans, including wage assignment	10,520,428	183,304	1	X	X	X
1.5 Finance leases	-	-	-	X	X	X
1.6 Factoring	304,005	7,266	-	X	X	X
1.7 Other loans	60,833,979	2,417,130	325	X	X	X
<b>2. Debt securities</b>	<b>17,051,957</b>	<b>171</b>	<b>-</b>	<b>15,252,469</b>	<b>1,767,138</b>	<b>295,556</b>
2.1 Structured securities	21,343	-	-	13,408	-	8,999
2.2 Other debt securities	17,030,614	171	-	15,239,061	1,767,138	286,557
<b>Total</b>	<b>230,228,677</b>	<b>9,355,915</b>	<b>8,902</b>	<b>15,252,469</b>	<b>109,385,942</b>	<b>113,880,696</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>238,519,107</b>		

Loans and receivables with customers are not managed on the basis of their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

## Exposures to securities relating to Securitisation transactions

(€ '000)

	AMOUNTS AS AT	12.31.2018
<b>TRANCHING</b>		
Senior		1,419,892
Mezzanine		-
Junior		-
<b>Total</b>		<b>1,419,892</b>

## 4.3 Financial leases

No data to be disclosed.

## 4.4 Financial assets at amortised cost: breakdown by borrowers/issuers of loans and advances to customers

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT		12.31.2018	
	STAGE 1 OR STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	
<b>1. Debt securities</b>	<b>17,051,957</b>	<b>171</b>		<b>-</b>
a) Governments and other Public Sector Entities	14,335,283	-		-
b) Other financial companies	1,602,214	171		-
<i>of which: insurance companies</i>	51,866	-		-
c) Non-financial companies	1,114,460	-		-
<b>2. Loans</b>	<b>213,176,720</b>	<b>9,355,744</b>		<b>8,902</b>
a) Governments and other Public Sector Entities	4,096,711	55,757		-
b) Other financial companies	68,919,013	684,726		-
<i>of which: insurance companies</i>	197,635	-		-
c) Non-financial companies	76,677,986	5,593,671		6,910
d) Households	63,483,010	3,021,590		1,992
<b>Total</b>	<b>230,228,677</b>	<b>9,355,915</b>		<b>8,902</b>

## Parte B - Balance sheet - Assets

### 4.5 Financial assets at amortised cost: gross value and total accumulated impairments

(€ '000)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1		STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION						
1. Debt securities	19,229,050	19,175,891	195,433	311	8,441	27,625	140	-
2. Loans	231,924,532	-	11,157,575	25,410,920	541,000	729,005	16,055,176	2,394,906
<b>Total 12.31.2018</b>	<b>251,153,582</b>	<b>19,175,891</b>	<b>11,353,008</b>	<b>25,411,231</b>	<b>549,441</b>	<b>756,630</b>	<b>16,055,316</b>	<b>2,394,906</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	X	X	-	21,534	X	-	12,632	24,977

Note:

(\*) value shown for information purposes

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4th update of 15 December 2015) are reported below for the purpose of comparability.

### 5.1 Held-to-maturity investments: breakdown by product

(€ '000)

	AMOUNTS AS AT 12.31.2017			
	BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>762,431</b>	<b>22,403</b>	<b>759,067</b>	<b>-</b>
- structured securities	-	-	-	-
- other securities	762,431	22,403	759,067	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>762,431</b>	<b>22,403</b>	<b>759,067</b>	<b>-</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>781,470</b>

### 5.2 Held-to-maturity investments: breakdown by issuer/borrower

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT
	12.31.2017
<b>1. Debt securities</b>	<b>762,431</b>
a) Governments and central banks	762,431
b) Other public-sector entities	-
c) Banks	-
d) Other issuers	-
<b>2. Loans</b>	<b>-</b>
a) Governments and central banks	-
b) Other public-sector entities	-
c) Banks	-
d) Other entities	-
<b>Total</b>	<b>762,431</b>

## Part B - Balance sheet - Assets

### 6.1 Loans and receivables with banks: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	AMOUNTS AS AT 12.31.2017		
		FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans to Central Banks</b>	<b>1,923,258</b>	-	-	<b>1,923,258</b>
1. Time deposits	-	X	X	X
2. Compulsory reserves	1,923,237	X	X	X
3. Reverse repos	-	X	X	X
4. Other	21	X	X	X
<b>B. Loans to banks</b>	<b>25,643,503</b>	<b>29,292</b>	<b>12,005,277</b>	<b>13,857,161</b>
<b>1. Loans</b>	<b>25,394,032</b>	-	<b>11,786,688</b>	<b>13,820,357</b>
1.1 Current accounts and demand deposits	2,418,284	X	X	X
1.2 Time deposits	7,377,101	X	X	X
1.3 Other loans	15,598,647	X	X	X
- Reverse repos	6,585,470	X	X	X
- Finance leases	-	X	X	X
- Other	9,013,177	X	X	X
<b>2. Debt securities</b>	<b>249,471</b>	<b>29,292</b>	<b>218,589</b>	<b>36,804</b>
2.1 Structured	29,511	X	X	X
2.2 Other	219,960	X	X	X
<b>Total</b>	<b>27,566,761</b>	<b>29,292</b>	<b>12,005,277</b>	<b>15,780,419</b>

**Total impaired assets**
**4,998**

### 6.2 Loans and receivables with banks subject to micro-hedging

No data was disclosed in section loans and receivables with banks.

### 6.3 Finance leases

No data was disclosed in section loans and receivables with banks.

### 7.1 Loans and receivables with customers: breakdown by product

(€ '000)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 12.31.2017			FAIR VALUE		
	BOOK VALUE			NON-PERFORMING		
	PERFORMING	PURCHASED	OTHERS	LEVEL 1	LEVEL 2	LEVEL 3
<b>Loans</b>	<b>192,652,540</b>	<b>10,383</b>	<b>13,883,227</b>	-	<b>90,364,158</b>	<b>115,343,923</b>
1. Current accounts	16,006,002	1,234	1,777,656	X	X	X
2. Reverse repos	23,889,970	-	-	X	X	X
3. Mortgages	86,843,221	8,484	8,976,461	X	X	X
4. Credit cards and personal loans, including wage assignment loans	9,991,804	1	162,418	X	X	X
5. Finance leases	-	-	-	X	X	X
6. Factoring	86,824	-	16,006	X	X	X
7. Other loans	55,834,719	664	2,950,686	X	X	X
<b>Debt securities</b>	<b>2,415,291</b>	-	<b>4,014</b>	-	<b>2,046,381</b>	<b>384,889</b>
8. Structured securities	-	-	-	X	X	X
9. Other debt securities	2,415,291	-	4,014	X	X	X
<b>Total</b>	<b>195,067,831</b>	<b>10,383</b>	<b>13,887,241</b>	-	<b>92,410,539</b>	<b>115,728,812</b>

**Total carrying amount**
**Performing and Non-Performing**
**208,965,455**

## Parte B - Balance sheet - Assets

### 7.2 Loans and receivables with customers: breakdown by issuer/borrower

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT		
	12.31.2017		
	PERFORMING	NON-PERFORMING	
PURCHASED		OTHERS	
<b>1. Debt securities:</b>	<b>2,415,291</b>	<b>-</b>	<b>4,014</b>
a) Governments	23,648	-	-
b) Other public-sector entities	95,363	-	-
c) Other issuers	2,296,280	-	4,014
- non-financial companies	73,678	-	-
- financial companies	2,177,606	-	4,014
- insurance companies	44,996	-	-
- other	-	-	-
<b>2. Loans to:</b>	<b>192,652,540</b>	<b>10,383</b>	<b>13,883,227</b>
a) Governments	1,275,958	-	419
b) Other public-sector entities	2,131,995	-	80,049
c) Other entities	189,244,587	10,383	13,802,759
- non-financial companies	74,546,577	5,532	7,942,329
- financial companies	56,335,509	-	725,999
- insurance companies	126,491	-	-
- other	58,236,010	4,851	5,134,431
<b>Total</b>	<b>195,067,831</b>	<b>10,383</b>	<b>13,887,241</b>

**Total Performing and Non-Performing**
**208,965,455**

### 7.4 Finance leases

No data was disclosed in section loans and receivables with customers.

## Section 5 - Hedging derivatives - Item 50

### 5.1 Hedging derivatives: breakdown by hedged risk and fair value hierarchy

(€ '000)

	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	<b>98,971</b>	<b>4,063,749</b>	<b>4,599</b>	<b>259,516,193</b>	<b>16,896</b>	<b>4,383,043</b>	<b>-</b>	<b>259,885,843</b>
1) Fair value	98,971	3,949,838	4,599	251,097,851	16,896	4,228,949	-	253,464,182
2) Cash flows	-	113,911	-	8,418,342	-	154,094	-	6,421,661
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>98,971</b>	<b>4,063,749</b>	<b>4,599</b>	<b>259,516,193</b>	<b>16,896</b>	<b>4,383,043</b>	<b>-</b>	<b>259,885,843</b>
<b>Total Level 1, Level 2 and Level 3</b>		<b>4,167,319</b>				<b>4,399,939</b>		



## Part B - Balance sheet - Assets

## 5.2 Hedging derivatives: composition for covered portfolios and by type of hedging

(€ '000)

TRANSACTIONS/TYPE OF HEDGES	AMOUNTS AS AT 12.31.2018										
	FAIR VALUE							CASH FLOW			
	MICRO-HEDGE							MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	FOREIGN INVESTMENTS
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHERS	MACRO-HEDGE				
1. Financial assets at fair value through other comprehensive income	62,399	-	-	-	X	X	X	-	X	X	
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X	
3. Portfolio	X	X	X	X	X	X	1,510,198	X	81,395	X	
4. Other transactions	-	-	-	-	-	-	X	-	X	-	
<b>Total assets</b>	<b>62,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,510,198</b>	<b>-</b>	<b>81,395</b>	<b>-</b>	
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X	
2. Portfolio	X	X	X	X	X	X	2,480,811	X	32,516	X	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,480,811</b>	<b>-</b>	<b>32,516</b>	<b>-</b>	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-	

## Section 6 - Changes in fair value of portfolio hedged items - Item 60

## 6.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

(€ '000)

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>1. Positive changes</b>	<b>2,905,720</b>	<b>3,088,861</b>
1.1 Of specific portfolios	-	-
a) Financial assets at amortised cost	-	-
<i>Loans and receivables</i>	-	-
b) Financial assets at fair value through other comprehensive income	-	-
<i>Available-for-sale financial assets</i>	-	-
1.2 Overall	2,905,720	3,088,861
<b>2. Negative changes</b>	<b>1,219,745</b>	<b>1,374,373</b>
2.1 Of specific portfolios	-	-
a) Financial assets at amortised cost	-	-
<i>Loans and receivables</i>	-	-
b) Financial assets at fair value through other comprehensive income	-	-
<i>Available-for-sale financial assets</i>	-	-
2.2 Overall	1,219,745	1,374,373
<b>Total</b>	<b>1,685,975</b>	<b>1,714,488</b>

## Parte B - Balance sheet - Assets

### Section 7 - Equity investments - Item 70

#### 7.1 Equity: information on shareholder's equity

COMPANY NAME	MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE <sup>(1)</sup>	EQUITY % <sup>(2)</sup>	VOTING RIGHTS %
<b>A. Subsidiaries</b>				
1	Anthemis EVO LLP	London	London	50.00%
2	AO UniCredit Bank	Moscow	Moscow	100.00%
3	Bavaria Servicos de Representacao Comercial LTDA	Sao Paulo	Sao Paulo	100.00% <sup>(A)</sup>
4	Box 2004 S.r.l. (in liquidation)	Rome	Rome	100.00%
5	Capital Dev S.p.A.	Rome	Rome	100.00%
6	Cordusio SIM S.p.A.	Milan	Milan	96.10%
7	Cordusio Società Fiduciaria per Azioni	Milan	Milan	100.00%
8	CORIT - Concessionaria Riscossione Tributi S.p.A. (in liquidation)	Rome	Rome	60.00%
9	Crivelli S.r.l.	Milan	Milan	100.00%
10	Fineco Verwaltung AG (in liquidation)	Munich	Munich	100.00%
11	FinecoBank S.p.A.	Milan	Reggio Emilia	35.35%
12	Island Finance (ICR4) S.r.l. (in liquidation)	Rome	Rome	100.00%
13	Istituto Immobiliare di Catania S.p.A.	Catania	Catania	1.12% <sup>(B)</sup>
14	Nuova Compagnia di Partecipazioni S.p.A.	Rome	Rome	100.00%
15	Pioneer Alternative Investments (Bermuda) Limited	Hamilton	Hamilton	100.00%
16	Pai Management LTD	Dublin	Dublin	100.00%
17	Pioneer Alternative Investments (New York) Limited	Dover	New York	100.00%
18	Pioneer Alternative Investments (Israel) Limited (in voluntary liquidation)	Ramat Gan	Ramat Gan	100.00%
19	Pirta Verwaltungs GMBH	Wien	Wien	100.00%
20	Sanità - S.r.l. (in liquidation)	Rome	Rome	99.60%
21	SIA UniCredit Leasing	Riga	Riga	100.00%
22	Società di Gestioni Esattoriali in Sicilia SO.G.E.SI. S.p.A. (in liquidation)	Palermo	Palermo	80.00%
23	Società Italiana Gestione ed Incasso Crediti S.p.A. (in liquidation)	Rome	Rome	100.00%
24	Sofigere Société par Actions Simplifiée	Paris	Paris	100.00%
25	UniCredit Bank A.D. Banja Luka	Banja Luka	Banja Luka	98.46%
26	UniCredit Bank AG	Munich	Munich	100.00%
27	UniCredit Bank Austria AG	Wien	Wien	99.99%
28	UniCredit Bank Ireland P.L.C.	Dublin	Dublin	100.00%
29	UniCredit Bank Hungary ZRT	Budapest	Budapest	100.00%
30	UniCredit Bank S.A.	Bucharest	Bucharest	98.63%
31	UniCredit Bank Serbia JSC	Belgrade	Belgrade	100.00%
32	UniCredit Banka Slovenija D.D.	Ljubljana	Ljubljana	100.00%
33	UniCredit BPC Mortgage S.r.l.	Verona	Verona	60.00%
34	UniCredit Bulbank A.D.	Sofia	Sofia	99.45%
35	UniCredit Bank Czech Republic and Slovakia A.S.	Prague	Prague	100.00%
36	UniCredit Consumer Financing IFN S.A.	Bucharest	Bucharest	49.90% <sup>(C)</sup>
37	UniCredit Factoring S.p.A.	Milan	Milan	100.00%
38	UniCredit Global Leasing Export GMBH	Wien	Wien	100.00%
39	UniCredit International Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	100.00%
40	UniCredit Leasing S.p.A.	Milan	Milan	100.00%
41	UniCredit Myagents S.r.l.	Bologna	Bologna	100.00%
42	UniCredit OBG S.r.l.	Verona	Verona	60.00%
43	UniCredit Business Integrated Solutions Società consortile per azioni	Milan	Milan	100.00% <sup>(D)</sup>
44	UniCredit Subito Casa S.p.A.	Milan	Milan	100.00%
45	UniCredit (U.K.) Trust Services Ltd	London	London	100.00%
46	UniCredit Turn-Around Management GMBH	Wien	Wien	100.00%
47	Visconti S.r.l.	Milan	Milan	76.00%
48	Zagrebacka Banka D.D.	Zagreb	Zagreb	84.48%

## Part B - Balance sheet - Assets

Continued: 7.1 Equity: information on shareholder's equity

COMPANY NAME	MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE <sup>(*)</sup>	EQUITY % <sup>(**)</sup>	VOTING RIGHTS %
<b>B. Joint ventures</b>				
1 Koc Finansal Hizmetler AS	Istanbul	Istanbul	50.00%	
<b>C. Companies under significant influence</b>				
1 Asset Bancari II	Milan	Milan	21.55%	<sup>(E)</sup>
2 Aviva S.p.A.	Milan	Milan	49.00%	
3 Camfin S.p.A.	Milan	Milan	13.64%	22.22%
4 CNP UniCredit Vita S.p.A.	Milan	Milan	38.80%	
5 Compagnia Aerea Italiana S.p.A.	Fiumicino (Rome)	Fiumicino (Rome)	36.59%	
6 Creditras Assicurazioni S.p.A.	Milan	Milan	50.00%	
7 Creditras Vita S.p.A.	Milan	Milan	50.00%	
8 Europrogetti & Finanza S.p.A. (in liquidation)	Rome	Rome	39.79%	
9 EuroTLX SIM S.p.A.	Milan	Milan	15.00%	
10 Fenice Holding S.p.A. (in liquidation)	Calenzano (FI)	Calenzano (FI)	25.91%	
11 Focus Investments S.p.A.	Milan	Milan	8.33%	25.00%
12 Incontra Assicurazioni S.p.A.	Milan	Milan	49.00%	
13 La Fortezza S.r.l.	Catanzaro	Catanzaro	1.00%	
14 Le Cotoniere S.p.A.	Naples	Naples	33.33%	
15 Le Vigne S.r.l.	Catanzaro	Catanzaro	1.00%	
16 Maccorp Italiana S.p.A.	Milan	Milan	25.45%	
17 Mediobanca - Banca di Credito Finanziario S.p.A.	Milan	Milan	8.40%	
18 Risanamento S.p.A.	Milan	Milan	22.23%	
19 Torre SGR S.p.A.	Rome	Rome	37.50%	

**Notes:**

(\*) Also meaning the administrative office.

(\*\*) The equity stake is held by the Parent Company and does not include any stake held by other Group companies.

(A) The remaining share of 0.47% is held by UniCredit (U.K.) Trust Services Ltd.

(B) 93.92% is held by Capital Dev S.p.A.

(C) A fractional share is held by various Group companies.

(D) The remaining share of 50.10% is held indirectly by UniCredit Bank S.A.

(E) Equity instruments (Strumenti Finanziari Partecipativi) have been subscribed; the portion subscribed is calculated on the total equity instruments issued by the investee.

(F) It is a real estate closed-end investment fund.

Note that, also in light of the signature of the "Consultation agreement between shareholders of Mediobanca", the investment in Mediobanca - Banca di Credito Finanziario S.p.A. remains classified as investment in associates. For further information see Consolidated report on operations - Other information, as a result of the continuing existence of an adequate representation by UniCredit in Mediobanca's Board of Directors.

The investments are individually tested for impairment in accordance with the provisions of IAS36. When the conditions provided for therein apply, their recovery value is determined, meant as the higher of their "fair value" and "value in use" (the latter determined by discounting the cash flows at a rate that takes account of the current market rates and the specific risks of the asset or using other commonly accepted valuation criteria and methods suitable for the correct valuation of the investment). If the recovery value is lower than the carrying amount, the latter is consequently reduced by allocating the corresponding impairment loss to the income statement.

On the basis of the above impairment loss has been recognised in subsidiaries, including: Koc Finansal Hizmetler Istanbul -€1.319 million, AO UniCredit Bank -€244 million, Cordusio Sim -€158 million, UniCredit Banka Slovenija D.D. -€17 million, UniCredit Consumer Financing Ifn S.A. -€16 million, UniCredit Bank Austria Credistanstalt Ag -€12 million, UniCredit Turn Around Management Cee Gmbh -€13 million, UniCredit Subito Casa S.p.A. -€1 million, UniCredit Global Leasing Export Gmbh -€1 million, Aviva S.p.A. -€6 million, Risanamento S.p.A. -€6 million, Fenice S.r.l. -€2 million. Further, some write-up have been recognised, including: UniCredit Bank AG €30 million, Mediobanca Banca di Credito Finanziario S.p.A. €28 million, UniCredit International Luxembourg €4 million, Nuova Compagnia di Partecipazioni €2 million.

For Koc Finansal Hizmetler Istanbul it is highlighted that the Book value of the investment at 31 December 2017 amounted to €2,313 million; the change with respect to the €1,340 million at 31 December 2018 is mainly due to the abovementioned impairment loss recorded mainly in the third quarter of 2018 (for more information about value in use determination, reference is made to the paragraph of Part B - Notes to the consolidated accounts of UniCredit group - Section 10 - Intangible assets - 10.3 Intangible assets: other information - Estimating cash flows to determine the value in use of the CGUs which is herewith quoted entirely).

## Parte B - Balance sheet - Assets

### 7.5 Equity investments: annual changes

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>A. Opening balance</b>	<b>44,145,485</b>	<b>42,935,070</b>
<b>B. Increases</b>	<b>599,330</b>	<b>1,872,523</b>
<i>of which: business combinations</i>	1,100	57,034
B.1 Purchases	505,383	609,892
B.2 Write-backs	65,288	1,248,620
B.3 Revaluation	-	-
B.4 Other changes	28,659	14,011
<b>C. Decreases</b>	<b>1,871,903</b>	<b>662,108</b>
<i>of which: business combinations</i>	-	13,767
C.1 Sales	70,000	21,262
C.2 Write-downs	1,796,380	164,717
C.3 Impairment	-	-
C.4 Other changes	5,523	476,129
<b>D. Closing balance</b>	<b>42,872,912</b>	<b>44,145,485</b>
<b>E. Total revaluation</b>	<b>-</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>13,059,924</b>	<b>11,386,382</b>

In 2017 the sub-item "B.1 Purchases" includes the effects arising from business combinations occurred in the year (incorporation of Pioneer Global Management S.p.A. and UniCredit International Luxembourg). The sub-item "C.4 Other changes" includes the reduction covered through the use of the provisions of €470 million set up in 2016 to face commitments towards the subsidiary UniCredit Leasing S.p.A. to cover its losses.

## Section 8 - Property, plant and equipment - Item 80

### 8.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

ASSETS/VALUES	(€ '000)	
	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>1. Owned assets</b>	<b>1,677,556</b>	<b>1,668,541</b>
a) Land	631,843	633,228
b) Buildings	743,399	721,109
c) Office furniture and fitting	37,061	38,245
d) Electronic systems	164,308	170,997
e) Other	100,945	104,962
<b>2. Leased assets</b>	<b>-</b>	<b>-</b>
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	-	-
<b>Total</b>	<b>1,677,556</b>	<b>1,668,541</b>
<i>of which: obtained by the enforcement of collateral</i>	-	-

## Part B - Balance sheet - Assets

## 8.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

(€ '000)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	<b>568,627</b>	-	-	<b>742,709</b>	<b>540,914</b>	-	-	<b>704,974</b>
a) Land	282,562	-	-	379,798	248,573	-	-	333,428
b) Buildings	286,065	-	-	362,911	292,341	-	-	371,546
<b>2. Leased assets</b>	-	-	-	-	-	-	-	-
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>568,627</b>	-	-	<b>742,709</b>	<b>540,914</b>	-	-	<b>704,974</b>
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>				<b>742,709</b>				<b>704,974</b>

## 8.3 Property, plant and equipment used in the business: breakdown of revalued assets

The Company does not have revalued tangible assets.

## 8.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

For the measurement of property, plant and equipment, the Company does not apply the revaluation model.

## 8.5 Inventories of tangible assets regulated by IAS2: breakdown

The Company does not have tangible assets to be recorded according to IAS2.

## Parte B - Balance sheet - Assets

### 8.6 Tangible assets used in the business: annual changes

(€'000)

	CHANGES IN 2018					TOTAL
	LANDS	BUILDINGS	OFFICE FURNITURE	ELECTRONIC SYSTEMS	OTHER	
<b>A. Gross opening balance</b>	<b>633,228</b>	<b>1,328,396</b>	<b>641,239</b>	<b>1,228,412</b>	<b>478,607</b>	<b>4,309,882</b>
A.1 Total net reduction in value	-	(607,287)	(602,994)	(1,057,415)	(373,645)	(2,641,341)
A.2 Net opening balance	633,228	721,109	38,245	170,997	104,962	1,668,541
<b>B. Increases</b>	<b>32,576</b>	<b>108,918</b>	<b>4,062</b>	<b>41,449</b>	<b>22,108</b>	<b>209,113</b>
B.1 Purchases	32,509	80,084	3,789	41,366	22,017	179,765
of which: business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	67	28,633	-	-	-	28,700
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	3	1	-	4
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	201	270	82	91	644
<b>C. Reductions</b>	<b>33,961</b>	<b>86,628</b>	<b>5,246</b>	<b>48,138</b>	<b>26,125</b>	<b>200,098</b>
C.1 Disposals	843	578	303	334	67	2,125
of which: business combinations	-	-	94	334	-	428
C.2 Depreciation	-	39,307	4,755	44,956	23,383	112,401
C.3 Impairment losses	17	3,341	133	2,775	86	6,352
a) In equity	-	-	-	-	-	-
b) Through profit or loss	17	3,341	133	2,775	86	6,352
C.4 Reduction of fair value	-	-	-	-	-	-
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	7	7
C.6 Transfer to	33,101	42,877	-	-	-	75,978
a) Property, plant and equipment held for investment	21,983	10,271	X	X	X	32,254
b) Non-current assets and disposal groups classified as held for sale	11,118	32,606	-	-	-	43,724
C.7 Other changes	-	525	55	73	2,582	3,235
<b>D. Net final balance</b>	<b>631,843</b>	<b>743,399</b>	<b>37,061</b>	<b>164,308</b>	<b>100,945</b>	<b>1,677,556</b>
D.1 Total net reduction in value	-	(616,625)	(599,671)	(1,074,139)	(369,731)	(2,660,166)
D.2 Gross closing balance	631,843	1,360,024	636,732	1,238,447	470,676	4,337,722
<b>E. Carried at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part B - Balance sheet - Assets

## 8.7 Tangible assets held for investment: annual changes

	CHANGES IN 2018		
	(€ '000)		
	LANDS	BUILDINGS	TOTAL
<b>A. Opening balances</b>	<b>248,573</b>	<b>292,341</b>	<b>540,914</b>
<b>B. Increases</b>	<b>41,898</b>	<b>27,245</b>	<b>69,143</b>
B.1 Purchases	3,653	9,605	13,258
B.2 Capitalised expenditure on improvements	66	2,626	2,692
B.3 Increases in fair value	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from properties used in the business	21,983	10,271	32,254
B.7 Other changes	16,196	4,743	20,939
<i>of which: business combinations</i>	-	-	-
<b>C. Reductions</b>	<b>7,909</b>	<b>33,521</b>	<b>41,430</b>
C.1 Disposals	356	-	356
C.2 Depreciation	-	16,466	16,466
C.3 Reductions in fair value	-	-	-
C.4 Impairment losses	2,410	13,920	16,330
C.5 Negative exchange differences	-	-	-
C.6 Transfer to	5,124	3,135	8,259
a) Properties used in the business	-	-	-
b) Non-current assets and disposal groups classified as held for sale	5,124	3,135	8,259
C.7 Other changes	19	-	19
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balances</b>	<b>282,562</b>	<b>286,065</b>	<b>568,627</b>
<b>E. Measured at fair value</b>	<b>379,798</b>	<b>362,911</b>	<b>742,709</b>

## 8.8 Inventories of tangible assets regulated by IAS2: annual changes

No data to be disclosed.

## 8.9 Commitments to purchase property, plant and equipment

At Financial Statement date, Commitments for the purchase of tangible assets do not exist.

## Section 9 - Intangible assets - Item 90

## 9.1 Intangible assets: breakdown by asset type

ASSETS/VALUES	(€ '000)			
	AMOUNTS AS AT 12.31.2018		AMOUNTS AS AT 12.31.2017	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>A.2 Other intangible assets</b>	<b>3,933</b>	<b>-</b>	<b>4,350</b>	<b>-</b>
A.2.1 Assets carried at cost	3,933	-	4,350	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	3,933	-	4,350	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>3,933</b>	<b>-</b>	<b>4,350</b>	<b>-</b>
<b>Total finite and indefinite life</b>	<b>3,933</b>		<b>4,350</b>	

## Parte B - Balance sheet - Assets

## 9.2 Intangible assets: annual changes

(€'000)

	CHANGES IN 2018					TOTAL
	OTHER INTANGIBLE ASSETS					
	GENERATED INTERNALLY		OTHER			
GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE		
<b>A. Gross opening balance</b>	<b>7,709,526</b>	-	-	<b>241,142</b>	-	<b>7,950,668</b>
A.1 Total net reduction in value	(7,709,526)	-	-	(236,792)	-	(7,946,318)
<b>A.2 Net opening balance</b>	-	-	-	<b>4,350</b>	-	<b>4,350</b>
<b>B. Increases</b>	-	-	-	<b>1,756</b>	-	<b>1,756</b>
B.1 Purchases	-	-	-	1,738	-	1,738
B.2 Increases in intangible assets generated	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	18	-	18
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>C. Reduction</b>	-	-	-	<b>2,173</b>	-	<b>2,173</b>
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	-	-	2,137	-	2,137
- Amortisation	X	-	-	2,137	-	2,137
- Write-downs	-	-	-	-	-	-
+ In equity	X	-	-	-	-	-
+ Through profit or loss	-	-	-	-	-	-
C.3 Reduction in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	6	-	6
C.6 Other changes	-	-	-	30	-	30
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Net closing balance</b>	-	-	-	<b>3,933</b>	-	<b>3,933</b>
D.1 Total net write-down	(7,709,526)	-	-	(238,901)	-	(7,948,427)
<b>E. Gross closing balance</b>	<b>7,709,526</b>	-	-	<b>242,834</b>	-	<b>7,952,360</b>
<b>F. Carried at cost</b>	-	-	-	-	-	-



## Part B - Balance sheet - Assets

## Section 10 - Tax assets and tax liabilities - Item 100 (Assets) and Item 60 (Liabilities)

## 10.1 Deferred tax assets: breakdown

(€ '000)

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>Deferred tax assets arising from Italian law 214/2011</b>	<b>8,150,831</b>	<b>8,156,932</b>
<b>Deferred tax assets arising from tax losses</b>	<b>78,000</b>	<b>247,000</b>
<b>Deferred tax assets arising from temporary differences</b>	<b>1,935,484</b>	<b>648,793</b>
Financial assets and liabilities (different from loans and deposits)	212,687	48,579
Loans and deposits to/from banks and customers	884,471	7,156
Hedging and hedged item revaluation	42,269	43,428
Property, plant and equipment and intangible assets different from goodwill	63,356	63,124
Goodwill and equity investments	-	-
Current assets and liabilities held for sale	-	-
Other assets and Other liabilities	35	3,873
Provisions, pension funds and similar	732,666	482,633
Other	-	-
<b>Accounting offsetting</b>	<b>(217,479)</b>	<b>(402,455)</b>
<b>Total</b>	<b>9,946,836</b>	<b>8,650,270</b>

## 10.2 Deferred tax liabilities: breakdown

(€ '000)

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>Deferred tax liabilities arising from temporary differences</b>	<b>217,479</b>	<b>402,455</b>
Financial assets and liabilities (different from loans and deposits)	99,296	258,412
Loans and deposits to/from banks and customers	-	-
Hedging and hedged item revaluation	9,780	26,152
Property, plant and equipment and intangible assets different from goodwill	105,049	115,227
Goodwill and equity investments	-	-
Assets and liabilities held for sale	-	-
Other assets and Other liabilities	1,965	-
Other	1,389	2,664
<b>Accounting offsetting</b>	<b>(217,479)</b>	<b>(402,455)</b>
<b>Total</b>	<b>-</b>	<b>-</b>

The item "Deferred tax assets deriving from Law 214/2011" includes:

- the amount of €3,168 million related to Deferred tax assets (for IRES and IRAP) due to the tax release of the value of the equity investments pursuant to Art.23 of D.L. 98/2011;
- the amount of €1,288 million related to Deferred tax assets (for IRES and IRAP) arising from goodwill tax redemption.

At 31 December 2018, the total amount of Deferred tax assets convertible into tax credits is equal to €7,192 million for IRES and €959 million for IRAP.

The above mentioned amounts are the ones resulting upon the sustainability test provided for by IAS12, taking into account the economic projections foreseeable for future years, in order to check, under a horizon of 5 years, set in order to harmonize the approach within the main Group Legal Entities, whether there are future taxable incomes to absorb them.

With particular reference to Deferred tax assets due to temporary differences (€1,935 million registered before the offset against the corresponding Deferred tax liabilities), the sustainability test takes into account, besides the economic projections, the forecasts for the transformability of Deferred tax assets into tax credits under the terms of Italian Law No.214/2011.

Deferred tax assets during the year increased by €1,297 million, of which €1,115 million for IRES and €182 million for IRAP partly due to the accounting for 9/10 of the tax effect of the higher loan loss provisions determined by the first adoption of IFRS9 (€ 727 million for IRES and €144 million for IRAP) and for the residual part to the normal dynamic in offsetting against current taxes. There were no reductions due to the conversion into tax credits.

## Parte B - Balance sheet - Assets

## 10.3 Deferred tax assets: annual changes (balancing P&amp;L)

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>8,408,479</b>	<b>11,139,449</b>
<b>2. Increases</b>	<b>2,073,081</b>	<b>1,634,701</b>
2.1 Deferred tax assets arisen during the year	1,717,695	1,109,935
a) Relating to previous years	50,391	50,635
b) Due to change in accounting criteria	-	-
c) Write-backs	430,086	492,321
d) Other	1,237,218	566,979
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	355,386	524,766
<b>3. Decreases</b>	<b>891,309</b>	<b>4,476,850</b>
3.1 Deferred tax assets derecognised during the year	593,204	1,051,042
a) Reversals of temporary differences	519,855	572,800
b) Write-downs of non-recoverable items	-	380,241
c) Change in accounting criteria	-	-
d) Other	73,349	98,001
3.2 Reduction in tax rates	-	-
3.3 Other decreases	298,105	3,425,808
a) Conversion into tax credit under Italian Law 214/2011	-	2,859,421
b) Other	298,105	566,387
<b>4. Closing balance</b>	<b>9,590,251</b>	<b>8,297,300</b>

Sub-item "2.1 Deferred tax assets arisen during the year d) Other" reflects the recognition of DTAs related to the first time adoption of IFRS9 against P&L for an amount of €871 million.

The items "2.3 Other increases" and "3.3 Other decreases" include the effect of netting DTA/DTL of previous and current year.

## 10.3bis Deferred tax assets (Italian Law 214/2011): annual changes

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>1. Opening balance</b>	<b>8,156,932</b>	<b>11,017,399</b>
<b>2. Increases</b>	-	-
<b>3. Decreases</b>	<b>6,101</b>	<b>2,860,467</b>
3.1 Reversals of temporary differences	-	-
3.2 Conversion into tax credits	-	2,859,421
a) Due to loss positions arisen from P&L	-	2,859,421
b) Due to tax losses	-	-
3.3 Other decreases	6,101	1,046
<b>4. Closing balance</b>	<b>8,150,831</b>	<b>8,156,932</b>

Following the 5<sup>th</sup> update of Banca d'Italia Circular 262, starting from 31 December 2018, the table shows the deferred tax asset annual changes of which L.214/2011 both equity balancing and P&L balancing. According to this new approach the values at 31 December 2017 have been restated.

## Part B - Balance sheet - Assets

## 10.4 Deferred tax liabilities: annual changes (balancing P&amp;L)

	CHANGES IN	
	2018	2017
	(€ '000)	
<b>1. Opening balance</b>	-	-
<b>2. Increases</b>	<b>146,729</b>	<b>137,724</b>
2.1 Deferred tax liabilities arisen during the year	20,061	4,606
a) Relating to previous years	16	-
b) Due to change in accounting criteria	-	-
c) Other	20,045	4,606
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	126,668	133,118
<b>3. Decreases</b>	<b>146,729</b>	<b>137,724</b>
3.1 Deferred tax liabilities derecognised during the year	20,206	16,055
a) Reversals of temporary differences	18,845	16,055
b) Due to change in accounting criteria	-	-
c) Other	1,361	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	126,523	121,669
<b>4. Closing balance</b>	-	-

The items "2.3 Other increases" and "3.3 Other decreases" include the effect of netting DTA/DTL of previous and current year.

## 10.5 Deferred tax assets: annual changes (balancing Net Equity)

	CHANGES IN	
	2018	2017
	(€ '000)	
<b>1. Opening balance</b>	<b>345,961</b>	<b>174,703</b>
<b>2. Increases</b>	<b>276,006</b>	<b>451,021</b>
2.1 Deferred tax assets arisen during the year	269,965	450,083
a) Relating to previous years	-	-
b) Due to change in accounting criteria	-	-
c) Other	269,965	450,083
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	6,041	938
<b>3. Decreases</b>	<b>265,382</b>	<b>272,754</b>
3.1 Deferred tax assets derecognised during the year	265,382	272,754
a) Reversals of temporary differences	91,070	200,760
b) Write-downs of non-recoverable items	169,000	800
c) Due to change in accounting criteria	-	-
d) Other	5,312	71,194
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Closing balance</b>	<b>356,585</b>	<b>352,970</b>

## Parte B - Balance sheet - Assets

### 10.6 Deferred tax liabilities: annual changes (balancing Net Equity)

	CHANGES IN	
	2018	2017
	(€ '000)	
<b>1. Opening balance</b>	-	-
<b>2. Increases</b>	<b>357,769</b>	<b>723,252</b>
2.1 Deferred tax liabilities arisen during the year	124,051	333,789
a) Relating to previous years	-	-
b) Due to change in accounting criteria	-	-
c) Other	124,051	333,789
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	233,718	389,463
<b>3. Decreases</b>	<b>357,769</b>	<b>723,252</b>
3.1 Deferred tax liabilities derecognised during the year	261,518	441,146
a) Reversal of temporary differences	58,264	127,859
b) Due to change in accounting criteria	-	-
c) Other	203,254	313,287
3.2 Reduction in tax rates	-	-
3.3 Other decreases	96,251	282,106
<b>4. Closing balance</b>	-	-

The items "2.3 Other increases" and "3.3 Other decreases" include the effect of netting DTA/DTL of previous and current year.

### 10.7 Other information

#### ITALIAN TAX GROUP

The Tax Group regime was introduced in Italy by Legislative Decree 344 of 12 December 2003, that implemented the Italian corporate income tax (IRES) reform.

The regime of national Tax Group is optional, with a duration bound for three financial years and certain conditions (controlling relationship, same operating period) to be met.

The participation to the Tax Group regime allows the offsetting between taxable income and tax losses generated by the companies participating to such regime.

For financial year 2018 the following legal entities adhered to the Italian Tax Group with UniCredit S.p.A.:

- UniCredit Factoring - Milano;
- UniCredit Leasing - Milano;
- Cordusio Fiduciaria - Milano;
- UniCredit Services (ex UniCredit Business Integrated Solutions) - Milano;
- Cordusio SIM - Milano;
- UniCredit Bank AG - Milan Branch.

The number of legal entities participating to the Italian Tax Group decreased in respect to the ones of 2017 due to the exit of I-Faber from such regime, following its disposal outside the Group.

#### DEFERRED TAX ASSETS DUE TO TAX LOSSES CARRIED FORWARD

DTA on tax losses for €25 million were generated in the current year, which increases the cumulated amount of DTA on 2016 and 2017 tax losses carried forward to a total amount of €3,350 million (already including €34 million of DTA on tax losses deriving from the incorporation in 2017 of the subsidiaries PGAM and Buddy Servizi Molecolari), €3,272 million net of those accounted among deferred tax assets following sustainability test updating.

In respect of foreign branches, relevant tax losses not utilized are equal to €6.356 million, due to start-up expenses or other operating costs. Said tax losses can only be used against the taxable income at the level of each single branch for taxes due in the relevant Country of establishment.

## Part B - Balance sheet - Assets

### Section 11 - Non current assets and disposal groups classified as held for sale - Item 110 (Assets) and Item 70 (Liabilities)

#### 11.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
	(€ '000)	
<b>A. Assets available for sale</b>		
A.1 Financial assets	53,898	54,553
A.2 Equity investments	-	8,234
A.3 Property, Plant and Equipment	62,776	87,244
<i>of which: obtained by taking possession of collateral</i>	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
<b>Total (A)</b>	<b>116,674</b>	<b>150,031</b>
<i>of which: carried at cost</i>	59,401	70,725
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	57,273	79,306
<i>of which: designated at fair value - level 3</i>	-	-
<b>B. Discontinued operations</b>	-	-
B.1 Financial assets at fair value through profit and loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
<i>Financial assets held for trading (ex IAS39)</i>	-	-
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
<i>Available for sale financial assets (ex IAS39)</i>	-	-
B.3 Financial assets at amortised cost	-	-
<i>Held to maturity investments (ex IAS39)</i>	-	-
<i>Loans and receivables with banks (ex IAS39)</i>	-	-
<i>Loans and receivables with customers (ex IAS39)</i>	-	-
B.4 Equity investments	-	-
B.5 Property, Plant and Equipment	-	-
<i>of which: obtained by taking possession of collateral</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	-	-

## Parte B - Balance sheet - Assets

continued: Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€ '000)

<b>C. Liabilities associated with assets available for sale</b>		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
<b>Total (C)</b>	-	-
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	-	-
<b>D. Liabilities associated with discontinued operations</b>	-	-
D.1 Financial liabilities at amortised cost	-	-
<i>Deposits from banks (ex IAS39)</i>	-	-
<i>Deposits from customers (ex IAS39)</i>	-	-
<i>Debt securities in issue (ex IAS39)</i>	-	-
D.2 Financial liabilities held for trading	-	-
<i>Financial liabilities held for trading (ex IAS39)</i>	-	-
D.3 Financial liabilities designated at fair value	-	-
<i>Financial liabilities at fair value through profit or loss (ex IAS39)</i>	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
<b>Total (D)</b>	-	-
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	-	-

## Section 12 - Other assets - Item 120

### 12.1 Other assets: breakdown

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	-	-
Accrued income and prepaid expenses other than capitalised income	218,597	92,240
Positive value of management agreements (so-called servicing assets)	-	-
Cash and other valuables held by cashier	277,157	230,014
- Current account cheques being settled, drawn on third parties	276,861	229,671
- Current account cheques payable by group banks, cleared and in the process of being debited	296	343
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	22,298	133
- Customers	22,298	133
- Banks	-	-
Items in transit between branches not yet allocated to destination accounts	-	12,332
Items in processing	270,701	389,975
Items deemed definitive but not-attributable to other items	1,180,601	1,521,623
- Securities and coupons to be settled	42,130	1,430
- Other transactions	1,138,471	1,520,193
Adjustments for unpaid bills and notes	6,831	264,164
Tax items other than those included in item 110	1,468,803	1,583,025
Commercial credits pursuant to IFRS15	-	-
<i>Loans in respect of share based payment</i>	-	144,546
Other items	430,742	462,302
<b>Total</b>	<b>3,875,730</b>	<b>4,700,354</b>

It should be noted that, as at 31 December 2018, among the "Other items" are recognised, at their fair value of €45 million, the precious stones (diamonds) repurchased from customers within the "customer care" initiative promoted by the Bank regarding this topic.

## Part B - Balance sheet - Assets

Item "Accrued income and prepaid expenses other than capitalised income" includes the contract assets recognized in accordance with IFRS15.

In this context accrued income represents the portion of the performance obligation already satisfied through the services provided by the Bank and that will be settled in the future periods in accordance with contractual provisions.

The aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, and therefore not represented in the table above, is of a non material amount and relates to performance obligations expected to be satisfied by the following year end reporting date.

The following table shows the changes of accrued income and prepaid expenses occurred in the period.

### Periodic change of accrued income/expenses and prepaid expenses/income

	(€ '000)	
	AMOUNTS AS AT	12.31.2018
	ACCURRED INCOME AND PREPAID EXPENSES	ACCURRED INCOME AND DEFERRED EXPENSES
<b>Opening balance</b>	<b>92,240</b>	<b>100,642</b>
<b>Increases</b>	<b>126,736</b>	<b>37,168</b>
a) Changes due to business combinations	-	-
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par. 118.b)	-	-
c) Reversal of impairment of a contract asset (IFRS15 Par. 118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par. 118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability) (IFRS15 Par. 118.e)	-	-
f) Other	126,736	37,168
<b>Decreases</b>	<b>379</b>	<b>64</b>
a) Changes due to business combinations	-	-
b) Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS15 Par. 118.b)	-	-
c) Impairment of a contract asset (IFRS15 Par. 118.c)	-	X
d) Change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS15 Par. 118.d)	-	-
e) Change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability) (IFRS15 Par. 118.e)	-	-
f) Other	379	64
<b>Closing balance</b>	<b>218,597</b>	<b>137,746</b>

## Part B - Balance sheet - Liabilities

## Liabilities

## Section 1 - Financial liabilities at amortised cost - Item 10

## 1.1 Financial liabilities at amortised cost: breakdown by product of deposits from banks

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT		12.31.2018		
	BOOK VALUE	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from central banks</b>	<b>34,627,212</b>	X	X	X	
<b>2. Deposits from banks</b>	<b>24,367,577</b>	X	X	X	
2.1 Current accounts and demand deposits	3,867,456	X	X	X	
2.2 Time deposits	5,057,073	X	X	X	
2.3 Loans	15,442,756	X	X	X	
2.3.1 Repos	10,298,952	X	X	X	
2.3.2 Other	5,143,804	X	X	X	
2.4 Liabilities relating to commitments	-	X	X	X	
2.5 Other deposits	292	X	X	X	
<b>Total</b>	<b>58,994,789</b>	-	<b>25,292,544</b>	<b>33,125,936</b>	
<b>Total Level 1, Level 2 and Level 3</b>					<b>58,418,480</b>

Deposits from central banks include TLTRO II facilities launched by the Governing Council of the European Central Bank with Decision (EU) 2016/810 for €33 billion, the same amount as at 2017 year end.

Deposits from banks are not carried based at their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

## 1.2 Financial liabilities at amortised cost: breakdown by product of deposits from customers

(€ '000)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT		12.31.2018		
	BOOK VALUE	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	
1. Current accounts and demand deposits	158,060,181	X	X	X	
2. Time deposits	1,195,705	X	X	X	
3. Loans	47,829,401	X	X	X	
3.1 Repos	46,890,500	X	X	X	
3.2 Other	938,901	X	X	X	
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	
5. Other deposits	4,786,438	X	X	X	
<b>Total</b>	<b>211,871,725</b>	-	<b>47,500,092</b>	<b>164,222,396</b>	
<b>Total Level 1, Level 2 and Level 3</b>					<b>211,722,488</b>

Deposits from customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as level 3 in the fair value hierarchy. For further information see Part A - Accounting Policies - A.4 Information on fair value.



## Part B - Balance sheet - Liabilities

## 1.3 Financial liabilities at amortised cost: breakdown by product of debt securities in issue

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 12.31.2018 (€ '000)			
	BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Debt securities</b>				
1. Bonds	49,459,316	27,590,067	22,461,035	1,951
1.1 Structured	716,417	-	691,130	-
1.2 Other	48,742,899	27,590,067	21,769,905	1,951
2. Other securities	3,509,529	-	169,622	3,345,000
2.1 Structured	109,800	-	113,767	-
2.2 Other	3,399,729	-	55,855	3,345,000
<b>Total</b>	<b>52,968,845</b>	<b>27,590,067</b>	<b>22,630,657</b>	<b>3,346,951</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>53,567,675</b>

Sub-items "1.1 structured" of bonds and "2.1. structured" of other securities totally amount to €826,217 million and represent 1.56% of the total. They mainly relate to interest-rate linked instruments with highly correlated derivative component, identified in accordance with the Mifid classification rules.

Issued bonds reduce due to joint effect of maturities and new issuances and as a consequence of buy-backs realised in the period.

Fair value measurements solely for financial disclosure purposes only are classified according to a hierarchy of levels reflecting the significance of the inputs used. For further information see Part A - Accounting Policies - A.4 Information on fair value.

## 1.4 Detail of subordinated debts/bonds

The list of all subordinated debt instruments and bonds is presented in Part F - Shareholders' Equity.

The subordinated debt recognised in item "Deposits from banks" amounts to €28 million, the one in item "Deposits from customers" amounts to nil, the one in item "Debt securities in issue" amounts to €8,837 million.

## 1.5 Detail of structured debts

Structured deposits from banks or customers do not exist.

## 1.6 Amounts payable under finance leases

No data to be disclosed.

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

## 1.1 Deposits from banks: product breakdown

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT
	12.31.2017
<b>1. Deposits from central banks</b>	<b>33,576,658</b>
<b>2. Deposits from banks</b>	<b>23,230,358</b>
2.1 Current accounts and demand deposits	4,826,878
2.2 Time deposits	3,812,805
2.3 Loans	14,249,826
2.3.1 repos	7,737,626
2.3.2 other	6,512,200
2.4 Liabilities in respect of commitments to repurchase treasury shares	-
2.5 Other liabilities	340,849
<b>Total</b>	<b>56,807,016</b>
Fair value - level 1	-
Fair value - level 2	13,896,046
Fair value - level 3	43,033,573
<b>Total fair value</b>	<b>56,929,619</b>

## Part B - Balance sheet - Liabilities

### 1.2 Breakdown of item 10 "Deposits from banks": subordinated debt

The list of all subordinated debt instruments was presented in Part F - Shareholders' Equity of 2017 Company financial statements. The subordinated debt recognised in the item "Deposits from banks" amounted to €67 million.

### 1.3 Breakdown of item 10 "Deposits from banks": structured debts

There were no structured debts.

### 1.5 Amounts payable under finance leases

There were no amounts payable to banks under finance leases.

#### 2.1 Deposits from customers: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/GROUP COMPONENTS	AMOUNTS AS AT
	12.31.2017
1. Current accounts and demand deposits	154,551,338
2. Time deposits	1,584,116
3. Loans	35,885,701
3.1 repos	34,489,558
3.2 other	1,396,143
4. Liabilities in respect of commitments to repurchase treasury shares	-
5. Other liabilities	5,117,607
<b>Total</b>	<b>197,138,762</b>
Fair value - level 1	-
Fair value - level 2	37,732,119
Fair value - level 3	159,325,053
<b>Total fair value</b>	<b>197,057,172</b>

### 2.2 Breakdown of item 20 "Deposits from customers": subordinated debt

Item "Deposit from customers" included subordinated debt in the amount of €21 million.

### 2.3 Breakdown of item 20 "Deposits from customers": structured debts

There were no structured debts from customers.

### 2.5 Amounts payable under finance leases

There were no amounts payable to customers under finance leases.

#### 3.1 Debt securities in issue: breakdown by product

(€ '000)

TYPE OF SECURITIES/VALUES	BOOK VALUE	AMOUNTS AS AT 12.31.2017		
		FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Listed securities</b>				
1. Bonds	57,334,101	30,184,820	30,285,452	107
1.1 structured	1,942,982	-	1,964,090	-
1.2 other	55,391,119	30,184,820	28,321,362	107
2. Other securities	7,611,531	-	1,313,860	6,316,809
2.1 structured	127,570	-	144,446	-
2.2 other	7,483,961	-	1,169,414	6,316,809
<b>Total</b>	<b>64,945,632</b>	<b>30,184,820</b>	<b>31,599,312</b>	<b>6,316,916</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>68,101,048</b>

### 3.2 Breakdown of item 30 "Debt securities in issue": subordinated debt securities

This item includes subordinated securities in the amount of €11,591 million.

## Part B - Balance sheet - Liabilities

## Section 2 - Financial liabilities held for trading - Item 20

## 2.1 Financial liabilities held for trading: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	AMOUNTS AS AT 12.31.2018			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Cash liabilities</b>					
1. Deposits from banks	-	325,489	-	-	325,489
2. Deposits from customers	-	4,317,989	-	-	4,317,989
3. Debt securities	-	-	-	-	-
3.1 Bonds	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X
3.1.2 Other	-	-	-	-	X
3.2 Other securities	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X
3.2.2 Other	-	-	-	-	X
<b>Total (A)</b>	-	<b>4,643,478</b>	-	-	<b>4,643,478</b>
<b>B. Derivatives instruments</b>					
1. Financial derivatives	X	18,290	5,295,491	426,264	X
1.1 Trading derivatives	X	18,290	4,803,320	285,204	X
1.2 Linked to fair value option	X	-	313,414	98,449	X
1.3 Other	X	-	178,757	42,611	X
2. Credit derivatives	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X
2.3 Other	X	-	-	-	X
<b>Total (B)</b>	<b>X</b>	<b>18,290</b>	<b>5,295,491</b>	<b>426,264</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>4,661,768</b>	<b>5,295,491</b>	<b>426,264</b>	<b>X</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>10,383,523</b>	

## Note:

Fair value\* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

“Deposit from banks” and “Deposit from customers” are referred to technical overdrafts in respect of which no nominal amount was attributed. They are fed by the recognition of technical overdrafts typical of primary dealer and market-maker transactions in government bonds.

“Financial derivatives: other” comprises: (i) derivatives embedded in structured financial instruments, where the host has been classified in a category different from held-for-trading or fair value option and (ii) derivatives that, for economic purposes, are associated with Banking Book instruments.

## 2.2 Detail of financial liabilities held for trading: subordinated liabilities

Subordinated trading financial liabilities do not exist.

## 2.3 Detail of financial liabilities held for trading: structured debts

Structured trading financial liabilities do not exist.

## Part B - Balance sheet - Liabilities

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

## 4.1 Financial liabilities held for trading: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2017				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial liabilities</b>					
1. Deposits from banks	-	535,350	-	-	535,350
2. Deposits from customers	-	6,698,206	-	-	6,698,206
3. Debt securities	-	-	-	-	-
3.1 Bonds	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X
3.1.2 Other	-	-	-	-	X
3.2 Other securities	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X
3.2.2 Other	-	-	-	-	X
<b>Total A</b>	-	<b>7,233,556</b>	-	-	<b>7,233,556</b>
<b>B. Derivatives instruments</b>					
1. Financial derivatives	X	6,757	5,297,269	530,299	X
1.1 Trading	X	6,757	4,865,814	377,596	X
1.2 Related to fair value option	X	-	202,887	87,732	X
1.3 Other	X	-	228,568	64,971	X
2. Credit derivatives	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X
2.2 Related to fair value option	X	-	-	-	X
2.3 Other	X	-	-	-	X
<b>Total B</b>	<b>X</b>	<b>6,757</b>	<b>5,297,269</b>	<b>530,299</b>	<b>X</b>
<b>Total A+B</b>	<b>X</b>	<b>7,240,313</b>	<b>5,297,269</b>	<b>530,299</b>	<b>X</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>13,067,881</b>	

## Note:

Fair value\* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

## Part B - Balance sheet - Liabilities

### Section 3 - Financial liabilities designated at fair value - Item 30

#### 3.1 Financial liabilities designated at fair value: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	AMOUNTS AS AT 12.31.2018			FAIR VALUE*
		FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	-	-	-	-	-
1.1 Structured	-	-	-	-	X
1.2 Other	-	-	-	-	X
of which:					
- loan commitments given	-	X	X	X	X
- financial guarantees given	-	X	X	X	X
<b>2. Deposits from customers</b>	-	-	-	-	-
2.1 Structured	-	-	-	-	X
2.2 Other	-	-	-	-	X
of which:					
- loan commitments given	-	X	X	X	X
- financial guarantees given	-	X	X	X	X
<b>3. Debt securities</b>	<b>3,813,522</b>	-	<b>3,534,519</b>	-	<b>3,591,820</b>
3.1 Structured	3,813,522	-	3,534,519	-	X
3.2 Other	-	-	-	-	X
<b>Total</b>	<b>3,813,522</b>	-	<b>3,534,519</b>	-	<b>3,591,820</b>
<b>Total Level 1, Level 2 and Level 3</b>					<b>3,534,519</b>

**Note:**

Fair value\* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

Item "Debt securities - Structured" includes "Certificates" (structured debt securities) issued by UniCredit S.p.A. starting from the first quarter of 2016 and also €396 million of "Secured mandatorily exchangeable equity-linked certificate" referred to the residual shares in Bank Pekao S.A., after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. occurred in June 2017. These securities are classified as measured at fair value their embedded derivative component not being separable.

#### 3.2 Detail of financial liabilities designated at fair value: subordinated liabilities

Subordinated financial liabilities designated at fair value do not exist.

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

#### 5.1 Financial liabilities at fair value through profit or loss: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	AMOUNTS AS AT 12.31.2017			FAIR VALUE(*)
		FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	-	-	-	-	-
1.1 Structured	-	-	-	-	X
1.2 Other	-	-	-	-	X
<b>2. Deposits from</b>	-	-	-	-	-
2.1 Structured	-	-	-	-	X
2.2 Other	-	-	-	-	X
<b>3. Debt securities</b>	<b>2,698,887</b>	-	<b>2,737,625</b>	-	<b>2,678,873</b>
3.1 Structured	2,698,887	-	2,737,625	-	X
3.2 Other	-	-	-	-	X
<b>Total</b>	<b>2,698,887</b>	-	<b>2,737,625</b>	-	<b>2,678,873</b>
<b>Total Level 1, Level 2 and Level 3</b>					<b>2,737,625</b>

**Note:**

Fair value\* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

## Part B - Balance sheet - Liabilities

### Section 4 - Hedging derivatives - Item 40

#### 4.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ '000)

	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial derivatives</b>	<b>337,751,208</b>	<b>99,485</b>	<b>4,413,864</b>	<b>11,909</b>	<b>256,709,902</b>	<b>29,210</b>	<b>4,529,110</b>	<b>-</b>
1) Fair value	328,086,686	99,485	4,190,160	11,909	250,216,724	29,210	4,368,438	-
2) Cash flows	9,664,522	-	223,704	-	6,493,178	-	160,672	-
3) Net investment in foreign	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>337,751,208</b>	<b>99,485</b>	<b>4,413,864</b>	<b>11,909</b>	<b>256,709,902</b>	<b>29,210</b>	<b>4,529,110</b>	<b>-</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>4,525,258</b>				<b>4,558,320</b>	

#### 4.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

(€ '000)

TRANSACTIONS/HEDGE TYPES	AMOUNTS AS AT 12.31.2018										
	FAIR VALUE							CASH FLOW			FOREIGN INVESTMENTS
	MICRO-HEDGE							MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	
	DEBT SECURITIES AND INTEREST RATES RISK	EQUITY INSTRUMENTS AND EQUITY INDICES RISK	CURRENCY AND GOLD	CREDIT RISK	COMMODITIES	OTHER					
1. Financial assets at fair value through other comprehensive income	921,506	-	9,081	-	X	X	X				
2. Financial assets at amortised cost	64,001	X	-	-	X	X	X	-	X	X	
3. Portfolio	X	X	X	X	X	X	2,912,142	X	188,272	X	
4. Other transactions	-	-	-	-	-	-	X	-	X	-	
<b>Total assets</b>	<b>985,507</b>	<b>-</b>	<b>9,081</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,912,142</b>	<b>-</b>	<b>188,272</b>	<b>-</b>	
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X	
2. Portfolio	X	X	X	X	X	X	394,824	X	35,432	X	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394,824</b>	<b>-</b>	<b>35,432</b>	<b>-</b>	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-	

### Section 5 - Value adjustment of hedged financial liabilities - Item 50

#### 5.1 Changes to hedged financial liabilities

(€ '000)

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Positive changes to financial liabilities	2,134,393	2,071,614
2. Negative changes to financial liabilities	(364,243)	(351,243)
<b>Total</b>	<b>1,770,150</b>	<b>1,720,371</b>

### Section 6 - Tax liabilities - Item 60

See Section 10 of Assets.

## Part B - Balance sheet - Liabilities

## Section 7 - Liabilities associated with assets classified as held for sale - Item 70

See Section 11 of Assets.

## Section 8 - Other liabilities - Item 80

## 8.1 Other liabilities: breakdown

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Liabilities in respect of financial guarantees issued	2,454	5,724
Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute		305,493
Obligations for irrevocable commitments to distribute funds		-
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities	137,746	100,642
Negative value of management agreements (so-called servicing assets)	-	
Payment agreements based on the value of own capital instruments classified as deposits pursuant to IFRS2	82	3,286
Other liabilities due to employees	1,362,081	1,739,619
Other liabilities due to other staff	38,043	
Other liabilities due to Directors and Statutory Auditors	8,644	
Interest and amounts to be credited to	-	-
- Customers	-	-
- Banks	-	-
Items in transit between branches and not yet allocated to destination accounts	39,933	35,921
Available amounts to be paid to others	-	-
Items in processing	492,757	384,143
Entries relating to securities transactions	98,624	255,156
Items deemed definitive but not attributable to other lines	3,396,971	3,856,070
- Accounts payable - suppliers	621,940	600,644
- Provisions for tax withholding on accrued interest, bond coupon payments or dividends	1,660	
- Other entries	2,773,371	3,255,426
Liabilities for miscellaneous entries related to tax collection service	-	-
Adjustments for unpaid portfolio entries	929,647	-
Tax items different from those included in item 60	943,045	969,957
Other entries	167,096	167,812
<b>Total</b>	<b>7,617,123</b>	<b>7,823,823</b>

Item "Accrued expenses and deferred income other than those to be capitalised for the financial liabilities" includes the contract liabilities recognized in accordance with IFRS15.

In this context, deferred income represents the portion of performance obligations not yet satisfied through the services provided by the Bank but already settled during the period or in previous periods.

The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

Refer to Section 12 - Other assets for information about the changes in deferred income and accrued expenses occurred in the period.

## Part B - Balance sheet - Liabilities

## Section 9 - Provision for employee severance pay - Item 90

The "TFR" provision for Italy-based employee benefits is to be constructed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using "projected unit credit" method (see Part A.2 - Main Items of the Accounts).

## 9.1 Provisions for employee severance pay: annual changes

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>A. Opening balance</b>	<b>828,450</b>	<b>1,019,713</b>
<b>B. Increases</b>	<b>12,482</b>	<b>14,971</b>
B.1 Provisions for the year	11,102	12,946
B.2 Other increases	1,380	2,025
<i>of which: business combinations</i>	-	8
<b>C. Reductions</b>	<b>211,742</b>	<b>206,234</b>
C.1 Severance payments	193,536	184,995
C.2 Other decreases	18,206	21,239
<i>of which: business combinations</i>	3,405	276
<b>D. Closing Balance</b>	<b>629,190</b>	<b>828,450</b>

## 9.2 Provisions for employee severance pay: other information

	(€ '000)	
	CHANGES IN	
	2018	2017
<b>Cost Recognised in P&amp;L:</b>	<b>11,102</b>	<b>12,946</b>
- Current Service Cost	122	-
- Interest Cost on the DBO	10,980	12,946
- Settlement (gains)/losses	-	-
- Past Service Cost	-	-
<b>Remeasurement Effects (Gains) Losses Recognised in OCI</b>	<b>(14,202)</b>	<b>(20,408)</b>
<b>Annual weighted average assumptions</b>		
- Discount rate	1.60%	1.45%
- Price inflation	1.20%	1.40%

The financial duration of the commitments is 8.7 years; the balance of the negative Revaluation reserves net of tax changed from -€105 million at 31 December 2017 to -€95 million at 31 December 2018.

A change of -25 basis points in the discount rate would result in an increase in liabilities of €13,759 thousand (+2.19%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €13,431 thousand (-2.14%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of €8,380 thousand (-1.33%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €8,480 thousand (+1.35%).

## Section 10 - Provisions for risks and charges - Item 100

## 10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	(€ '000)	
	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Provisions for credit risk on commitments and financial guarantees given	491,897	-
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	90,539	77,312
4. Other provisions for risks and charges	1,900,184	1,765,693
4.1 Legal and tax disputes	707,856	585,906
4.2 Staff expenses	382,510	383,191
4.3 Other	809,818	796,596
<b>Total</b>	<b>2,482,620</b>	<b>1,843,005</b>

The data of the previous period have been restated for the purpose of comparison.



## Part B - Balance sheet - Liabilities

To cover liabilities that may result from pending lawsuits (excluding labor disputes, tax cases or credit recovery actions), UniCredit S.p.A. has set aside a provision for risks and charges of €621 million (€478 million at 31 December 2017). More details are included in Part E - Information on risks and risks management policies.

### 10.2 Provisions for risks and charges: annual changes

	CHANGES IN 2018			(€ '000)
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
<b>A. Opening Balance</b>	-	77,312	1,765,693	1,843,005
<b>B. Increases</b>	-	8,644	657,586	666,230
B.1 Provisions for the year	-	2,185	656,017	658,202
B.2 Changes due to the passing time	-	1,262	187	1,449
B.3 Differences due to discount-rate changes	-	-	170	170
B.4 Other changes	-	5,197	1,212	6,409
<i>of which: business combinations</i>	-	-	-	-
<b>C. Decreases</b>	-	(4,583)	523,095	518,512
C.1 Use during the year	-	-	323,477	323,477
C.2 Differences due to discount-rate changes	-	-	308	308
C.3 Other changes	-	(4,583)	199,310	194,727
<i>of which: business combinations</i>	-	-	-	-
<b>D. Closing balance</b>	-	90,539	1,900,184	1,990,723

More details on provisions for commitments and guarantees given are presented into tables 10.3 Provisions for credit risk on commitments and financial guarantees given and 10.4 Provisions on other commitments and other issued guarantees.

More details about annual changes for pensions and post-retirement benefit obligation are presented in table 10.5 - Pensions and other postretirement defined benefit obligations.

### 10.3 Provisions for credit risk on commitments and financial guarantees given

	AMOUNTS AS AT 12.31.2018				(€ '000)
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	TOTAL	
Loan commitments given	30,740	11,803	60,188	102,731	
Financial guarantees given	35,380	11,842	341,944	389,166	
<b>Total</b>	<b>66,120</b>	<b>23,645</b>	<b>402,132</b>	<b>491,897</b>	

### 10.4 Provisions on other commitments and other issued guarantees

No data to be disclosed.

### 10.5 Pensions and other post-retirement defined-benefit obligations

#### 1. Pensions and other post-retirement benefit obligations

In respect of Pensions and other post-retirement benefit obligations, the Annexes provide details of Internal Fund movements and include statements of changes in funds with segregated assets pursuant to Art.2117 of the Italian Civil Code, as well as explanatory notes thereto.

According to IAS19, obligations arising from defined-benefit plans are determined using the "projected unit credit" method, while segregated assets are measured at fair value. The balance sheet obligation is the result of the deficit/surplus (i.e. the difference between obligations and assets) net of any impacts of the asset ceiling; actuarial gains and losses are recognised in shareholders' equity and shown in a specific item of revaluation reserves in the financial year in which they are recorded.

The actuarial assumptions used to determine obligations vary from country to country and from plan to plan; the discount rate is determined, depending on the currency of denomination of the commitments and the maturity of the liability, by reference to market yields at the balance sheet date on a basket of high quality corporate bonds.

## Part B - Balance sheet - Liabilities

In light of evolving common interpretation about “high quality corporate bonds” identification and persisting interest rates decreasing trend, UniCredit refined its Discount Rate setting methodology by limiting the number of “investment grade” bonds whose rating is lower than AA (No.11 securities ranging in 15-30 years maturity), for which an adjustment is made to reduce the excess-return.

In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above 25 years in order to stick the long-term maturity segments of the curve to the Euribor implied-forward rate).

The balance of the negative Revaluation reserves net of tax changed from -€91 million at 31 December 2017 to -€100 million at 31 December 2018.

### 2. Changes of net defined benefit liability/asset and any reimbursement rights

#### 2.1 Breakdown of defined benefit net obligation

	(€ '000)	
	12.31.2018	12.31.2017
Current value of the defined benefit obligation	343,963	378,329
Current value of the plan assets	(253,630)	(301,223)
<b>Deficit/(Surplus)</b>	<b>90,333</b>	<b>77,106</b>
Irrecoverable surplus (effect of asset ceiling)	-	-
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>90,333</b>	<b>77,106</b>

#### 2.2 Changes in defined benefit obligations

	(€ '000)	
	12.31.2018	12.31.2017
Initial defined benefit obligation	378,329	405,740
Current service cost	1,111	977
Settlement (gain)/loss	739	-
Past service cost	335	-
Interest expense on the defined benefit obligation	5,835	5,748
Write-downs for actuarial (gains)/losses on defined benefit plans	(2,251)	877
Employees' contributions for defined benefit plans	-	12
Disbursements from plan assets	(37,185)	(32,911)
Disbursements directly paid by the fund	-	(1,454)
Settlements	(4,538)	-
Other increases (decreases)	1,588	(660)
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>343,963</b>	<b>378,329</b>

#### 2.3 Changes to plan assets

	(€ '000)	
	12.31.2018	12.31.2017
Initial fair value of plan assets	301,223	33,227
Interest income on plan assets	4,642	4,489
Administrative expenses paid from plan assets	(69)	-
Write-downs on the fair value of plan assets for actuarial gains (losses) on the discount rate	(14,107)	1,959
Employer contributions	2,194	294,447
Disbursements from plan assets	(37,185)	(32,911)
Settlements	(4,538)	-
Other increases (decreases)	1,470	12
<b>Final fair value of plan assets</b>	<b>253,630</b>	<b>301,223</b>

## Part B - Balance sheet - Liabilities

### 3. Main plan asset classes

	(€ '000)	
	12.31.2018	12.31.2017
1. Shares	26,778	32,186
2. Bonds	190,787	191,523
3. Units in investment funds	9,136	-
4. Real estate properties	2,056	1,865
5. Derivative instruments	-	-
6. Other assets	24,874	75,649
<b>Total</b>	<b>253,631</b>	<b>301,223</b>

### 4. Significant actuarial assumptions used to determine the current value of defined benefit obligation

	(€ '000)	
	12.31.2018	12.31.2017
	%	%
Discount rate	1.62	1.60
Expected return on plan assets	1.62	1.60
Expected compensation increase rate	1.51	1.15
Future increases relating to pension treatments	1.12	1.21
Expected inflation rate	1.46	1.67

### 5. Impact of changes in financial/demographic assumptions on DBOs and financial duration

	(€ '000)	
	12.31.2018	
- Impact of changes in financial/demographic assumptions on DBOs		
<b>A. Discount rate</b>		
A1. -25 basis points		7,829
		2.28%
A2. +25 basis points		(7,478)
		-2.17%
<b>B. Future increase rate relating to pension treatments</b>		
B1. -25 basis points		(4,871)
		-1.42%
B2. +25 basis points		5,046
		1.47%
<b>C. Mortality</b>		
C.1 Life expectancy + 1 year		18,282
		5.32%
- Financial duration (years)		8.9

### 10.6 Provisions for risks and charges - other provisions

	(€ '000)	
	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>4.3 Other provisions for risks and charges - other</b>		
Real estate risks/charges	-	-
Restructuring costs	-	-
Allowances payable to agents	2,540	2,047
Disputes regarding financial instruments and derivatives	6,595	6,795
Costs for liabilities arising from equity investment disposals	186,752	168,112
Other	613,931	619,642
<b>Total</b>	<b>809,818</b>	<b>796,596</b>

The data of the previous period have been restated for the purpose of comparison.

## Part B - Balance sheet - Liabilities

Other Provisions include:

- the ones posted in order to cope with the probable risks of loss related to the repurchases of diamonds, that could be carried out under action of "customer care" promoted by the Bank. To complete the information more details are included in Part E - Information about risks and hedging policies - Other claims by customers;
- those referring to cover the risks related to certain standard contractual terms contained in the documentary frameworks (i.e. reps & warranties), including securitization transactions signed with the SPVs, of which UniCredit S.p.A. is Originator, pending the analysis and assessments to be completed within the deadlines established.

### Section 11 - Redeemable shares - Item 120

No data to be disclosed in this section.

### Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180

Further information about shareholders' equity are disclosed in Part F - Shareholders' equity.

#### 12.1 "Share capital" and "treasury shares": breakdown

(€'000)

	AMOUNTS AS AT 12.31.2018		AMOUNTS AS AT 12.31.2017	
	ISSUED SHARES	UNDERWRITTEN SHARES	ISSUED SHARES	UNDERWRITTEN SHARES
<b>A. Share capital</b>				
A.1 Ordinary shares	20,940,398	-	20,878,182	-
A.2 Savings shares	-	-	2,368	-
<b>Total A</b>	<b>20,940,398</b>	<b>-</b>	<b>20,880,550</b>	<b>-</b>
<b>B. Treasury shares</b>				
B.1 Ordinary shares	(2,440)	-	(2,440)	-
B.2 Savings shares	-	-	-	-
<b>Total B</b>	<b>(2,440)</b>	<b>-</b>	<b>(2,440)</b>	<b>-</b>

In 2018 share capital, which at 31 December 2017 was represented by No.2,225,692,806 ordinary shares and No.252,489 savings shares with no per-share face value, changed due to the reasons illustrated in the paragraph "Capital Strengthening concerning share capital" of the "Report on Operations" and summarized below:

- on 12 March 2018, the mandatory conversion of savings shares into ordinary shares, approved by the Extraordinary Shareholders' Meeting and by the Special Meeting of Savings Shareholders on 4 December 2017, became effective. The conversion of the No.252,489 outstanding savings shares involved the issue of No.964,507 new ordinary shares with regular economic rights according to the conversion ratio of 3.82 ordinary shares for each savings share converted; the conversion did not involve variation of the overall share capital value.
- on 7 February 2018 UniCredit's Board of Directors resolved a free share capital increase by €59 million by issuing No.3,519,352 ordinary shares to be granted to the employees of UniCredit and of Group banks and companies executed through the concurrent withdrawal from the specifically constituted "Reserves related to the medium-term incentive program for Group staff".

As a result of the above at 31 December 2018 the share capital of UniCredit S.p.A. amounts to €20,940 million represented by No.2,230,176,665 ordinary shares with no nominal value.

The number of treasury shares outstanding was No.4,760 ordinary shares, unchanged with respect to 2017.

## Part B - Balance sheet - Liabilities

## 12.2 Share capital - Number of shares: annual changes

ITEMS/TYPES	CHANGES IN 2018	
	ORDINARY	SAVINGS
<b>A. Issued shares as at the beginning of the year</b>	<b>2,225,692,806</b>	<b>252,489</b>
- Fully paid	2,225,692,806	252,489
- Not fully paid	-	-
A.1 Treasury shares (-)	(4,760)	-
A.2 Shares outstanding: opening balance	2,225,688,046	252,489
<b>B. Increases</b>	<b>4,483,859</b>	-
B.1 New issues	4,483,859	-
- Against payment	-	-
- Business combinations	-	-
- Bonds converted	-	-
- Warrants exercised	-	-
- Other	-	-
- Free	4,483,859	-
- To employees	3,519,352	-
- To directors	-	-
- Other	964,507	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	<b>252,489</b>
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	252,489
C.3 Business transferred	-	-
C.4 Other changes	-	-
<i>of which: business combinations</i>	-	-
<b>D. Shares outstanding: closing balance</b>	<b>2,230,171,905</b>	-
D.1 Treasury shares (+)	4,760	-
D.2 Shares outstanding as at the end of the year	2,230,176,665	-
- Fully paid	2,230,176,665	-
- Not fully paid	-	-

The amount reported in item C.2 "Purchase of treasury shares" refer to mandatory conversion of savings shares into ordinary shares carried out on 12 march 2018, which involved the issue of n. 964.507 new ordinary shares reported in the item B.1 "New issues".

## 12.3 Capital: other information

Pursuant to the resolution passed by the Extraordinary Shareholders' Meeting on 15 December 2011, ordinary shares have no face value. Outstanding ordinary shares relating to the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" amount to No.9,675,640 (issued in the context of the January 2009 capital increase) provides for Euribor-linked discretionary payments contingent on the payment of dividends on ordinary shares. The voting right cannot be exercised on these shares.

## 12.4 Reserves from allocation of profit: other information

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Legal Reserve	1,517,514	1,517,514
Statutory Reserve	6,160,551	679,464
Other Reserves	(2,228,195)	569,268
<b>Total</b>	<b>5,449,870</b>	<b>2,766,246</b>

(€ '000)

The Legal reserve includes also €2,683 million constituted, as resolved by the approval of the Ordinary Shareholders' Meeting of 11 May 2013, 13 May 2014 and 14 April 2016 with the withdrawal from the Share premium Reserve and therefore it is not classified among Reserves from allocation of profit. Other reserves include the negative impact from adoption of IFRS9 attributable to the effects of reclassification and measurement of financial instruments.

## 12.5 Equity instruments: composition and annual changes

The item is entirely composed by five Additional Tier 1 issuances placed between 2014 and 2017. During the year no changes occurred.

## Part B - Balance sheet - Liabilities

## 12.6 Other Information

## Revaluation reserve: breakdown

(€'000)

ITEM/TYPES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Equity instruments designated at fair value through other comprehensive income	(244,279)	
2. Financial Assets (other than equity instruments) at fair value through other comprehensive income	(316,293)	
<i>Available for sale financial assets (ex IAS39)</i>		537,118
3. Hedging of equity instruments at fair value through other comprehensive income	-	
4. Financial liabilities at fair value through profit or loss (changes in own credit risk)	41,543	
5. Hedging instruments (non-designated elements)	-	
6. Property, plant and equipment	-	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	(66,095)	(32,301)
10. Exchange differences	-	-
11. Non-current assets classified as held for sale	-	-
12. Actuarial gains (losses) on defined-benefit plans	(194,562)	(196,289)
13. Revaluation reserves of investments valued at net equity	-	-
14. Special revaluation laws	277,020	277,020
<b>Total</b>	<b>(502,666)</b>	<b>585,548</b>

Previous year data have been disclosed in the 2017 Reports and Accounts of UniCredit S.p.A., Part F - Section Shareholders' Equity.

## Part B - Balance sheet - Liabilities

The following table, in accordance with article 2427, paragraph 7-bis, of the Italian Civil Code, provides details on the origin, possible uses and availability of distribution of shareholders' equity, as well as the summary of its use in the three previous fiscal years.

### Breakdown of Shareholders' Equity (with indication of availability and distribution)

ITEMS	AMOUNT	PERMITTED USES <sup>(*)</sup>	AVAILABLE PORTION	SUMMARY OF USE IN THE THREE PREVIOUS FISCAL YEARS	
				TO COVER LOSSES	OTHER REASONS
Share capital	20,940,398	-	-		
Share premium	13,392,918	A, B, C (1)	13,392,918	12,901,582	2,665,670 (2)
<b>Reserves:</b>	<b>9,939,544</b>				
Legal reserve	4,200,905	B (3)	4,200,905	-	-
Reserve for treasury shares or interests	2,440	-	-	-	-
Statutory reserves	6,160,551	A, B, C	6,160,551	-	537,840 (4)
Reserves arising out of transfer of assets	420,380	A, B, C (5)	420,380	-	56,710 (14)
Reserves related to the medium-term incentive programme for Group staff	85,182	- (6)	-	-	118,111 (15)
Reserve related to equity-settled plans	715,349	-	-	-	-
Reserve related to business combinations (IFRS3)	2,093,451	A, B, C (7)	2,093,451	-	25,173 (14)
Reserve related to business combinations within the Group	222,892	A, B (8)	222,892	-	263,639 (14)
Reserve pursuant to Art.6, paragraph 2 Legislative Decree 38/2005	15,123	B (9)	15,123	-	-
Other reserves	60,326	A, B, C (10)	60,326	-	29,193 (14)
Negative components of Shareholders' Equity	(4,037,055)	(11)	(4,037,055)	-	-
<b>Revaluation reserves:</b>	<b>(502,666)</b>				
Monetary equalisation reserve under L.576/75	4,087	A, B, C (12)	4,087	-	-
Monetary revaluation reserve under L.72/83	84,658	A, B, C (12)	84,658	-	-
Asset revaluation reserve under L.408/90	28,965	A, B, C (12)	28,965	-	-
Property revaluation reserve under L.413/91	159,310	A, B, C (12)	159,310	-	-
Financial assets at fair value through other comprehensive	(560,572)	- (13)	-	-	-
Financial liabilities at fair value through profit or loss (changes)	41,543				
Cash-flow hedges reserve	(66,095)	- (13)	-	-	-
Reserve for actuarial gains (losses) on employee defined - benefit plans	(194,562)	- (13)	-	-	-
<b>Total</b>	<b>43,770,194</b>		<b>22,806,511</b>	<b>12,901,582</b>	<b>3,696,336</b>
<b>Portion not allowed in distribution<sup>(**)</sup></b>			<b>5,652,230</b>		
<b>Remaining portion available for distribution<sup>(***)</sup></b>			<b>17,154,281</b>		

#### Notes:

(\*) A: for capital increase; B: to cover losses; C: distribution to shareholders.

(\*\*) Includes the part of Share premium (see note 1), the remaining part is distributable because the legal reserve is at the level of one-fifth of the share capital, as per Art.2430 of the Italian Civil Code.

(\*\*\*) The distributable amount is net of negative items.

(1) The amount of Share premium reserve generated as a result of the business combination with Capitalia exceeds the shareholders' equity of the absorbed company (€8,564 million) and includes €8,229 million considered as available for distribution following the impairment losses on goodwill, intangible assets and equity investments and recognised on each occasion through profit or loss. The remaining amount of €336 million is considered non distributable.

(2) Reserve used in the last three years to cover losses of 2015 (€1,441 million) and 2016 (€11,460 million); to supplement the legal reserve (€150 million) and coverage negative reserves (€2,509 million) and €7 million for cash settlement adjustment on conversion of saving shares.

(3) Reserve available to cover losses only after the utilisation of other reserves, except for the reserves pursuant to article 6, paragraph 2, of Legislative Decree 38/2005. The reserve includes €2,683 million taken from Share Premium as approved by the Ordinary Shareholders' Meetings of 11 May 2013, 13 May 2014 and 14 April 2016.

(4) Reserve used for €377 million in 2016 to pay scrip dividend for 2015 by the Shareholders' Meeting resolution of 14 April 2016, in 2017 for €101 million to cover negative reserves following the resolution of the Ordinary Shareholders' Meetings of 20 April 2017 and €60 million for allocation to the specific reserve connected to the personnel incentive plan.

(5) The amount includes €215 million which is distributable according to the procedure established Art 2445 of the Italian Civil Code; if the reserve is utilised to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution extraordinary Shareholder's Meeting resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.

(6) Allocation constraints to render the reserve available and distributable may be approved by the shareholders' meeting.

(7) The Reserve from business combination (IFRS3) is considered available to cover losses, for capital increase and distribution to shareholders for €1,058 million equal to net value adjustments due to the decrease in UniCredit Bank AG and UniCredit Bank Austria AG investments covered without using the reserve in question. The remaining portion of the Reserve from business combinations (IFRS3) is currently considered to be conservatively available only for the coverage of losses or the portion of losses deriving from write-downs of the investments and/or goodwill that generated it.

(8) The outstanding balance refers to the positive reserve arising out of transfer of a business unit within the group and can be considered available for €158 million for the portion of losses deriving from write-downs of the investment.

(9) If this Reserve is used to cover losses, profits cannot be distributed until this Reserve has been replenished by allocating profits from future years.

(10) Other reserves include the reserve pursuant to Art.19 of Legislative Decree 87/92 non-distributable.

(11) Negative items of shareholders' equity affect the availability and distributability of positive reserves of the shareholders' equity. Item includes the negative impact from IFRS9 first time adoption (€2,766 million)

(12) If these reserves are utilised to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution of the extraordinary Shareholders' Meeting Resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code. If the reserve is not recognised under share capital, it may only be reduced by resolution adopted in application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.

(13) The reserve, when positive, is not available pursuant to article 6 of Legislative Decree 38/2005.

(14) Coverage of negative components items of shareholders' equity as per Shareholders' Meeting resolution of 20 April 2017.

(15) For capital increase with respect to allocation of performance shares connected to the personnel incentive plan.

## Part B - Balance sheet - Liabilities

In detail the composition of negative components of shareholders' equity:

ITEMS	12.31.2018
Reserve from first time adoption of IFRS9, net of taxes	(2,758,604)
Reserve for disbursements on "AT1" capital instruments and on usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes"	(535,595)
Reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items	(427,299)
Reserve for capital increase costs	(300,123)
Financial assets at fair value through other comprehensive income	(51,173)
Reserve relating to business combination within the Group	(37,285)
ESOP share price reserve and reserve arising from reverse share split	(3,985)
Reserve arising out share based payments cash settlement	(3,740)
<b>Total</b>	<b>(4,037,055)</b>

Item "Reserve relating to business combinations within the Group" includes the negative differences arising from the merger of Buddy Servizi Molecolari S.p.A. (€7 million) and Pioneer Global Asset Management (PGAM) S.p.A. (€30 million).



## Part B - Balance sheet - Liabilities

## Other information

## 1. Commitments and financial guarantees given

(€ '000)

	AMOUNTS AS AT 12.31.2018			TOTAL
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	STAGE 1	STAGE 2	STAGE 3	
<b>1. Loan commitments given</b>	<b>23,413,557</b>	<b>1,434,983</b>	<b>500,088</b>	<b>25,348,628</b>
a) Central Banks	-	-	-	-
b) Governments and other Public Sector Entities	3,401,036	257,792	-	3,658,828
c) Banks	1,875,429	11,880	-	1,887,309
d) Other financial companies	4,271,978	21,149	95,364	4,388,491
e) Non-financial companies	13,209,474	1,137,943	401,341	14,748,758
f) Households	655,640	6,219	3,383	665,242
<b>2. Financial guarantees given</b>	<b>38,546,380</b>	<b>874,535</b>	<b>1,105,715</b>	<b>40,526,630</b>
a) Central Banks	-	-	-	-
b) Governments and other Public Sector Entities	1,121,468	2,622	10	1,124,100
c) Banks	7,282,547	156,029	-	7,438,576
d) Other financial companies	4,268,686	86,243	2,897	4,357,826
e) Non-financial companies	25,648,827	580,579	1,099,388	27,328,794
f) Households	224,852	49,062	3,420	277,334

## 2. Others commitments and others guarantees given

(€ '000)

	AMOUNTS AS AT
	12.31.2018
	NOTIONAL AMOUNTS
<b>1. Others guarantees given</b>	<b>-</b>
<i>of which: non-performing loans</i>	-
a) Central Banks	-
b) Governments and other Public Sector Entities	-
c) Banks	-
d) Other financial companies	-
e) Non-financial companies	-
f) Households	-
<b>2. Others commitments</b>	<b>105,900,258</b>
<i>of which: non-performing loans</i>	1,797,180
a) Central Banks	1,581,587
b) Governments and other Public Sector Entities	1,302,980
c) Banks	27,339,443
d) Other financial companies	12,476,726
e) Non-financial companies	57,933,805
f) Households	5,265,717

Table "1. Commitments and financial guarantees given" shows commitments and guarantees evaluated according to the IFRS9 requirements. Table "2. Others commitments and others guarantees given" shows commitments and guarantees that are not evaluated according to the IFRS9 requirements. Note that starting from 31 December 2018, according of the 5<sup>th</sup> update of Banca d'Italia Circular 262, the tables also include the revocable commitments and the item "financial guarantees" also includes the commercial ones.

## Part B - Balance sheet - Liabilities

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

## 1. Guarantees given and commitments

(€ '000)

TRANSACTIONS	AMOUNTS AS AT
	12.31.2017
<b>1) Financial guarantees given to</b>	<b>18,891,623</b>
a) Banks	7,449,207
b) Customers	11,442,416
<b>2) Commercial guarantees given to</b>	<b>21,041,327</b>
a) Banks	2,121,967
b) Customers	18,919,360
<b>3) Other irrevocable commitments to disburse funds</b>	<b>34,025,878</b>
a) Banks:	5,414,776
<i>i) usage certain</i>	4,498,615
<i>ii) usage uncertain</i>	916,161
b) Customers:	28,611,102
<i>i) usage certain</i>	7,142,884
<i>ii) usage uncertain</i>	21,468,218
<b>4) Underlying obligations for credit derivatives: sales of protection</b>	<b>-</b>
<b>5) Assets used to guarantee others' obligations</b>	<b>3,284</b>
<b>6) Other commitments</b>	<b>1,171,298</b>
<b>Total</b>	<b>75,133,410</b>

## 3. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT
	12.31.2018
1. Financial assets at fair value through profit or loss	1,943,895
2. Financial assets at fair value through other comprehensive income	21,577,223
3. Financial assets at amortised cost	70,551,455
4. Property, plant and equipment	-
<i>of which: inventories of property, plant and equipment</i>	-

Deposits from banks include €33,304 million relating to Banca d'Italia's refinancing operations collateralised by credit value amounting to €16,817 million and securities nominal value amounting to €26,682 million. Of these, since the securities not recognised on balance-sheet represent repurchased or retained UniCredit S.p.A.'s financial liabilities, they amount to nominal €23,679 million.

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

## 2. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT
	12.31.2017
1. Financial assets held for trading	1,013,178
2. Financial assets designated at fair value	-
3. Financial assets available for sale	35,386,206
4. Financial assets held to maturity	746,713
5. Loans and receivables with banks	1,632,630
6. Loans and receivables with customers	51,567,031
7. Property, plant and equipment	-

## 4. Operating leases

No data to be disclosed.

## Part B - Balance sheet - Liabilities

## 5. Asset management and trading on behalf of others

TYPE OF SERVICES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
<b>1. Execution of orders on behalf of customers</b>		
a) Purchases	-	-
1. Settled	-	-
2. Unsettled	-	-
b) Sales	-	-
1. Settled	-	-
2. Unsettled	-	-
<b>2. Individual portfolio management</b>	4,388,847	4,347,694
<b>3. Custody and administration of securities</b>		
a) Third party securities on deposits: relating to depository bank activities (excluding portfolio management)	-	-
1. Securities issued by companies included in consolidation	-	-
2. Other securities	-	-
b) Third party securities held in deposits (excluding portfolio management): other	105,120,344	101,336,773
1. Securities issued by companies included in consolidation	6,241,632	7,333,481
2. Other securities	98,878,712	94,003,292
c) Third party securities deposited with third parties	104,345,327	101,038,199
d) Property securities deposited with third parties	92,585,809	85,861,562
<b>4. Other transactions</b>	<b>7,593,187</b>	<b>8,146,126</b>

## 6. Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2018 (F=C-D-E)	NET AMOUNT 12.31.2017
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	8,769,082	-	8,769,082	7,566,435	417,781	784,866	860,497
2. Reverse repos	44,564,344	-	44,564,344	23,138,548	129,423	21,296,373	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>Total 12.31.2018</b>	<b>53,333,426</b>	<b>-</b>	<b>53,333,426</b>	<b>30,704,983</b>	<b>547,204</b>	<b>22,081,239</b>	<b>X</b>
<b>Total 12.31.2017</b>	<b>9,367,524</b>	<b>-</b>	<b>9,367,524</b>	<b>8,317,555</b>	<b>189,472</b>	<b>X</b>	<b>860,497</b>

## 7. Liabilities subject to accounting offsetting or under master netting agreements and similar ones

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 12.31.2018 (F=C-D-E)	NET AMOUNT 12.31.2017
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	9,951,546	-	9,951,546	7,566,443	2,285,488	99,615	629,731
2. Reverse repos	55,430,370	-	55,430,370	23,138,548	17,593	32,274,229	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>Total 12.31.2018</b>	<b>65,381,916</b>	<b>-</b>	<b>65,381,916</b>	<b>30,704,991</b>	<b>2,303,081</b>	<b>32,373,844</b>	<b>X</b>
<b>Total 12.31.2017</b>	<b>10,092,891</b>	<b>-</b>	<b>10,092,891</b>	<b>8,317,555</b>	<b>1,145,605</b>	<b>X</b>	<b>629,731</b>

## Part B - Balance sheet - Liabilities

## 8. Security borrowing transactions

(€ '000)

TYPE OF LENDER	AMOUNTS AS AT 12.31.2018			
	AMOUNTS OF THE SECURITIES BORROWED/TRANSACTION PURPOSES			
	GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS	SOLD	SOLD IN REPO TRANSACTIONS	OTHER PURPOSES
A. Banks	-	-	-	-
B. Financial companies	-	-	-	-
C. Insurance companies	-	-	-	-
D. Non-financial companies	-	-	-	-
E. Others	-	-	172,942	27,680
<b>Total</b>	-	-	<b>172,942</b>	<b>27,680</b>

## Part C - Income statement

## Section 1 - Interests - Items 10 and 20

## 1.1 Interest income and similar revenues: breakdown

ITEMS/TYPE	AS AT 12.31.2018				AS AT
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	12.31.2017 TOTAL
<b>1. Financial assets at fair value through profit or loss</b>	<b>117,669</b>	<b>824</b>	<b>-</b>	<b>118,493</b>	
1.1 Financial assets held for trading	68,704	-	-	68,704	
1.2 Financial assets designated at fair value	-	-	-	-	
1.3 Other financial assets mandatorily at fair value	48,965	824	-	49,789	
<i>Financial assets held for trading (ex IAS39)</i>					40,130
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>					3,940
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>510,073</b>	<b>-</b>	<b>X</b>	<b>510,073</b>	
<i>Available-for-sale financial assets (ex IAS39)</i>					849,519
<b>3. Financial assets at amortised cost</b>	<b>113,697</b>	<b>4,564,243</b>	<b>X</b>	<b>4,677,940</b>	
3.1 Loans and advances to banks	13,352	241,018	X	254,370	
3.2 Loans and advances to customers	100,345	4,323,225	X	4,423,570	
<i>Held-to-maturity investments (ex IAS39)</i>					4,813
<i>Loans and receivables with banks (ex IAS39)</i>					112,620
<i>Loans and receivables with customers (ex IAS39)</i>					4,329,272
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>(387,373)</b>	<b>(387,373)</b>	<b>285,002</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>14,509</b>	<b>14,509</b>	<b>1,347</b>
<b>6. Other financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>342,130</b>	
<b>Total</b>	<b>741,439</b>	<b>4,565,067</b>	<b>(372,864)</b>	<b>5,275,772</b>	<b>5,626,643</b>
<i>of which: interest income on credit impaired financial assets</i>	227	475,944	-	476,171	

The interest components on financial liabilities, contributing to net interest margin, include positive €136 million benefit arising from TLTRO II facilities

## 1.2.1 Interest income from financial assets denominated in currency

ITEMS	(€ '000)	
	YEAR 2018	YEAR 2017
a) Assets denominated in currency	536,760	390,618

## 1.2.2 Interest income from finance leases

No data to be disclosed.

## Part C - Income statement

## 1.3 Interest expenses and similar charges: breakdown

ITEMS/TYPE	AS AT 12.31.2018				AS AT
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	12.31.2017 TOTAL
<b>1. Financial liabilities at amortised cost</b>	<b>(359,552)</b>	<b>(1,405,017)</b>	<b>X</b>	<b>(1,764,569)</b>	
1.1 Deposits from central banks	(2,579)	X	X	(2,579)	
1.2 Deposits from banks	(203,783)	X	X	(203,783)	
1.3 Deposits from customers	(153,190)	X	X	(153,190)	
1.4 Debt securities in issue	X	(1,405,017)	X	(1,405,017)	
<i>Deposits from central banks (ex IAS39)</i>					156,950
<i>Deposits from banks (ex IAS39)</i>					(140,107)
<i>Deposits from customers (ex IAS39)</i>					(48,368)
<i>Debt securities in issue (ex IAS39)</i>					(1,858,138)
<b>2. Financial liabilities held for trading</b>	-	-	<b>(25,352)</b>	<b>(25,352)</b>	
<i>Financial liabilities held for trading (ex IAS39)</i>					(22,571)
<b>3. Financial liabilities designated at fair value</b>	-	<b>(8,475)</b>	-	<b>(8,475)</b>	
<i>Financial liabilities at fair value through profit or loss (ex IAS39)</i>					(2,516)
<b>4. Other liabilities and funds</b>	<b>X</b>	<b>X</b>	<b>(982)</b>	<b>(982)</b>	<b>(954)</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>879,524</b>	<b>879,524</b>	-
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(189,500)</b>	
<b>Total</b>	<b>(359,552)</b>	<b>(1,413,492)</b>	<b>853,190</b>	<b>(1,109,354)</b>	<b>(1,915,704)</b>

## 1.4.1 Interest expenses on liabilities denominated in currency

ITEMS	(€ '000)	
	YEAR 2018	YEAR 2017
a) Liabilities denominated in currency	(294,562)	(344,039)

## 1.4.2 Interest expenses on finance leases

No data to be disclosed.

## 1.5 Differentials relating to hedging operations

ITEMS	(€ '000)	
	YEAR 2018	YEAR 2017
A. Positive differentials relating to hedging operations	2,197,115	2,369,249
B. Negative differentials relating to hedging operations	(1,704,964)	(2,084,247)
<b>C. Net differential (A-B)</b>	<b>492,151</b>	<b>285,002</b>

## Part C - Income statement

## Section 2 - Fees and commissions - Items 40 and 50

## 2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
a) Guarantees given	268,057	281,717
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	2,014,333	2,127,093
1. Securities trading	-	-
2. Currency trading	90,113	96,751
3. Individual portfolio management	78,803	60,035
4. Custody and administration of securities	8,771	9,558
5. Custodian bank	-	-
6. Placement of securities	934,764	1,159,597
7. Reception and transmission of orders	66,528	89,230
8. Advisory services	18,625	16,209
8.1 Relating to investments	5,755	6,824
8.2 Relating to financial structure	12,870	9,385
9. Distribution of third party services	816,729	695,713
9.1 Portfolio management	2,456	3,838
9.1.1 Individual	2,456	3,838
9.1.2 Collective	-	-
9.2 Insurance products	812,612	685,546
9.3 Other products	1,661	6,329
d) Collection and payment services	739,505	693,048
e) Securitisation servicing	44,558	50,965
f) Factoring	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	902,444	819,447
j) Other services	368,730	339,150
k) Security lending	12,947	1,404
<b>Total</b>	<b>4,350,574</b>	<b>4,312,824</b>

## 2.2 Fees and commissions income: distribution channels of products and services

CHANNELS/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
<b>a) Through bank branches</b>	<b>1,830,016</b>	<b>1,914,701</b>
1. Portfolio management	78,803	60,035
2. Placement of securities	934,484	1,158,953
3. Others' products and services	816,729	695,713
<b>B) Off-site offer</b>	<b>280</b>	<b>644</b>
1. Portfolio management	-	-
2. Placement of securities	280	644
3. Others' products and services	-	-
<b>C) Other distribution channels</b>	<b>-</b>	<b>-</b>
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Others' products and services	-	-

## Part C - Income statement

## 2.3 Fees and commissions expenses: breakdown

SERVICES/VALUES	(€ '000)	
	YEAR 2018	YEAR 2017
a) Guarantees received	(116,681)	(120,433)
b) Credit derivatives	(8,197)	(11,048)
c) Management, brokerage and consultancy services	(54,346)	(64,430)
1. Trading financial instruments	(6,893)	(6,433)
2. Currency trading	(618)	(522)
3. Portfolio management	(11,291)	(11,051)
3.1 Own portfolio	-	(62)
3.2 Third party portfolio	(11,291)	(10,989)
4. Custody and administration of securities	(30,459)	(31,747)
5. Placement of financial instruments	(1,489)	(5,922)
6. Off-site distribution of financial instruments, products and services	(3,596)	(8,755)
d) Collection and payment services	(183,142)	(153,381)
e) Other services	(37,669)	(41,484)
f) Security lending	(302)	(792)
<b>Total</b>	<b>(400,337)</b>	<b>(391,568)</b>

## Section 3 - Dividend income and similar revenue - Item 70

## 3.1 Dividend income and similar revenues: breakdown

ITEMS/REVENUES	AS AT 12.31.2018		AS AT 12.31.2017	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
	(€ '000)			
A. Financial assets held for trading	-	-	-	-
<i>Financial assets held for trading (ex IAS39)</i>				
B. Other financial assets mandatorily at fair value	32,311	10,701		
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>			33,660	-
C. Financial assets at fair value through other comprehensive income	15,887	-		
<i>Available for sale financial assets (ex IAS39)</i>			19,104	3,510
D. Equity investments	2,571,148	-	3,751,772	X
<b>Total</b>	<b>2,619,346</b>	<b>10,701</b>	<b>3,804,536</b>	<b>3,510</b>
<b>Total dividends and similar revenues</b>		<b>2,630,047</b>		<b>3,808,046</b>

The item "Other financial assets mandatory at fair value" includes Bank Pekao S.A. dividend, reclassified into fair value option during second quarter of 2017 and in this category after IFRS9 adoption in 2018.

Provided below is the breakdown of dividends on equity investments collected during 2018 and 2017.



## Part C - Income statement

## Breakdown of dividends by investments

(€ '000)

	YEAR 2018	YEAR 2017
UniCredit Bank AG	1,300,000	3,005,326
UniCredit Bank Austria	379,199	-
UniCredit Bulbank A.D.	151,353	148,195
UniCredit Bank Czech	147,353	-
Zagrebacka Banca D.D.	95,606	192,424
AO UniCredit Bank	92,582	-
UniCredit Bank Hungary ZRT	78,842	71,373
Finecobank S.p.A.	61,294	60,219
UniCredit Factoring S.p.A.	42,559	58,546
UniCredit Bank Slovenia D.D.	36,270	13,882
Mediobanca S.p.A.	35,030	27,577
Aviva S.p.A.	33,819	15,190
CreditRas Vita S.p.A.	31,000	26,500
UniCredit Bank Ireland P.l.c.	23,500	73,000
Camifn S.p.A.	15,720	-
SIA UniCredit Leasing	14,936	-
UniCredit Bank Serbia JSC	10,618	10,088
CNP UniCredit Vita S.p.a.	9,683	9,683
UniCredit AD Banja Luka	6,488	5,634
Incontra Assicurazioni S.p.A.	3,058	6,064
Fenice S.r.l.	1,827	-
EuroTLX S.p.A.	412	360
UniCredit Bank S.A.	-	27,631
Sviluppo Globale Geie	-	80
<b>Total</b>	<b>2,571,149</b>	<b>3,751,772</b>

## Section 4 - Gains (Losses) on financial assets and liabilities held for trading - Item 80

## 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018				NET PROFIT [(A + B) - (C + D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets held for trading</b>	<b>49,028</b>	<b>369,277</b>	<b>(82,662)</b>	<b>(496,640)</b>	<b>(160,997)</b>
1.1 Debt securities	49,028	369,277	(82,662)	(496,639)	(160,996)
1.2 Equity instruments	-	-	-	(1)	(1)
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>93,051</b>
<b>4. Derivatives</b>	<b>447,924</b>	<b>2,336,013</b>	<b>(519,195)</b>	<b>(2,131,377)</b>	<b>67,633</b>
4.1 Financial derivatives	447,924	2,336,013	(519,195)	(2,131,377)	133,365
- On debt securities and interest rates	375,178	1,843,621	(431,544)	(1,678,177)	109,078
- On equity securities and share indices	46,013	49,243	(60,918)	(18,904)	15,434
- On currency and gold	X	X	X	X	(65,732)
- Other	26,733	443,149	(26,733)	(434,296)	8,853
4.2 Credit derivatives	-	-	-	-	-
<i>of which: economic hedges linked to the fair value option</i>	X	X	X	X	-
<b>Total</b>	<b>496,952</b>	<b>2,705,290</b>	<b>(601,857)</b>	<b>(2,628,017)</b>	<b>(313)</b>

## Part C - Income statement

Financial derivatives include the ones connected to debt securities financial liabilities at fair value.

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017				
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT
<b>1. Financial assets held for trading</b>	<b>47,840</b>	<b>191,409</b>	<b>(77,881)</b>	<b>(157,086)</b>	<b>4,282</b>
1.1 Debt securities	47,840	191,407	(77,881)	(157,084)	4,282
1.2 Equity instruments	-	2	-	(2)	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(20,208)</b>
<b>4. Derivatives</b>	<b>1,473,645</b>	<b>1,317,771</b>	<b>(1,457,441)</b>	<b>(1,299,959)</b>	<b>101,147</b>
4.1 Financial derivatives:	1,473,645	1,317,771	(1,457,441)	(1,299,959)	101,147
- on debt securities and interest rates	1,451,740	986,164	(1,434,169)	(975,298)	28,437
- on equity securities and share indices	2,370	29,074	(3,737)	(28,974)	(1,267)
- on currency and gold	X	X	X	X	67,131
- other	19,535	302,533	(19,535)	(295,687)	6,846
4.2 Credit derivatives	-	-	-	-	-
<b>Total</b>	<b>1,521,485</b>	<b>1,509,180</b>	<b>(1,535,322)</b>	<b>(1,457,045)</b>	<b>85,221</b>

## Section 5 - Fair value adjustments in hedge accounting - Item 90

### 5.1 Fair value adjustments in hedge accounting: breakdown

(€ '000)

P&L COMPONENT/VALUES	YEAR 2018	YEAR 2017
<b>A. Gains on</b>		
A.1 Fair value hedging instruments	345,999	1,415,111
A.2 Hedged financial assets (in fair value hedge relationship)	494,589	509,662
A.3 Hedged financial liabilities (in fair value hedge relationship)	35,038	1,026,263
A.4 Cash-flow hedging derivatives	1,119	-
A.5 Assets and liabilities denominated in currency	-	1,962
<b>Total gains on hedging activities (A)</b>	<b>876,745</b>	<b>2,952,998</b>
<b>B. Losses on</b>		
B.1 Fair value hedging instruments	(518,451)	(1,650,886)
B.2 Hedged financial assets (in fair value hedge relationship)	(239,036)	(1,302,694)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(116,208)	(7,958)
B.4 Cash-flow hedging derivatives	(1,920)	(4,167)
B.5 Assets and liabilities denominated in currency	-	-
<b>Total losses on hedging activities (B)</b>	<b>(875,615)</b>	<b>(2,965,705)</b>
<b>C. Net hedging result (A - B)</b>	<b>1,130</b>	<b>(12,707)</b>
<i>of which: net gains (losses) of hedge accounting on net positions</i>	-	-

The net hedging result also reflected €3 million resulting from model adjustments needed to reflect into derivatives valuations the presence of guarantees and credit risk of counterparties.

## Part C - Income statement

## Section 6 - Gains (Losses) on disposals/repurchases - Item 100

## 6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ '000)

ITEMS/P&L ITEMS	YEAR 2018		
	GAINS	LOSSES	NET PROFIT
<b>A. Financial assets</b>			
1. Financial assets at amortised cost	139,472	(173,531)	(34,059)
1.1 Loans and advances to banks	713	(7,780)	(7,067)
1.2 Loans and advances to customers	138,759	(165,751)	(26,992)
2. Financial assets at fair value through other comprehensive income	345,049	(258,144)	86,905
2.1 Debt securities	345,049	(258,144)	86,905
2.2 Loans	-	-	-
<b>Total assets (A)</b>	<b>484,521</b>	<b>(431,675)</b>	<b>52,846</b>
<b>B. Financial liabilities at amortised cost</b>			
1. Deposits from banks	-	-	-
2. Deposits from customers	-	-	-
3. Debt securities in issue	14,030	(14,787)	(757)
<b>Total liabilities (B)</b>	<b>14,030</b>	<b>(14,787)</b>	<b>(757)</b>
<b>Total financial assets/liabilities</b>			<b>52,089</b>

Net results on financial assets at amortized cost mainly arise from sale of non-performing loans and advances to customers.

In 2017, gains and losses on disposal booked in item "Loans and receivables with customers" include those underlying the FINO Portfolio sale, respectively for €350 million and -€714 million, with a negative net amount for -€364 million.

Net gains on financial assets at fair value through OCI are essentially related to effects of the sale of government bonds, mainly Italian ones.

Net gains from repurchase of debts with banks in 2017 arise from buyback of some deposits before their original maturity.

Net gains from repurchase of debts securities in issue arise from buyback of some issuances before their original maturity.

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

## 6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ '000)

ITEMS/P&L ITEMS	YEAR 2017		
	GAINS	LOSSES	NET PROFIT
<b>Financial assets</b>			
1. Loans and receivables with banks	310	-	310
2. Loans and receivables with customers	491,084	(1,060,841)	(569,757)
3. Available-for-sale financial assets	759,768	(446,121)	313,647
3.1 Debt securities	668,260	(442,715)	225,545
3.2 Equity instruments	47,822	(3,406)	44,416
3.3 Units in Investment funds	43,686	-	43,686
3.4 Loans	-	-	-
4. Held-to-maturity investments	-	-	-
<b>Total assets</b>	<b>1,251,162</b>	<b>(1,506,962)</b>	<b>(255,800)</b>
<b>Financial liabilities</b>			
1. Deposits with banks	19,989	(10,463)	9,526
2. Deposits with customers	-	-	-
3. Debt securities in issue	40,402	(13,346)	27,056
<b>Total liabilities</b>	<b>60,391</b>	<b>(23,809)</b>	<b>36,582</b>
<b>Total financial assets and liabilities</b>			<b>(219,218)</b>

## Part C - Income statement

## Section 7 - Net gains (losses) on other financial assets/liabilities at fair value through profit or loss - Item 110

## 7.1 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ '000)

YEAR 2018					
TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) - (C + D)]
<b>1. Financial assets</b>	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>232,925</b>	<b>12,149</b>	<b>(104,226)</b>	<b>(16,045)</b>	<b>124,803</b>
2.1 Debt securities	232,925	12,149	(104,226)	(16,045)	124,803
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>232,925</b>	<b>12,149</b>	<b>(104,226)</b>	<b>(16,045)</b>	<b>124,803</b>

Debt securities into financial liabilities include the bond "Secured mandatorily exchangeable equity-linked certificate" issued in the contest of the sale of Bank Pekao S.A. which has contributed for €51 million to the result for the period.

Some financial derivatives entered into for economic hedge purposes are linked to financial liabilities represented by debt securities and their economic results are included into table 4.1 Trading result in Part C - Section 4.

## 7.2 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(€ '000)

YEAR 2018					
TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) - (C + D)]
<b>1. Financial assets</b>	<b>73,528</b>	<b>18,152</b>	<b>(203,578)</b>	<b>(21,721)</b>	<b>(133,619)</b>
1.1 Debt securities	1,953	632	(74,896)	(14,601)	(86,912)
1.2 Equity securities	6,371	17,520	(110,155)	-	(86,264)
1.3 Units in investment funds	59,626	-	(11,403)	(37)	48,186
1.4 Loans	5,578	-	(7,124)	(7,083)	(8,629)
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>73,528</b>	<b>18,152</b>	<b>(203,578)</b>	<b>(21,721)</b>	<b>(133,619)</b>

Equity securities into financial assets include effects of the evaluation of residual interests in Bank Pekao S.A. (-€93 million) which has been reclassified into fair value option assets in June 2017 after loose of control following the closing of the sale process and into assets mandatory at fair value following IFRS9 adoption in 2018.

OICR quotes include economic effects from Atlante fund and Italian Recovery Fund, for which refer to specific comment in table 2.5 Financial assets mandatory at fair value in Part B - Section 2.

## Part C - Income statement

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### 7.1 Net change in financial assets/liabilities at fair value through profit or loss: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017				
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT
<b>1. Financial assets</b>	<b>23,653</b>	<b>2,725</b>	<b>(1,861)</b>	<b>(21)</b>	<b>24,496</b>
1.1 Debt securities	1,526	663	(1,826)	(21)	342
1.2 Equity securities	21,874	500	(2)	-	22,372
1.3 Units in investment funds	253	1,562	(33)	-	1,782
1.4 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>46,553</b>	<b>-</b>	<b>(154,275)</b>	<b>(44,328)</b>	<b>(152,050)</b>
2.1 Debt securities	46,553	-	(154,275)	(44,328)	(152,050)
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>4. Credit and financial derivatives</b>	<b>117,194</b>	<b>38,196</b>	<b>(128,836)</b>	<b>-</b>	<b>26,554</b>
<b>Total</b>	<b>187,400</b>	<b>40,921</b>	<b>(284,972)</b>	<b>(44,349)</b>	<b>(101,000)</b>

## Section 8 - Net losses/recoveries on credit impairment - Item 130

### 8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018					
	LEVEL 1 AND LEVEL 2	WRITE-DOWNS		WRITE-BACKS		TOTAL
		LEVEL 3	WRITE-OFF	OTHER	LEVEL 1 AND LEVEL 2	
<b>A. Loans and advances to banks</b>	<b>(15,224)</b>	<b>(1)</b>	<b>(2,334)</b>	<b>10,699</b>	<b>-</b>	<b>(6,860)</b>
- Loans	(14,407)	(1)	(2,334)	10,601	-	(6,141)
- Debt securities	(817)	-	-	98	-	(719)
<i>of which: acquired or originated impaired loans</i>	-	-	-	-	-	-
<b>B. Loans and advances to customers</b>	<b>(697,110)</b>	<b>(234,589)</b>	<b>(3,616,967)</b>	<b>779,954</b>	<b>1,777,921</b>	<b>(1,990,791)</b>
- Loans	(677,620)	(234,589)	(3,616,967)	770,476	1,777,921	(1,980,779)
- Debt securities	(19,490)	-	-	9,478	-	(10,012)
<i>of which: acquired or originated impaired loans</i>	-	(1,247)	(2,849)	-	117	(3,979)
<b>Total</b>	<b>(712,334)</b>	<b>(234,590)</b>	<b>(3,619,301)</b>	<b>790,653</b>	<b>1,777,921</b>	<b>(1,997,651)</b>

### 8.2 Net change for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018					
	LEVEL 1 AND LEVEL 2	WRITE-DOWNS		WRITE-BACKS		TOTAL
		LEVEL 3	WRITE-OFF	OTHER	LEVEL 1 AND LEVEL 2	
<b>A. Debt securities</b>	<b>(14,751)</b>	<b>-</b>	<b>-</b>	<b>940</b>	<b>43</b>	<b>(13,768)</b>
<b>B. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Loans and advances to customers	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-
<i>of which: acquired or originated impaired financial assets</i>	-	-	-	-	-	-
<b>Total</b>	<b>(14,751)</b>	<b>-</b>	<b>-</b>	<b>940</b>	<b>43</b>	<b>(13,768)</b>

## Part C - Income statement

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### 8.1 Net impairment losses on loans and receivables: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017							TOTAL
	WRITE-DOWNS			WRITE-BACKS				
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO		
	WRITE-OFFS	OTHER		INTEREST	OTHER	INTEREST	OTHER	
<b>A. Loans and receivables with banks</b>	-	(1,175)	(5,530)	-	1,007	-	11,445	5,747
- Loans	-	(1,175)	(5,530)	-	1,007	-	11,445	5,747
- Debt securities	-	-	-	-	-	-	-	-
<b>B. Loans and receivables with customers</b>	(301,129)	(2,766,887)	(449,098)	401,400	1,120,034	-	652,398	(1,343,282)
<b>Impaired related to purchase agreements</b>	(1,584)	(1,985)	-	773	2,235	-	-	(561)
- Loans	(1,584)	(1,985)	X	773	2,235	X	X	(561)
- Debt securities	-	-	X	-	-	X	X	-
<b>Other loans</b>	(299,545)	(2,764,902)	(449,098)	400,627	1,117,799	-	652,398	(1,342,721)
- Loans	(299,545)	(2,761,513)	(449,098)	400,627	1,104,919	-	652,398	(1,352,212)
- Debt securities	-	(3,389)	-	-	12,880	-	-	9,491
<b>C. Total</b>	<b>(301,129)</b>	<b>(2,768,062)</b>	<b>(454,628)</b>	<b>401,400</b>	<b>1,121,041</b>	<b>-</b>	<b>663,843</b>	<b>(1,337,535)</b>

### 8.2 Net impairment losses on available for sale financial assets: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2017					TOTAL
	WRITE-DOWNS		WRITE-BACKS			
	SPECIFIC		SPECIFIC			
	WRITE-OFFS	OTHER	INTEREST	OTHER		
A. Debt securities	-	(21,428)	-	-	-	(21,428)
B. Equity instruments	(53,964)	(91,239)	X	X		(145,203)
C. Units in investment funds	-	(146,903)	X	-		(146,903)
D. Loans to banks	-	-	-	-		-
E. Loans to customers	-	-	-	-		-
<b>F. Total</b>	<b>(53,964)</b>	<b>(259,570)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(313,534)</b>

## Section 9 - Gains (Losses) from contractual changes with no cancellations - Item 140

### 9.1 Gains (Losses) from contractual changes: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2018		
	GAINS	LOSSES	TOTAL
<b>A. Financial assets at amortised costs</b>			
A.1 Debt securities	-	-	-
A.2 Loans to banks	-	-	-
A.3 Loans to customers	2,124	(5,417)	(3,293)
<b>Total (A)</b>	<b>2,124</b>	<b>(5,417)</b>	<b>(3,293)</b>
<b>B. Financial assets at fair value through other comprehensive income</b>			
B.1 Debt securities	-	-	-
B.2 Loans to banks	-	-	-
B.3 Loans to customers	-	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>2,124</b>	<b>(5,417)</b>	<b>(3,293)</b>

## Part C - Income statement

## Section 10 - Administrative expenses - Item 160

## 10.1 Staff expenses: breakdown

	(€ '000)	
TYPE OF EXPENSES/VALUES	YEAR 2018	YEAR 2017
<b>1) Employees</b>	<b>(2,833,667)</b>	<b>(3,081,800)</b>
a) Wages and salaries	(1,949,104)	(2,127,521)
b) Social charges	(530,201)	(575,083)
c) Severance pay	(27,741)	(42,270)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(15,359)	(16,368)
f) Provision for retirements and similar provisions	(3,447)	(1,945)
- Defined contribution	-	-
- Defined benefit	(3,447)	(1,945)
g) Payments to external pension funds	(164,985)	(180,738)
- Defined contribution	(165,111)	(180,738)
- Defined benefit	126	-
h) Costs arising from share-based payments	(30,933)	(29,764)
i) Other employee benefits	(111,897)	(108,111)
<b>2) Other staff</b>	<b>(2,154)</b>	<b>(3,488)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(5,296)</b>	<b>(5,905)</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>5) Recoveries of payments for second employees to other companies</b>	<b>68,338</b>	<b>57,028</b>
<b>4) Early retirement costs</b>	<b>(93,581)</b>	<b>(87,326)</b>
<b>Total</b>	<b>(2,866,360)</b>	<b>(3,121,491)</b>

## 10.2 Average number of employees by category

	(€ '000)	
	YEAR 2018	YEAR 2017
<b>Employees</b>	<b>34,156</b>	<b>37,601</b>
a) Senior managers	726	814
b) Managers	18,101	19,587
c) Remaining employees staff	15,329	17,200
<b>Other Staff</b>	<b>1,125</b>	<b>982</b>
<b>Total</b>	<b>35,281</b>	<b>38,583</b>

## 10.3 Defined benefit company retirement funds: costs and revenues

	(€ '000)	
	YEAR 2018	YEAR 2017
Current service cost	(1,111)	(977)
Settlement gains (losses)	(808)	-
Past service cost	(335)	-
Interest cost on the DBO	(5,835)	(5,748)
Interest income on plan assets	4,642	4,489
Other costs/revenues	-	291
Administrative expenses paid through plan assets	-	-
<b>Total recognised in profit or loss</b>	<b>(3,447)</b>	<b>(1,945)</b>

## 10.4 Other employee benefits

	(€ '000)	
	YEAR 2018	YEAR 2017
- Seniority premiums	-	-
- Leaving incentives	1,496	21,041
- Other	(113,393)	(129,152)
<b>Total</b>	<b>(111,897)</b>	<b>(108,111)</b>

## Part C - Income statement

## 10.5 Other administrative expenses: breakdown

	(€'000)	
TYPE OF EXPENSES/SECTORS	YEAR 2018	YEAR 2017
<b>1) Indirect taxes and duties</b>	<b>(437,902)</b>	<b>(468,142)</b>
1a. Settled	(437,902)	(468,142)
1b. Unsettled	-	-
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(272,719)</b>	<b>(178,021)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(110,976)</b>	<b>9,818</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(2,137,914)</b>	<b>(2,358,256)</b>
a) Advertising marketing and communication	(66,491)	(77,060)
b) Expenses relating to credit risk	(271,182)	(320,147)
c) Indirect expenses relating to personnel	(67,149)	(68,037)
d) Information & Communication Technology expenses	(810,819)	(820,510)
Lease of ICT equipment and software	(11,743)	(10,965)
Software expenses: lease and maintenance	(6,314)	(6,280)
ICT communication systems	(5,929)	(5,125)
Services ICT in outsourcing	(760,309)	(774,683)
Financial information providers	(26,524)	(23,457)
e) Consulting and professionals services	(110,144)	(169,013)
Consulting	(92,851)	(120,155)
Legal expenses	(17,293)	(48,858)
f) Real estate expenses	(399,753)	(455,717)
Premises rentals	(231,993)	(275,089)
Utilities	(55,376)	(60,005)
Other real estate expenses	(112,384)	(120,623)
g) Operating costs	(412,376)	(447,772)
Surveillance and security services	(59,317)	(54,113)
Money counting services and transport	-	-
Printing and stationery	(6,407)	(7,301)
Postage and transport of documents	(24,733)	(25,275)
Administrative and logistic services	(260,182)	(299,878)
Insurance	(30,418)	(29,071)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(21,609)	(20,211)
Other administrative expenses - other	(9,710)	(11,923)
<b>Total (1+2+3+4)</b>	<b>(2,959,511)</b>	<b>(2,994,601)</b>

Expenses related to personnel include the expenses that do not represent remuneration of the working activity of an employee in compliance with IAS19.

**Contributions to Resolution and Guarantee Funds**

Please refer to Part C - Profit & loss - Section 12 Administrative expenses - Item 190 - contributions to resolution and guarantee funds of consolidated financial statements notes that here are intended as completely reported.

**DTA guarantee fees**

With specific reference to the parent company UniCredit S.p.A., reference is made to the same paragraph of Part C - Consolidated income statement - Section 12 Administrative expenses - item 190 of the Consolidated notes to the accounts which is herewith quoted entirely.



## Part C - Income statement

## Section 11 - Net provisions for risks and charges - Item 170

## 11.1 Net provisions for credit risk from loans commitments and financial guarantees given: breakdown

	YEAR 2018		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan commitments	(78,666)	148,329	69,663
Financial guarantees given	(252,053)	220,017	(32,036)

(€ '000)

## 11.2 Net provisions for other commitments and guarantees given: breakdown

No data to be disclosed.

## 11.3 Net provisions for risks and charges: breakdown

ASSETS/P&L ITEMS	YEAR 2018			YEAR 2017
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
<b>1. Other provisions</b>				
1.1 Legal disputes	(267,239)	69,777	(197,462)	(91,998)
1.2 Staff costs	-	-	-	-
1.3 Other	(419,504)	188,617	(230,887)	(296,399)
<b>Total</b>	<b>(686,743)</b>	<b>258,394</b>	<b>(428,349)</b>	<b>(388,397)</b>

(€ '000)

Provisions for legal disputes are posted to cover potential liabilities that may result from pending lawsuits. More details are included into Part E - Information on risks and hedging policies.

## Section 12 - Net value adjustments/write-backs on property, plant and equipment - Item 180

## 12.1 Impairment on property, plant and equipment: breakdown

ASSETS/P&L ITEMS	YEAR 2018			NET PROFIT
	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	(A+B-C)
<b>A. Property, plant and equipment</b>				
<b>A.1 Owned</b>	<b>(128,867)</b>	<b>(22,682)</b>	-	<b>(151,549)</b>
- Used in the business	(112,401)	(6,352)	-	(118,753)
- Held for investment	(16,466)	(16,330)	-	(32,796)
- Inventories	X	-	-	-
<b>A.2 Finance lease</b>	-	-	-	-
- Used in the business	-	-	-	-
- Held for investment	-	-	-	-
<b>Total A</b>	<b>(128,867)</b>	<b>(22,682)</b>	-	<b>(151,549)</b>
<b>B. Non-current assets and groups of assets held for sale</b>	<b>X</b>	<b>(446)</b>	-	<b>(446)</b>
- Used in the business	X	-	-	-
- Held for investments	X	(446)	-	(446)
- Inventories	X	-	-	-
<b>Total A + B</b>	<b>(128,867)</b>	<b>(23,128)</b>	-	<b>(151,995)</b>

(€ '000)

## Part C - Income statement

### Section 13 - Net value adjustments/write-backs on intangible assets - Item 190

#### 13.1 Net value adjustments/write-backs on intangible assets: breakdown

ASSETS/P&L ITEMS	YEAR 2018			(€ '000)
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
<b>A. Intangible assets</b>				
<b>A.1 Owned</b>	(2,137)	-	-	(2,137)
- Generated internally by the company	-	-	-	-
- Other	(2,137)	-	-	(2,137)
<b>A.2 Finance leases</b>	-	-	-	-
<b>B. Non-current assets and disposal group classified as held for sale</b>	X	-	-	-
<b>Total</b>	(2,137)	-	-	(2,137)

### Section 14 - Other operating expenses/income - Item 200

#### 14.1 Other operating expenses: breakdown

TYPE OF EXPENSE/VALUE	YEAR 2018		YEAR 2017
	(€ '000)		
Costs for operating leases	-	-	-
Non-deductible tax and other fiscal charges	-	-	-
Write-downs on leasehold improvements	(20,779)	(24,476)	(24,476)
Costs relating to the specific service of financial leasing	-	-	-
Other	(198,595)	(232,420)	(232,420)
<b>Total of other operating expenses</b>	<b>(219,374)</b>	<b>(256,896)</b>	<b>(256,896)</b>

The data of the previous period have been restated for the purpose of comparison.

#### 14.2 Other operating income: breakdown

TYPE OF REVENUE/VALUES	YEAR 2018		YEAR 2017
	(€ '000)		
<b>A) Recovery of costs</b>	<b>507,667</b>	<b>558,051</b>	<b>558,051</b>
<b>B) Other revenues</b>	<b>123,229</b>	<b>131,158</b>	<b>131,158</b>
Revenues from administrative services	44,551	39,544	39,544
Revenues on rentals Real Estate investments (net of operating direct costs)	28,201	29,837	29,837
Revenues from operating leases	-	-	-
Recovery of miscellaneous costs paid in previous years	1,738	1,431	1,431
Revenues on financial leases activities	-	-	-
Other	48,739	60,346	60,346
<b>Total operating income (A+B)</b>	<b>630,896</b>	<b>689,209</b>	<b>689,209</b>

The data of the previous period have been restated for the purpose of comparison.

## Part C - Income statement

## Section 15 - Gains (Losses) of equity investments - Item 220

## 15.1 Profit (Loss) of equity investments: breakdown

(€ '000)		
P&L ITEMS/VALUES	YEAR 2018	YEAR 2017
<b>A. Income</b>	<b>210,868</b>	<b>3,246,309</b>
1. Revaluations	-	-
2. Gains on disposal	145,580	1,997,689
3. Writebacks	65,288	1,248,620
4. Other gains	-	-
<b>B. Expenses</b>	<b>(1,800,681)</b>	<b>(503,330)</b>
1. Writedowns	-	-
2. Impairment losses	(1,796,381)	(164,717)
3. Losses on disposal	(4,300)	(338,613)
4. Other expenses	-	-
<b>Net profit</b>	<b>(1,589,813)</b>	<b>2,742,979</b>

Gains from disposal include the results from the sale of Custodia Valore Credito su Pegno S.R.L. for €114 million, in the context of the transfer to Dorotheum of Italian pawn credit business. Further, gains from disposal have been realized from the sale of Barn BV (€29 million) and Trieste Adriatic Maritime Initiatives S.R.L (€3 million)

Impairment loss in subsidiaries include Koc Finansal Hizmetler Istanbul AS (-€1.319 million), AO Unicredit Bank (-€244 million), Cordusio Sim S.p.A (-€158 million), Unicredit Banka Slovenija D.D. (-€17 million), Unicredit Consumer Financing Ifn S.A. (-€16 million), Unicredit Bank Austria Credistanstalt Ag (-€12 million), Unicredit Turn Around Management Cee Gmbh (-€13 million), Unicredit Subito Casa S.p.A. (-€1 million), Unicredit Global Leasing Export Gmbh (-€1 million), Aviva Spa (-€6 million), Risanamento S.p.A. (-€6 million), Fenice S.R.L. (-€2 million).

Writebacks in subsidiaries include Unicredit Bank Ag (€30 million), Mediobanca Banca di Credito Finanziario S.p.A. (€28 million), Unicredit International Luxembourg S.A. (€4 million), Nuova Compagnia di Partecipazioni S.p.A. (€2 million).

## Section 16 - Net gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 230

No data to be disclosed in this section.

## Section 17 - Goodwill impairment - Item 240

No data to be disclosed in this section.

## Section 18 - Gains (Losses) on disposals on investments - Item 250

## 18.1 Gains and losses on disposal of investments: breakdown

(€ '000)		
P&L ITEMS/SECTORS	YEAR 2018	YEAR 2017
<b>A. Property</b>		
- Gains on disposal	8,981	11,344
- Losses on disposal	(1,841)	(223)
<b>B. Other assets</b>		
- Gains on disposal	44,926	202
- Losses on disposal	(2,533)	(1,543)
<b>Net Profit</b>	<b>49,533</b>	<b>9,780</b>

## Part C - Income statement

### Section 19 - Tax expenses (income) for the period from continuing operations - Item 270

Taxes on Income are accrued in accordance with IAS12. The tax charge consists of current and deferred taxes, mainly determined in accordance with the applicable provisions on IRES and IRAP, and CFC separate taxation (Controlled Foreign Companies, i.e., foreign subsidiaries taxed on a transparency basis where specific conditions are met).

IRES is calculated by making specific upward or downward adjustments to the current year profit or loss as resulting from the Income statement for determining the taxable income. These tax adjustments are made as required by the provisions of the Italian Income Tax Code (TUIR), in relation to the non-deductibility of certain expenses or the non-taxability of certain revenues.

The IRES tax rate applied to the taxable income is 24%. An additional surcharge of 3.5% applies to Banks and Financial companies.

The above-mentioned tax adjustments may be "permanent" or "temporary".

The "permanent" adjustments refer to expenses/revenues that are totally or partially non-deductible/non-taxable.

The "temporary" adjustments, on the other hand, relate to expenses or revenues whose deductibility or tax-ability is deferred to future tax periods on the occurrence of particular events, or distributed in equal quotas over a predefined number of years.

The presence of "temporary" adjustments leads to the recognition of deferred tax assets (for costs to be deducted) or deferred tax liabilities (for revenues to be taxed).

The purpose of the recognition of deferred tax assets and liabilities is to reconcile in the Financial statements the different tax period of relevance established by the TUIR compared to the accounting accrual principle.

For IRES purposes, subject to a specific election to be submitted to the Italian Revenue Agency, this tax can be paid on a Tax Group level rather than on an individual basis.

All Italian companies that meet the control pre-requisite can adhere to the Tax Group regime, in order to compute the tax payment on a unique taxable base consisting of the algebraic sum of the taxable amounts of all the companies adhering to the Tax Group regime.

The tax rate applicable to the Tax Group is 24%.

For IRES purposes, is stated a separate taxation "for transparency" on incomes, calculated according to the provisions of the Italian Income Tax Code (TUIR), of the foreign direct and indirect subsidiaries (so-called CFCs: Controlled Foreign Companies) established in Countries with a nominal or effective tax rate which is significantly below the Italian corresponding one. The applicable tax rate is 27.5%.

IRAP is levied on productive activities and relevant taxable base corresponds to the algebraic sum of certain items of the Income Statement as specifically identified by Legislative Decree No.446 of 1997, which also states further upward and downward adjustments to be made (other than IRES ones). Law No.190 of 23 December 2014 (2015 Stability Law) establishes, starting from 2015, that personnel costs for employees with permanent employment contracts are fully deductible from IRAP in addition to the deductions already established by the so called "cuneo fiscale". Furthermore, in 2016 the full deductibility of the loan loss provisions in the year of accrual in the financial statements was introduced following the entry into force of article 16 of Law Decree 27 June 2015 No.83.

The tax is calculated by apportioning the overall value of production among the various administrative Regions where the productive activities are carried out (for banks the apportionment is made on the basis of the regional distribution of customer's deposits) and applying the respective regional rate to each of the individual portions identified. A national rate of 4.65% is established, to which each Region can autonomously add a surcharge up to 0.92%, with an overall theoretical rate of 5.57% (plus a further rate of 0.15% for Regions with a deficit in spending on the local welfare sector).

During 2018 the following amendments to the tax legislation have been introduced. Specifically:

- Ministerial Decree 10 January 2018 defines the tax regime applicable to the reclassification of financial assets from IAS39 categories to IFRS9 ones and establishes the full deductibility for IRES and IRAP purposes of the higher loan loss provisions determined by the adoption of a valuation criterion based on the expected losses in lieu of the actual losses;
- Law 30 December 2018 No.145 (Budget Law 2019) introduces the following tax new provisions:
  - the tax effect determined by the IFRS9 first time adoption is spread over a 10-year period for IRES and IRAP purposes;
  - the reversal of convertible DTA on loan loss provision scheduled for 2018 is postponed to 2026;
  - the reversal plan of the convertible DTA on goodwill is re-determined up to 2029, for IRES and IRAP, based on fixed annual percentage, changing from year-to-year, as provided for by the law. No reversal is scheduled for 2018;
  - the Notional Interest Deduction ("ACE") has been repealed starting from 2019.

The postponement of the 2018 reversal of convertible DTA on loan loss provision and on goodwill (as per the second and third bullet above), has not determined a tax burden for UniCredit S.p.A. since the reversal at stake was already monetized in financial year 2017 in connection with the DTA conversion into tax credit performed on the 2016 accounting loss.

Taxes on Income for 2018 reports a positive amount of €1,182 million, showing an improvement in comparison with a positive amounts €30 million in 2017.

## Part C - Income statement

Current IRES, notwithstanding the high amount of profit before tax, shows a tax loss of €91 million, mainly due to non-taxable positive items (dividends), non-tax-relevant items deriving from valuation or realisation events on participations and to the distribution of a 10-year period of the higher loan loss provision deriving from the IFRS9 adoption.

The tax loss that can be carried forward for the year amounts to €25 million of taxes, which therefore increases the stock of the out of balance (unrecognised) DTAs on tax losses to a total amount of €3,350 million (already including €34 million tax loss deriving from the incorporation of the subsidiaries PGAM and Buddy Servizi Molecolari). Following the sustainability test performed in line with IAS12, only a limited amount of DTA has been accrued, equal to €78 million, although from a tax perspective tax losses can be carried forward indefinitely, with no impact on the Income statement according to the international accounting standards.

IRAP taxable base is positive, with a tax due equal to €63 million, following the distribution in 10 years of the higher loan loss provisions deriving from IFRS9 adoption.

The "ACE" benefit ("Aiuto alla crescita economica") estimated for 2018 amounts to €35 million, showing a reduction in comparison to the 2017 estimation of €53 million, due to the decrease of the notional yield from 1.6% in 2017 to 1.5% in 2018 (see Law 21 June 2017 No.96, art.7) following the entry into force of Ministerial Decree 3 August 2017 that amended the "ACE" relevant tax provisions by way of introducing restrictive measures. During 2018, in light of the negative taxable basis for IRES and the availability of tax losses carried forward determining an indefinite postponement of the monetization of the ACE benefit, the corresponding amount of said ACE benefit has been converted into a tax credit for IRAP purposes, as provided for by Law Decree 24 June 2014, No.91 (passed with modification by law 11 August 2014, No.116) prior to the deadline for the payment of the IRAP due for 2017. Therefore, the ACE benefit for 2016, equal to €43 million, and for 2017, equal to €56 million, were converted into a tax credit, determining an extraordinary income in the Income Statement, considered that the corresponding DTA on the ACE benefit was impaired being not sustainable.

The IRAP credit will be used over 5 years in equal installments as provided for by the relevant law, with the possibility to carry forward any unused amount upon the fifth year.

Financial year 2017 reports a net income in the Income Statement equal to €6,236 million; therefore, the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits, pursuant to Art.2, paragraph 55, of Law Decree 29 December 2010 No.225 were not met.

In order to preserve for the future the regime of conversion of DTAs into tax credits, and in order to overcome the issues raised by the European Commission in connection to the application of State Aid rules, Art.11 of DL 3 May 2016 No.59 (so-called "Banks Decree", converted into Law 30 June 2016 No.119), introduced the possibility, starting from 2016 since 2030, to elect for the payment of an annual fee equal to 1.5% levied on an aggregate amount deriving from the difference between:

- the increase in convertible DTAs recognised at the end of the fiscal year and the convertible DTA existing at the end of 2007, for IRES tax, and as the end of 2012 for IRAP tax, taking into account the amounts already converted into tax credits;
- taxes:
  - IRES paid by Tax Group starting from 1 January 2008;
  - IRAP paid starting from 1 January 2013 by Legal Entities included in Tax Group with convertible DTAs;
  - substitute taxes that generated convertible DTAs.

The whole fee has been paid on 27 June 2018 by UniCredit group (as required by law) for a total amount €115.7 million, of which €111 million related to UniCredit S.p.A. itself, €4.4 million to UniCredit Leasing S.p.A. and €0.3 million to UniCredit Factoring S.p.A.

### 19.1 Tax expense (income) relating to profit or loss from continuing operations: breakdown

		(€ '000)	
P&L ITEMS/SECTORS		YEAR 2018	YEAR 2017
1.	Current taxes (-)	(72,613)	(76,174)
2.	Change of current taxes of previous years (+/-)	129,544	35,996
3.	Reduction of current taxes for the year (+)	-	-
3.bis	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	2,859,337
4.	Change of deferred tax assets (+/-)	1,124,491	(2,800,444)
5.	Change of deferred tax liabilities (+/-)	145	11,449
6.	<b>Tax expenses for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>	<b>1,181,567</b>	<b>30,164</b>

Sub-item "4. Change of deferred tax assets (+/-)" reflects the recognition of DTAs related to the first time adoption of IFRS9 against P&L for an amount of €871 million.

## Part C - Income statement

### 19.2 Reconciliation of theoretical tax charge to actual tax charge

	(€ '000)	
	YEAR 2018	YEAR 2017
<b>Total profit or loss before tax from continuing operations (income statement item)</b>	<b>1,276,596</b>	<b>6,121,378</b>
Theoretical tax rate	27.5%	27.5%
<b>Theoretical computed taxes on income</b>	<b>(351,064)</b>	<b>(1,683,379)</b>
1. Different tax rates	-	-
2. Non-taxable income - permanent differences	856,320	2,569,154
3. Non-deductible expenses - permanent differences	(571,789)	(645,357)
4. Different fiscal laws/IRAP	32,803	(103,647)
a) IRAP (italian companies)	63,225	(92,500)
b) Other taxes (foreign companies)	(30,422)	(11,147)
5. Previous years and changes in tax rates	163,586	(8,941)
a) Effects on current taxes	128,982	35,944
- Tax loss carryforward/unused Tax credit	-	-
- Other effects of previous periods	128,982	35,944
b) Effects on deferred taxes	34,604	(44,885)
- Changes in tax rates	-	-
- New taxes incurred (+) previous taxes revocation (-)	-	-
- True-ups/ adjustments of the calculated deferred taxes	34,604	(44,885)
6. Valuation adjustments and non-recognition of deferred taxes	1,051,711	(98,426)
a) Deferred tax assets write-down	(87,422)	-
b) Deferred tax assets recognition	610,363	-
c) Deferred tax assets non-recognition	-	(98,426)
d) Deferred tax assets non-recognition according to IAS12.39 and 12.44	-	-
e) Other	528,770	-
7. Amortisation of goodwill	-	-
8. Non-taxable foreign income	-	-
9. Other differences	-	760
<b>Recognised taxes on income</b>	<b>1,181,567</b>	<b>30,164</b>

### Section 20 - Profit (Loss) after tax from discontinued operations - Item 290

No data to be disclosed in this section.

### Section 21 - Other information

#### Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the law 124/2017

Pursuant to article 1, paragraph 125 of law 124/2017, during 2018 UniCredit S.p.A. collected the following public contributions granted by Italian entities:

#### Reduction of the extraordinary contribution pursuant to art.1, paragraph 235 of Law 232 of 11 December 2016 charged to the management of welfare interventions and pension support

	(€ '000)	
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	55,293
<b>Total</b>		<b>55,293</b>

#### Contributions for the recruitment/stabilization of personnel deriving from the application of the CCNL of the Credit in force from time to time

	(€ '000)	
LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Fondo Nazionale per il sostegno dell'occupazione nel settore del credito	UNICREDIT S.P.A.	2,959
<b>Total</b>		<b>2,959</b>

## Part C - Income statement

**Contributions for new recruits /stabilizations, introduced by the stability law 2018 (law No.205/2017)**

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	248
<b>Total</b>		<b>248</b>

**Contributions for the Ordinary section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2**

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	3,936
<b>Total</b>		<b>3,936</b>

**Article 8 of Legislative Decree 30/9/2005, n.203 converted, with modifications, from the law 2 December 2005, n.248. Compensatory measures for companies that assign the TFR to supplementary pension schemes and/or to the Fund for the payment of the TFR**

(€ '000)

LENDING ENTITY	LEGAL ENTITY BENEFICIARY	PUBLIC CONTRIBUTION AMOUNT
Istituto Nazionale della Previdenza Sociale	UNICREDIT S.P.A.	9,286
<b>Total</b>		<b>9,286</b>

For further information, refer to the National State Aid Register "Transparency."

## Section 22 - Earnings per share

**22.1 and 22.2 Average number of diluted shares and other information**

	YEAR 2018	YEAR 2017
Net profit (loss) (thousand of €) <sup>(1)</sup>	2,364,976	6,203,514
Average number of outstanding shares	2,219,405,841	1,947,449,190
Average number of potential dilutive shares	9,835,058	10,695,178
Average number of diluted shares	2,229,240,899	1,958,144,368
<b>Earnings per share (€)</b>	<b>1.070</b>	<b>3.190</b>
<b>Diluted earnings per share (€)</b>	<b>1.060</b>	<b>3.170</b>

**Note:**

(1) €93 million has been deducted from 2018 net profit of €2,458 million due to disbursements charged to equity made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€32 million was deducted from 2017 net profit).

Net of the average number of treasury shares and of further No.9,675,640 shares held under a contract of usufruct.

## Part D - Comprehensive income

## Statement of other comprehensive income

(€)

ITEMS	AS AT	
	12.31.2018	12.31.2017
<b>10. Net profit (loss) of the year</b>	<b>2,458,163,164</b>	<b>6,235,645,406</b>
<b>Other comprehensive income not reclassified to profit or loss</b>	-	-
20. Equity instruments designated at fair value through other comprehensive income:	12,063,917	-
a) fair value changes	(36,798,997)	-
b) transfers to other shareholders' equity items	48,862,914	-
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	114,603,128	-
a) fair value changes	104,439,978	-
b) transfers to other shareholders' equity items	10,163,150	-
40. Hedge accounting of equity instruments measured at fair value through other comprehensive income:	-	-
a) fair value change (hedged instrument)	-	-
b) fair value change (hedging instrument)	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	2,381,530	20,998,701
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Part of valuation reserves from investments valued at equity method	-	-
100. Tax expenses (income) relating to items not reclassified to profit or loss	(9,289,976)	(5,780,062)
<b>Other comprehensive income reclassified to profit or loss</b>	-	-
110. Foreign investments hedging:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Foreign exchange differences:	-	-
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
130. Cash flow hedging:	(50,378,203)	(58,170,063)
a) fair value changes	(50,375,379)	(58,170,063)
b) reclassification to profit or loss	-	-
c) other changes	(2,824)	-
<i>of which: net position</i>	-	-
140. Hedging instruments (not designated items):	-	-
a) value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-



## Part D - Comprehensive income

continued: Statement of other comprehensive income

(€)

	AS AT	
	12.31.2018	12.31.2017
150. Financial assets (different from equity instruments) at fair value through other comprehensive income:		
	<b>(1,136,539,108)</b>	-
a) fair value changes	(1,014,650,659)	-
b) reclassification to profit or loss:	(123,455,067)	-
- impairment losses	10,157,409	-
- gains/losses on disposals	(133,612,476)	-
c) other changes	1,566,618	-
Available-for-sale financial assets:(ex IAS39 Item 100)	-	(168,692,396)
a) fair value changes	-	59,151,625
b) reclassification to profit or loss	-	(227,272,980)
- impairment losses	-	(2,934,806)
- gains/losses on disposals	-	(224,338,174)
c) other changes	-	(571,041)
160. Non-current assets and disposal groups classified as held for sale:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
170. Part of valuation reserves from investments valued at equity method:	-	-
a) fair value changes	-	-
b) reclassification to profit or loss:	-	-
- impairment losses	-	-
- gains/losses on disposals	-	-
c) other changes	-	-
180. Tax expenses (income) relating to items reclassified to profit or loss	329,133,191	81,010,903
<b>190. Total other comprehensive income</b>	<b>(738,025,521)</b>	<b>(130,632,917)</b>
<b>200. Other comprehensive income (Item 10+190)</b>	<b>1,720,137,643</b>	<b>6,105,012,489</b>

## Part E - Information on risks and hedging policies

### Introduction

Reference is made to the paragraph of Part E of the Notes to the consolidated accounts of UniCredit group - Introduction which is herewith quoted entirely.

### Section 1 - Credit risk

#### Qualitative information

##### 1. General aspects

In UniCredit the current oversight model on credit risk envisages the centralisation of the steering and coordination responsibilities within the Parent company functions, as described in the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - qualitative information - 1. General aspects which is herewith quoted entirely.

With specific reference to the Italian perimeter of UniCredit S.p.A., the coordination and management of credit risk are under the responsibility of the "CLO Italy" function, reporting to the "Group Lending Office, and who is accountable for the:

- coordination and management of credit underwriting activities for UniCredit S.p.A. customers, as well as the overseeing of the post-decision phases of the credit process;
- coordination and management of restructuring and workout files of Italian perimeter of UniCredit S.p.A. including the Debt to Equity and Debt to Asset transactions and the related equity participations/assets;
- coordination of the credit activities of UniCredit S.p.A. Italian legal entities.

Within the scope of the Italian business, the lending, monitoring and loan recovery activities are managed through specific processes and IT procedures, which are constantly improved in order to maximise their efficiency and effectiveness. In addition, the overall monitoring process, its performance metrics and the whole impaired loans management has further improved also leveraging on progressive enhancement of the specialised credit structures, already in place, that are responsible for the overall management of the unlikely to pay exposures or bad loans.

In order to continue providing an adequate support to the real economy, the range of financing products has been continuously updated, enhancing the use of instruments such as the BEI and SACE guarantees, the Central Guarantee Fund and Tranching Cover operations. Furthermore, specific attention was focused on households that intend to purchase a home, thanks to a simple though diversified product offer which aims at fulfilling customers' current and future needs.

In order to allow the client the possibility of anticipating the retirement age, UniCredit joined the APE ("Anticipo Finanziario a Garanzia Pensionistica"), a governmental initiative which allows those customers eligible by law to obtain a loan granting monthly disbursements until the beginning of the retirement age. The loan repayment phase begins once retired, through monthly deduction directly from the pension. UniCredit S.p.A. moreover continued to support customers in areas affected by calamitous events, such as floods and earthquakes, by means of both governmental and self-developed initiatives.

##### 2. Credit risk management policies

###### 2.1 Organisational aspects

In credit risk management, the organisational structure as of 31 December 2018, envisages specific structures and responsibilities at Group and local level. Regarding the organizational model of the Parent company functions, reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - qualitative information - 2 Credit risk policies management - 2.1 Organisational Aspects which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

With specific reference, instead, to the UniCredit S.p.A. perimeter, the organisational units under “CLO Italy” and responsible for the “operational” activities” (e.g. credit underwriting, performance monitoring, etc.) are:

- the “Credit Underwriting” structure whose responsibilities include the following activities:
  - coordinating the activities of 8 Regional Industry Team;
  - RIT decision-making activities;
  - managing the lending to UniCredit S.p.A. customers;
  - coordinating and managing the lending to UniCredit S.p.A. customers in relation to Consumer and mortgage non banking products and post-sales phases;
  - preliminary and administrative activities for transactions to be submitted to the Italian Transactional Credit Committee (ITCC) and the Italian Special & Transactional Credit Committee (“IS&TCC”).

The structure consists of the following units:

- “Credit Committee Secretariat”;
- “Central Credit Risk Underwriting Italy”;
- “Individuals Credit Underwriting Italy”;
- “Territorial Credit Risk Underwriting Italy” composed by 7 territorial Credit Hubs;
- the “Credit Monitoring” structure whose responsibilities include the following activities:
  - ensure the quality of the loan portfolio through performance monitoring of the positions, risk analysis and identification of corrective measures;
  - support the Business functions in monitoring the credit portfolio of the territorial areas, analysing the performance and implementing the corrective measures required.

The structure consists of the following units:

- “Credit Monitoring Operations & Support”;
- “Central Credit Risk Monitoring Italy”;
- “7 Territorial Monitoring Hubs”;
- “Retail Central Credit Monitoring”;
- the “Special Credit” structure whose responsibilities include the following activities:
  - overseeing activities aimed at reducing the cost of credit risk of irregular and problematic loans;
  - managing the collection of delinquent and overdue unpaid credits and the related activities, as the classifications doubtful or non performing credits, according to the delegated powers, ensuring the enforcement and implementations of collection strategies and activities;
  - conducting borrower assessment, credit analysis and preparing the related documentation for applications to be submitted to the competent decision-making Bodies;
  - overseeing the administrative and accounting activities under its responsibility.

The structure consists of the following units:

- RTO NPL Servicing;
- Special Credit Support And Administration Italy;
- Workout Italy;
- Customer Recovery;
- the “Restructuring Italy” structure, which, inter alia, is in charge of managing, assessing and making decisions of positions undergoing restructuring, also monitoring compliance with the agreements set forth in the restructuring plan and any covenants established and managing potential Debt to Equity and Debt to Asset transactions as well as the resulting shareholdings within its perimeter of competence.

The structure consists of the following units:

- Corporate Files Restructuring;
- Real Estate Restructuring;
- Restructuring Risk Analysis & Operations;
- Strategic Files Restructuring;
- Inc Italy;
- the “Loan Administration” structure which, inter alia, is responsible for the following activities:
  - monitoring administrative activities after the loan has been granted/disbursed;
  - managing subsidized loans;
  - lending and administrative activities relating to mutual guarantee institutions;
  - coordination and management of activities after disbursement of Mortgages by ensuring the quality and integrity of information assets and risk minimisation;

The structure consists of the following units:

- 5 territorial Hub of the “Loan Administration”;
- Subsidized Loan;
- Mortgages Evaluation;
- Loan Administration Operation & Support.

## Part E - Information on risks and hedging policies

In addition, with respect to credit risk, specific committees have been set up:

- the “Italian Transactional Credit Committee”, which has decision-making functions within its delegated powers and/or consulting functions for files to be approved by upper Bodies, is responsible, with regard to UniCredit S.p.A. counterparts, (excluding FIBS counterparts) for credit proposals (including “restructuring”, “INC” and “workout” positions), the classification status of positions, strategies and corrective actions to be taken for “watchlist” positions, Debt to Equity transactions and/or actions/rights-execution related to equity participations resulting from Debt to Equity transaction, Debt to Assets transactions and/or actions/rights-execution related to asset resulting from Debt to Asset transactions, issuing Non-Binding Credit Opinions concerning the proposals of the Italian Legal Entities of UniCredit group and proposals of distressed loan disposal;
- the “Italian Special & Transactional Credit Committee”, which is responsible, within its delegated powers, for the evaluation and approval or, consulting functions for files to be approved by upper Bodies, on “restructuring”, “INC” and “workout” positions, as well as positions of customers managed by Special Network and Real Estate Areas, and proposals of distressed loan disposal.

### 2.2 Credit risk management, measurement and control

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 2. Credit risk policies management - 2.2 Credit Risk Management, Measurement and Control which is herewith quoted entirely.

### 2.3 Measurement methods for expected losses

#### Risk management practices

The Credit Risk Management, Measurement and Control processes described in the previous paragraph, are also reference for the calculation of impairment of Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures as required by IFRS9.

For this purpose the calculation of impairment in accordance with expected credit losses is based on two main pillars:

- the stage allocation of the credit exposure;
- the associated calculation of expected credit loss.

In UniCredit group the Stage Allocation is based on a combination of relative and absolute elements; the main are:

- comparison for each transaction between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops required by law (e.g. 30 days past-due). In this case UniCredit group has chosen not to reject the significant deterioration presumption after 30days past-due by allocating always in Stage 2 transactions with more than 30 days past due;
- additional internal evidence, including renegotiations of financial instruments due to financial difficulties met by the counterpart (e.g. Forborne classification).

With regard to debt securities, UniCredit group is opting for application of the low credit risk exemption on investment grade securities, in full compliance with the accounting standard.

The outcome of the stage allocation is the classification of credit exposure in Stage 1, Stage 2 or Stage 3 according to their absolute or relative credit quality with respect to the initial disbursement. Specifically:

- the Stage 1 includes:
  - newly issued or acquired credit exposures;
  - exposures for which credit risk has not significantly deteriorated since initial recognition; and
  - exposures having low credit risk (low credit risk exemption);
- the Stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- the Stage 3 includes impaired credit exposures. With reference to stage 3, it should be noted that it includes impaired exposures corresponding in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates, to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS/2013/03/rev1 24 July 2014).

In particular, EBA<sup>45</sup> has defined as “non-performing” exposures that meet one or both of the following criteria:

- material exposures more than 90 days past due;
- exposures for which the bank assesses that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realisation of collaterals, regardless of past due exposures and the number of days the exposure is past due.

With reference to the quantitative component of the stage allocation model, the Group has adopted a statistic approach based on a quantile regression whose goal is to define a threshold in in terms of maximum variation acceptable between the PD measure at the disbursement and the one at the reference date.

<sup>45</sup> The regulatory framework for the new definition of default will be integrated with the entry into force of the “Guidelines on the application of the definition of default under Article 178 of EU Regulation No.575/2013 (EBA/GL/2016/07) as of 1 January 2021.

## Part E - Information on risks and hedging policies

Fundamental part of the model is the definition of the quantile which identifies the stage 2 quota expected on average in the long time horizon. The medium long term quantile is determined based on the average expectation of portfolio deterioration calculated considering the default rate as well as one of the other deterioration stages of deterioration (e.g.: past-due 30 days).

The exposures amount classified in Stage 2 for each reporting date will fluctuate around the long term quantile on the basis of the current economic conditions as well as expectations about the future economic cycle.

*Stage Allocation* model is tested at each reporting date, in order to timely capture both significant deterioration and its reverse in a symmetric way and to correctly allocate each transaction within the proper stage and related expected loss calculation model.

The result of stage allocation affects the amount of expected credit losses recognized in financial statements. Indeed for exposures in Stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.

For exposures in Stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

To calculate expected loss, the Group has developed specific models based on PD, LGD and EAD parameters and the effective interest rate. In particular:

- PD (Probability of Default), which expresses the exposure probability of default in a given time horizon (e.g.: 1 year);
- LGD (Loss Given Default), which expresses the estimated loss percentage and therefore the expected recovery rate when a default event occurs;
- EAD (Exposure at Default), expresses the level of the exposure at the time of default event;
- the effective interest rate is the base rate which expresses the time value of money.

Such parameters are calculated starting from the same parameters applied for regulatory purposes specifically adjusted in order to guarantee full consistency, a part from the different requirements, between accounting and regulatory treatment.

Main adjustments are aimed at:

- removing the conservatism required purely for regulatory purposes;
- introducing "point in time" adjustments substituting the "through-the-cycle" view required by the regulation;
- including "forward looking" information;
- extending credit risks parameters to a multi years horizon.

With reference to "lifetime" PD, PD curves calculated through-the-cycle are calibrated to reflect the point-in-time and forward-looking expectation with reference to the portfolio default rate.

The recovery rate embedded in the LGD calculated along the economic cycle ("through-the-cycle") is adjusted in order to remove the margin of conservatism and reflect the current trends in recovery rates as well as expectations about future trends discounted to the effective interest rate or its best approximation.

The EAD calculated along the instrument lifetime is determined by extending the prudential or managerial one-year model, removing the margin of conservatism and including expectations related to future average withdrawal levels of existing credit lines.

The forecast in terms of default rate and recovery rate provided by the Stress Test function are embedded in the PD and LGD parameters during the calibration phase. The credit parameters, in fact, are normally calibrated on a horizon that considers the entire economic cycle ("Through-the-cycle - TTC"), so it is necessary to calibrate them "Point-in-time" - PIT" and "Forward-looking - FL" allowing to reflect in these credit parameters the current situation as well as expectations about the future evolution of the economic cycle.

The expected credit loss deriving from the parameters previously described considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components in order to compensate the partial non-linearity that is naturally embedded in the correlation between the macroeconomic changes and expected credit loss. Specifically, the non-linearity effect is incorporated by estimating a correction factor applied directly to the expected credit loss ("ECL") of the portfolio.

The process defined to include macroeconomic scenarios is fully consistent with forecast processes used by UniCredit group for additional risk management purposes (as for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also takes advantage of independent UniCredit Research function.

Specifically, the Group has selected three macroeconomic scenarios to determine the forward looking component, the baseline scenario, one positive scenario and one adverse scenario.

## Part E - Information on risks and hedging policies

The baseline scenario is the reference central scenario and therefore is considered to be the most probable realization. Positive and adverse scenarios represent possible alternative realizations, respectively better and worst compared to the baseline in terms of evolution of the economies of the countries in which the Group operates:

- the Baseline Scenario reflects the macroeconomic evolution expected from the Group. It envisages a positive and stable economic growth, although in a slowing trend compared to 2018, both for the Eurozone and for most of the CEE countries, in a context where the short term interest rates in the Euro area are expected to be slightly growing even though they continue to be at historical low levels. In detail, the annual real GDP growth for the Eurozone is foreseen at +1.7% for 2019, +1.1% for 2020 and +1.3% for 2021 (with Italy at +0.8%, +0.5% and +0.7% and Germany at +1.7%, +1.5% and +1.7%, respectively); among CEE countries, with the exception of Turkey (whose GDP is expected in significant contraction in 2019), economic growth is expected between +2.8% and +3.9% in 2019. The Scenario implies that the 3 months Euribor stays slightly negative in 2019 and goes back to positive in 2020;
- the Positive Scenario is based on the hypothesis that the positive economic growth of 2018 both at global level and at European level only goes through a mild slowdown in 2019, sustained by the trend in the global commerce and by still accommodating economic policies. In this scenario, Eurozone would consolidate its growth results mainly due to the contribution of Germany, in acceleration until 2020, that would translate in a faster annual real GDP growth (with respect to the baseline scenario) between +0.2% and +0.6% in the 2019-2021 three-years horizon. More in detail, the annual growth of real GDP for the Eurozone would stay at +2% in 2019, slowing to +1.7% in 2020 and to +1.5% in 2021 (with Italy stable at +1% in 2019 and slowing to +0.9% in the subsequent two years) in a context of short term rates (3 months Euribor) still negative in 2019 and in continuous but slow increase in the 2020-2021 period, driven by a monetary policy tightening more aggressive than in the baseline scenario. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a trend of the economy better than the one assumed in the Baseline scenario;
- the Adverse Scenario reflects one of the scenarios used in the assessment process of capital adequacy (ICAAP). In coherence with ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Group foresees as most relevant in the context of the countries where the Group operates and for the Group's business activities. The scenario of Widespread Contagion is based on the hypothesis of intensification of political risks within the European Union, caused by an increased influence of populist parties in Italy, Germany and France alongside with, among others, the extension of tensions between Spanish government and Catalonia Region. This context would lead to an increase of the risk premiums for various asset classes and to a slowdown of the economic growth both in the Eurozone (lower of about one and a half percentage point per year with respect to the baseline scenario, in terms of real GDP growth in the three-years horizon) and in CEE countries. More in detail, the annual real GDP growth in the Eurozone would be +0.3% in 2019, -0.5% in 2020 and +0.5% in 2021 (with Italy at -0.6%, -1.6% and -0.5% respectively) in a context of short term rates (3 months Euribor) that would stay negative for the whole three-years horizon, based on the hypothesis that the ECB would prolong in such a market environment the liquidity support to markets. The occurrence of such scenario, at the time of its definition, is considered plausible and appropriate to quantify a potential adverse trend of the economy. In coherence with the scenario and with the magnitude of deviations from the baseline scenario, it is assumed that the Adverse scenario is less likely than the positive scenario.

With reference to impaired exposures (Stage 3) the expected recoverable amount, and therefore the expected credit loss, is the present value of future cash flows expected to be recovered, discounted at the original interest rate.

Therefore the main determinants of this value are:

- the expected cash flows;
- the expected timing of payments of these cash flows;
- the effective interest rate used for discounting.

Expected cash flows on defaulted exposures shall be calculated on an individual basis for "individually significant exposures".

Expected cash flows on already defaulted exposures that are not individually significant may be calculated either on an individual or a collective basis. Where the Bank has a number of individually significant exposures towards one single counterparty, each loan is individually assessed while also considering the overall position of the counterparty.

Future cash flows must be estimated considering the historical trend of recovery for exposures having similar credit risk features. The historical trend in any case is adjusted so to embeds the current economic environment and the expected economic outlooks.

Expectations for the recovery of positions classified as "Default" or Non Performing are based on:

- analytical business plans, for companies with Group exposure > €1 million;
- statistical grids differentiated by product type and vintage classification, for other positions.

## Part E - Information on risks and hedging policies

In the assessment of impaired exposures (Stage 3), possible sales scenarios are also considered where the Group's NPL strategy envisages experiencing recovery through their sale to the market.

For this purpose, the presumed recovery value of credit exposures is determined as weighted average between two scenarios:

- internal recovery scenario, whose expected recovery value is estimated assuming an internal work-out process according to what has previously been described;
- sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is determined considering market or internal information based on the following hierarchy:
  - prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
  - prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
  - internal evaluation models.

In order to calculate the weighted average, the probability of sale of credit exposures is defined by the appropriate Bank's structures on the basis of the volume of the sales forecasted by the aforementioned *Non-Performing Asset Strategy* compared to the total gross exposure of the portfolio being valued. The probability of internal recovery is equal to the complement to 1 of probability of sale.

### 2.4 Credit risk mitigation techniques

UniCredit Group uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistent with the "Regulation (EU) No.575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and amending Regulation (EU) No.648/2012", UniCredit group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes as necessary for the calculation of credit risk capital requirement.

At the moment specific guidelines are in force, issued by the Parent company, defining group-wide rules and principles with the aim to guide, govern and standardise the credit risk mitigation management, best practice, as well as in accordance with the relevant regulatory requirements.

Integrating these guidelines, the Bank has adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail, according to each Country's local legal system, collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral.

Collateral management assessments and credit risk mitigation compliance verification have been performed by the Bank, specifically as part of Internal Rating System applications, in order to assess the presence of adequate documentation and procedure concerning the credit risk mitigation instruments used for supervisory capital.

In particular, according to the current credit policy, collaterals or guarantees can be accepted only to support loans but cannot serve as a substitute for the borrower's ability to meet its obligations. For this reason, in addition to the overall analysis of the borrowers' credit worthiness and of his repayment capacity, collaterals are subject to specific evaluation and analysis with the aim to verify their viability to support the repayment of the exposure.

Collaterals accepted in support of credit lines granted by the Bank, primarily include:

- real estate, both residential and commercial;
- financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS)).

Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common.

The Bank also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending.

In relation to guarantees, they can be accepted as complementary and accessory to the granting of loans, for which the risk mitigation serves as additional security for repayment. Personal guarantees are provided by banks, government, central banks and other public entities and others. The last category includes the personal guarantees provided by natural persons.

In case the guarantee is represented by credit derivatives, the protection providers are mainly banks and institutional counterparties.

The list of eligible protection providers depends on the specific approach adopted by the Bank. Specifically:

- under the 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;
- Legal Entities adopting IRB-A may recognize guarantees provided that the relevant minimum requirements are satisfied and, furthermore, the Bank can evaluate the protection provider risk profile, through an internal rating system, at the time the guarantee is provided and over its entire duration.



## Part E - Information on risks and hedging policies

For what concerns netting agreements 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;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

The Bank can apply netting agreements only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting agreement), monitoring and controlling debts, credit and netting value.

The Bank makes use of netting instruments mainly for OTC derivatives, repos and securities lending transactions where the counterparties are, generally, Financial Institutions.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, to support the evaluation and data quality checks of collaterals/guarantees and their appropriate linking to the categories defined for LGD estimates purposes. Controls and related responsibilities are duly formalised and documented in internal rules. Furthermore processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection are correctly registered in the system.

In the collateral acquisition phase, the Bank emphasises the importance of processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her credit worthiness and risk profile.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements set by credit policies, internal and regulatory rules are met over the time.

Among such processes it is pointed out that one connected to concentration risk, which occurs when the major part of collateral financial assets (at portfolio level) are concentrated in a small number of collateral types, protection instruments, or specific providers of collaterals.

Such concentration is monitored and controlled by the following processes/mechanisms:

- in case of personal guarantees/credit derivatives, a contingent liability (indirect risk) is charged to the protection provider. In the evaluation of the credit application, a secondary commitment is added to the guarantor and it is reflected in the guarantor's total credit exposure as deemed competent and approved in accordance with the Bank's system of authority;
- in case the protection provider, directly or indirectly, is a Central Bank or a Sovereign country, a specific credit limit has to be instructed and, if the guarantor is a foreign subject, it is necessary to evaluate case by case the definition of a country limit.

### 3. Non-performing credit exposure

#### 3.1 Credit risk management policy

Regarding the management strategies and policies in force for the UniCredit group reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 3 Non-performing credit exposures - 3.1 Management strategies and policies which is herewith quoted entirely.

In order to ensure a homogeneous approach in the classification of credit exposures for regulatory and reporting purposes, UniCredit has defined group-wide guidelines for the classification of Non-Performing exposures that refer to the principles reported in the Implementing Technical Standards issued by the Authority European Banking in 2014. With regard to this definition (which includes the concept of "default" ruled by Art.178 EU Regulation No.575/2013 and the "impaired" definition reported in accounting standard IFRS 9) at operative level UniCredit group has pursued a substantial alignment between the three definitions. Furthermore, in accordance with the provisions of Banca d'Italia Circular 272/2008, credit exposures of each group entity must be classified in one of the following risk classes:

- past-due and/or overdue exposures: problematic exposures that are more than 90 days past due on any material obligation (the latter assessed in line with Article 178 (2d) of EU Regulation No.575/2013 and the Technical Standards of the EBA);
- unlikely to Pay: the classification in this category is the result of the judgment of the bank about the unlikelihood, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad Loans: exposures to borrowers in a state of insolvency (even when not recognized in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.



## Part E - Information on risks and hedging policies

In the non-performing credit exposures management, the UniCredit S.p.A. adopts certain strategies that operationally define the activities necessary to achieve the targets defined yearly.

The aforementioned strategies concerning impaired loans include:

- an effective internal restructuring activity, supported by qualified resources with specific skills dedicated to the management of loans classified as unlikely to pay; within these activities, ad-hoc approaches are then envisaged for positions considered strategic or referring to the Corporate and Real Estate segment;
- proactive portfolio management through judicial and extra-judicial procedures managed by internal Workout professionals or assigned to external agencies specialized in credit recovery;
- the recourse of alternative recovery strategies (which UniCredit was one of the first banks to use) based on formalized partnerships aimed at managing positions in the industrial or Real Estate sector;
- proactive management of the Leasing portfolio aimed at speeding up the negotiation times of agreements with counterparties in order to obtain a more effective remarketing process;
- disposal of impaired loans as a further strategy for internal recovery both for individual positions and for portfolios of impaired loans, already classified as bad loans and unlikely to pay.

These strategies reflect the main levers for reducing the amount of impaired loans and have led to an important result during 2018, highlighting:

- write-off for €2.030 million (107% of the total planned in Transform 2019 for 2018 year);
- recoveries of €1.730 million (91% of the total planned in Transform 2019 for 2018 year);
- disposals of €3.045 million (112% of the total planned in Transform 2019 for 2018 year).

The decrease amount of the stock of impaired loans to Group customers was therefore in line with the reduction targets set in the Transform 2019 plan for the year 2018, achieving an improvement in asset quality. This result was possible thanks also to an acceleration of the reduction times of the "Non Core" portfolio. Therefore, the UniCredit Group can confirm the complete closure of its Non Core legacy by 2021, thanks also to the activation of a coordinated set of levers aimed at reducing the stock.

### 3.2 Write-off

Group guidelines for Write-Offs on Financial Assets provides that whenever a loan is deemed to be uncollectable/unrecoverable it needs to be identified at the earliest possible opportunity and properly dealt with in accordance with financial regulations. Write-offs can relate to a financial asset in its entirety, or to a portion of it.

In assessing the recoverability of Non-Performing Exposures (NPE) and in determining internal NPE write-off approaches, the following cases, in particular, are taken into account:

- exposures with prolonged arrears: it is assessed the recoverability of an exposure that presents arrears for a prolonged period of time. If, following this assessment, an exposure or part of an exposure is deemed as non-recoverable, it should be written-off in a timely manner, adopting different thresholds predefined on the basis of the different portfolios;
- exposures under insolvency procedure: where the collateralisation of the exposure is low, legal expenses often absorb a significant portion of the proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be very low;
- a partial write off may be warranted where there are reasonable elements to demonstrate the debtor's inability to repay the full amount of the debt, i.e. a significant level of debt, even following the implementation of a forbearance treatment and /or the execution of collateral.

Below a non-exhaustive list of hard evidences implying, with high likelihood, the not recoverability of the exposure, to be assessed, for the potential (total or partial) write-off:

- the Bank cannot call the guarantor(s), or his assets are not sufficient for the recovery of the debtor's exposures;
- negative outcome of the judicial and/or out-of-court initiatives with absence of other assets that can be called in the event of un-recoverability of the debtor's exposures;
- impossibility to initiate actions to recover credit;
- current insolvency procedure, from which the procedure itself states that the unsecured exposures will not have redress;
- loans not backed by mortgage security older than 3 years that have not registered repayments/ collections during the first 3 years after the NPE classification;
- mortgage loans to private individuals with collaterals already executed or not recoverable (because of legal or administrative defects and if execution is considered not economically viable), if they have been classified as Non-Performing for more than 7 years, or between 2 and 7 years if the residual debt is less than €110.000.

Specifically, for the UniCredit S.p.A. perimeter, total partial Write-offs on financial assets still subject to an enforcement procedure amount to €2,395 million as of 31 December 2018, of which the amount related to the 2018 financial year is €1,740 million. 2018 write-offs cannot be compared with write-offs amount reported in gross changes in non-Performing exposures, because the latter include "debt forgiveness".

## Part E - Information on risks and hedging policies

### *3.3 Acquired or originated impaired financial assets*

Purchased or Originated Credit Impaired ("POCI") are credit exposures that are already impaired on initial recognition.

These credit exposures might be recognized either as a result of a purchase of non-performing exposures from third parties or as a result of the restructuring of impaired exposures which has led to the provision of significant new finance, either in absolute terms or in relative terms, compared with the amount of the original exposure.

These exposures are subject to management, measurement and control according to the principles described in the paragraph of Part E - Consolidated explanatory notes of the UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.1 Credit Risk - Qualitative information - 2. Credit risk Policies Management - 2.2 Credit Risk Management, Measurement and Control which is herewith quoted entirely.

In particular, the expected credit losses recorded at initial recognition within the carrying amount of the instrument are periodically reviewed on the basis of the processes described in the previous paragraphs.

The expected credit loss calculated for these credit exposures is always determined considering their residual life, and such exposure are conventionally allocated into Stage 3, or in Stage 2 if, as a result of an improvement in the creditworthiness of the counterparty following the initial recognition, the assets are performing.

These assets are never classified under Stage 1 because the expected credit loss must always be calculated considering a time horizon equal to the residual duration.

### **4. Commercial renegotiation of financial assets and forbore exposures**

Changes in existing financial instruments which determine a modification of contractual conditions might be the result of either:

- commercial initiatives, which may be specific for each customer or applied to portfolio of customers also as a result of dedicated initiatives sponsored by public authorities or banking associations, or
- concessions granted in light of debtor's financial difficulties (Forbearance).

Such changes are accounted on the basis of whether the modification is considered significant or not. In this regard, reference is made to the Part A - A.2 - Main items of the accounts.

The concessions granted due to debtor's financial difficulties, so called Forbearance initiatives, are usually considered not significant from an accounting perspective.

### *4.1 Loan Categorisation in the risk categories and forbore exposures*

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 4.1 Loan Categorisation in the risk categories and forbore exposures which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

### Quantitative information

#### A. Credit quality

##### A.1 Non-Performing and performing credit exposure: amounts, writedowns, changes, distribution by business activity

###### A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	2,811,285	6,242,368	302,262	5,289,538	255,910,981	270,556,434
2. Financial assets at fair value through other comprehensive income	42	-	-	-	45,268,088	45,268,130
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	1	59,458	-	-	1,462,389	1,521,848
5. Financial instruments classified as held for sale	-	53,898	-	-	-	53,898
<b>Total 12.31.2018</b>	<b>2,811,328</b>	<b>6,355,724</b>	<b>302,262</b>	<b>5,289,538</b>	<b>302,641,458</b>	<b>317,400,310</b>

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

###### A.1.1 Breakdown of credit exposures by portfolio and credit quality (carrying value)

(€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	1	26,318	-	-	57,032,712	57,059,031
2. Held-to-maturity financial instruments	-	-	-	-	762,431	762,431
3. Loans and receivables with banks	-	4,998	-	-	27,561,763	27,566,761
4. Loans and receivables with customers	5,638,468	7,923,599	335,557	4,337,794	190,730,037	208,965,455
5. Financial assets at fair value	-	22,374	-	-	63,391	85,765
6. Financial instruments classified as held for sale	-	54,553	-	-	-	54,553
<b>Total 12.31.2017</b>	<b>5,638,469</b>	<b>8,031,842</b>	<b>335,557</b>	<b>4,337,794</b>	<b>276,150,334</b>	<b>294,493,996</b>

###### A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	25,411,231	16,055,316	9,355,915	2,394,906	262,506,590	1,306,071	261,200,519	270,556,434
2. Financial assets at fair value through other comprehensive income	70	28	42	-	45,286,933	18,845	45,268,088	45,268,130
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	168,250	108,791	59,459	-	X	X	1,462,389	1,521,848
5. Financial instruments classified as held for sale	76,570	22,672	53,898	-	-	-	-	53,898
<b>Total 12.31.2018</b>	<b>25,656,121</b>	<b>16,186,807</b>	<b>9,469,314</b>	<b>2,394,906</b>	<b>307,793,523</b>	<b>1,324,916</b>	<b>307,930,996</b>	<b>317,400,310</b>

Note:

(\*) Value shown for information purposes.

## Part E - Information on risks and hedging policies

(€ '000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	30,757	26,061	11,808,290
2. Hedging derivatives	-	-	4,167,319
<b>Total 12.31.2018</b>	<b>30,757</b>	<b>26,061</b>	<b>15,975,609</b>

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

## A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			12.31.2017 TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Available-for-sale financial assets	46,361	20,042	26,319	57,032,712	-	57,032,712	57,059,031
2. Held-to-maturity financial instruments	-	-	-	762,431	-	762,431	762,431
3. Loans and receivables with banks	6,524	1,526	4,998	27,568,727	6,964	27,561,763	27,566,761
4. Loans and receivables with customers	32,688,524	18,790,900	13,897,624	195,984,150	916,319	195,067,831	208,965,455
5. Financial assets at fair value	23,469	1,095	22,374	X	X	63,391	85,765
6. Financial instruments classified as held for sale	88,351	33,798	54,553	-	-	-	54,553
<b>Total 12.31.2017</b>	<b>32,853,229</b>	<b>18,847,361</b>	<b>14,005,868</b>	<b>281,348,020</b>	<b>923,283</b>	<b>280,488,128</b>	<b>294,493,996</b>

## Breakdown of credit exposures by portfolio and credit quality - Financial assets held for trading and Hedging instruments (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	30,563	38,343	13,825,436
2. Hedging derivatives	-	-	4,399,939
<b>Total 12.31.2017</b>	<b>30,563</b>	<b>38,343</b>	<b>18,225,375</b>

## A.1.3 Breakdown of financial assets by past-due buckets (carrying value)

(€ '000)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	3,385,138	274,626	97,088	576,828	445,057	510,802	3,732,353	172,278	5,451,284
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42	-	-
<b>Total 12.31.2018</b>	<b>3,385,138</b>	<b>274,626</b>	<b>97,088</b>	<b>576,828</b>	<b>445,057</b>	<b>510,802</b>	<b>3,732,395</b>	<b>172,278</b>	<b>5,451,284</b>

## Part E - Information on risks and hedging policies

## A.1.4 Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ '000)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS							
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1				FINANCIAL ASSETS CLASSIFIED IN STAGE 2			
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
<b>Opening balance (gross amount)</b>	<b>560,145</b>	<b>8,645</b>	<b>-</b>	<b>568,790</b>	<b>891,551</b>	<b>71</b>	<b>-</b>	<b>891,622</b>
Increases in acquired or originated financial assets	113,368	-	-	113,368	49,745	-	-	49,745
Reversals different from write-offs	(139,451)	-	-	(139,451)	(48,465)	-	-	(48,465)
Net losses/recoveries on credit impairment	(336,341)	13,811	-	(322,530)	256,686	-	-	256,686
Contractual changes without cancellation	802	-	-	802	530	-	-	530
Changes in estimation methodology	-	-	-	-	-	-	-	-
Write-off	(26)	-	-	(26)	(119)	-	-	(119)
Other changes	350,944	(3,611)	-	347,333	(393,298)	(71)	-	(393,369)
<b>Closing balance (gross amount)</b>	<b>549,441</b>	<b>18,845</b>	<b>-</b>	<b>568,286</b>	<b>756,630</b>	<b>-</b>	<b>-</b>	<b>756,630</b>
Recoveries from financial assets subject to write-off	49	-	-	49	-	-	-	-
Write-off are not recognised directly in profit or loss	(59)	-	-	(59)	(25,838)	-	-	(25,838)

continued: A.1.4 Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ '000)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS						TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	ASSETS BELONGING TO THIRD STAGE					OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	OF WHICH: INDIVIDUAL IMPAIRMENT					
<b>Opening balance (gross amount)</b>	<b>18,616,351</b>	<b>-</b>	<b>11,071,610</b>	<b>7,544,741</b>	<b>17,373</b>	<b>85,982</b>	<b>21,140</b>	<b>422,401</b>	<b>20,606,286</b>	
Increases in acquired or originated financial assets	384,774	-	341,488	43,286	-	30,110	5,462	31,227	614,686	
Reversals different from write-offs	(200,761)	-	(41,207)	(159,554)	(168)	-	-	-	(388,677)	
Net losses/recoveries on credit impairment	1,657,510	(43)	1,086,942	570,525	2,732	(74,026)	(7,179)	(23,226)	1,487,192	
Contractual changes without cancellation	1,961	-	1,521	441	-	-	-	-	3,293	
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	
Write-off	(4,310,130)	-	(1,039,204)	(3,270,926)	(7,045)	-	-	-	(4,310,275)	
Other changes	(94,390)	71	(1,516,226)	1,421,907	(259)	24,054	4,222	(28,269)	(140,348)	
<b>Closing balance (gross amount)</b>	<b>16,055,315</b>	<b>28</b>	<b>9,904,924</b>	<b>6,150,420</b>	<b>12,633</b>	<b>66,120</b>	<b>23,645</b>	<b>402,133</b>	<b>17,872,157</b>	
Recoveries from financial assets subject to write-off	123,652	-	86,453	37,199	-	-	-	-	123,701	
Write-off are not recognised directly in profit or loss	(388,856)	-	(91,592)	(297,264)	(1,327)	-	-	-	(414,753)	

## Part E - Information on risks and hedging policies

**A.1.5 Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)**

(€ '000)

PORTFOLIOS/RISK STAGES	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	4,463,256	4,744,438	1,159,978	84,378	883,213	305,938
2. Financial assets at fair value through other comprehensive income	-	-	42	-	-	-
3. Loan commitments and financial guarantees given	1,420,439	653,593	68,380	11,351	310,873	24,812
<b>Total 12.31.2018</b>	<b>5,883,695</b>	<b>5,398,031</b>	<b>1,228,400</b>	<b>95,729</b>	<b>1,194,086</b>	<b>330,750</b>

**A.1.6 On- and off-balance sheet credit exposures with banks: gross and net values**

(€ '000)

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT 12.31.2018		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
	GROSS EXPOSURE				
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	309	X	309	-	-
<i>of which: forbome exposures</i>	-	X	-	-	-
b) Unlikely to pay	3,508	X	3,508	-	-
<i>of which: forbome exposures</i>	-	X	-	-	-
c) Non-performing past due	26	X	26	-	-
<i>of which: forbome exposures</i>	-	X	-	-	-
d) Performing past due	X	2	-	2	-
<i>of which: forbome exposures</i>	X	-	-	-	-
e) Other performing exposures	X	33,945,842	21,539	33,924,303	-
<i>of which: forbome exposures</i>	X	-	-	-	-
<b>Total (A)</b>	<b>3,843</b>	<b>33,945,844</b>	<b>25,382</b>	<b>33,924,305</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	-	X	-	-	-
b) Performing	X	42,561,113	7,186	42,553,927	-
<b>Total (B)</b>	<b>-</b>	<b>42,561,113</b>	<b>7,186</b>	<b>42,553,927</b>	<b>-</b>
<b>Total (A+B)</b>	<b>3,843</b>	<b>76,506,957</b>	<b>32,568</b>	<b>76,478,232</b>	<b>-</b>

Note:

(\*) Value shown for information purposes.

## Part E - Information on risks and hedging policies

## A.1.7 On- and off-balance sheet credit exposures with customers: gross and net values

(€ '000)

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT		12.31.2018		
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
	NON-PERFORMING	PERFORMING			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposures	13,021,547	X	10,210,219	2,811,328	2,380,231
<i>of which: forbome exposures</i>	1,766,326	X	1,335,246	431,080	67,419
b) Unlikely to pay	12,168,830	X	5,813,106	6,355,724	14,675
<i>of which: forbome exposures</i>	7,505,686	X	3,469,496	4,036,190	245
c) Non-performing past due	461,901	X	159,639	302,262	-
<i>of which: forbome exposures</i>	22,441	X	7,069	15,372	-
d) Performing past due	X	5,643,403	353,867	5,289,536	-
<i>of which: forbome exposures</i>	X	932,059	124,396	807,663	-
e) Other performing exposures	X	276,178,419	949,510	275,228,909	-
<i>of which: forbome exposures</i>	X	2,026,499	146,844	1,879,655	-
<b>Total (A)</b>	<b>25,652,278</b>	<b>281,821,822</b>	<b>17,486,341</b>	<b>289,987,759</b>	<b>2,394,906</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	3,402,984	X	402,132	3,000,852	-
b) Performing	X	133,532,996	82,579	133,450,417	-
<b>Total (B)</b>	<b>3,402,984</b>	<b>133,532,996</b>	<b>484,711</b>	<b>136,451,269</b>	<b>-</b>
<b>Total (A+B)</b>	<b>29,055,262</b>	<b>415,354,818</b>	<b>17,971,052</b>	<b>426,439,028</b>	<b>2,394,906</b>

Note:

(\*) Value shown for information purposes.

## A.1.8 On-balance sheet exposures with banks: changes in gross non-performing exposures

(€ '000)

SOURCES/CATEGORIES	CHANGES IN 2018		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>309</b>	<b>6,190</b>	<b>26</b>
<i>of which sold non-cancelled exposures</i>	-	-	-
<b>B. Increases</b>	-	<b>4,670</b>	-
B.1 Transfers from performing loans	-	-	-
B.2 Transfers from acquired or originated impaired financial assets	-	-	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	-	-
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	-	4,670	-
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Reductions</b>	-	<b>7,352</b>	-
C.1 Transfers to performing loans	-	-	-
C.2 Write-offs	-	18	-
C.3 Collections	-	2,667	-
C.4 Sale proceeds	-	-	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other non-performing exposures	-	-	-
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	-	4,667	-
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>309</b>	<b>3,508</b>	<b>26</b>
<i>of which sold non-cancelled exposures</i>	-	-	-

## A.1.8bis Regulatory consolidation - On-balance sheet exposures with banks: changes by credit quality in gross forbome exposures

No data to be disclosed.

## Part E - Information on risks and hedging policies

## A.1.9 On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€'000)

SOURCES/CATEGORIES	CHANGES IN 2018		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>15,346,031</b>	<b>14,417,643</b>	<b>546,668</b>
<i>of which sold non-cancelled exposures</i>	483,218	1,183,628	9,402
<b>B. Increases</b>	<b>3,188,140</b>	<b>4,761,467</b>	<b>403,115</b>
B.1 Transfer from performing loans	327,926	1,784,590	335,665
B.2 Transfer from acquired or originated impaired financial assets	-	4,457	-
<i>of which: business combinations</i>	-	-	-
B.3 Transfer from other non-performing exposures	1,802,188	147,256	4,716
B.4 Contractual changes with no cancellations	-	2,096	-
B.5 Other increases	1,058,026	2,823,068	62,734
<i>of which: business combinations - mergers</i>	-	-	-
<b>C. Decreases</b>	<b>5,512,624</b>	<b>7,010,280</b>	<b>487,882</b>
C.1 Transfers to performing loans	2,284	544,478	58,960
C.2 Write-offs	1,529,170	505,137	304
C.3 Collections	972,168	1,912,647	149,761
C.4 Sale proceeds	337,633	170,423	-
C.5 Losses on disposals	94,578	61,024	-
C.6 Transfers to other non-performing exposures	9,549	1,670,683	273,928
C.7 Contractual changes with no cancellations	3	4,054	-
C.8 Other decreases	2,567,239	2,141,834	4,929
<i>of which: business combinations</i>	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>13,021,547</b>	<b>12,168,830</b>	<b>461,901</b>
<i>of which sold non-cancelled exposures</i>	472,338	1,042,827	9,617

## A.1.9bis On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€'000)

SOURCES/QUALITY	CHANGES IN 2018	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	<b>10,276,232</b>	<b>3,570,116</b>
<i>of which sold non-cancelled exposures</i>	760,360	291,016
<b>B. Increases</b>	<b>3,493,971</b>	<b>1,433,681</b>
B.1 Transfers from performing non-forborne exposures	419,960	805,367
B.2 Transfers from performing forborne exposures	124,087	X
B.3 Transfers from non-performing forborne exposures	X	393,601
<i>of which: business combinations</i>	X	-
B.4 Other increases	2,949,924	234,713
<i>of which: business combinations - mergers</i>	-	-
<b>C. Reductions</b>	<b>4,475,750</b>	<b>2,045,239</b>
C.1 Transfers to performing non-forborne exposures	X	751,285
C.2 Transfers to performing forborne exposures	393,601	X
C.3 Transfers to non-performing forborne exposures	X	124,087
C.4 Write-offs	514,107	52
C.5 Collections	1,425,051	721,873
C.6 Sale proceeds	163,539	-
C.7 Losses from disposal	46,035	-
C.8 Other reductions	1,933,417	447,942
<i>of which: business combinations</i>	-	-
<b>D. Closing balance (gross amount)</b>	<b>9,294,453</b>	<b>2,958,558</b>
<i>of which sold non-cancelled exposures</i>	734,876	232,326



## Part E - Information on risks and hedging policies

## A.1.10 On-balance sheet non-performing credit exposures with banks: changes in overall write-downs

(€ '000)

SOURCES/CATEGORIES	CHANGES IN 2018					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORN EXPOSURES	TOTAL	OF WHICH FORBORN EXPOSURES	TOTAL	OF WHICH FORBORN EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>309</b>	-	<b>1,191</b>	-	<b>26</b>	-
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-
<b>B. Increases</b>	-	-	<b>2,335</b>	-	-	-
B.1 Write-downs of acquired or originated impaired financial assets	-	X	2,334	X	-	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2. Other write-downs	-	-	1	-	-	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	-	-	<b>18</b>	-	-	-
C.1 Write-backs from valuation	-	-	-	-	-	-
C.2. Write-backs from collections	-	-	-	-	-	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	-	-	18	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>309</b>	-	<b>3,508</b>	-	<b>26</b>	-
<i>of which sold non-cancelled exposures</i>	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.1.11 On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ '000)

SOURCES/CATEGORIES	CHANGES IN 2018					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>12,107,358</b>	<b>1,004,936</b>	<b>6,426,264</b>	<b>3,808,439</b>	<b>202,311</b>	<b>7,522</b>
<i>of which sold non-cancelled exposures</i>	249,855	10,429	516,839	364,739	2,021	184
<b>B. Increases</b>	<b>2,979,858</b>	<b>879,642</b>	<b>2,290,381</b>	<b>1,271,649</b>	<b>121,679</b>	<b>8,626</b>
B.1 Write-downs of acquired or originated impaired financial assets	78,855	X	300,426	X	3,160	X
<i>of which: business combinations</i>	-	-	-	-	-	-
B.2. Other write-downs	1,684,041	406,238	1,701,866	887,667	82,301	3,576
B.3 Losses on disposal	94,578	12,617	61,024	33,418	-	-
B.4 Transfers from other categories of non-performing exposures	864,553	361,950	46,550	7,618	2,062	741
B.5 Contractual changes with no cancellations	3	X	4,054	X	-	X
B.6 Other increases	257,828	98,837	176,461	342,946	34,156	4,309
<i>of which: business combinations - mergers</i>	-	-	-	-	-	-
<b>C. Reductions</b>	<b>4,876,997</b>	<b>549,332</b>	<b>2,903,539</b>	<b>1,610,592</b>	<b>164,351</b>	<b>9,079</b>
C.1 Write-backs from valuation	393,731	54,067	953,529	517,011	1,501	143
C.2. Write-backs from collections	316,171	24,214	70,684	26,496	42,390	682
C.3 Gains from disposals	93,778	14,764	30,180	11,597	6	-
C.4 Write-offs	1,529,170	220,648	505,137	293,459	304	-
C.5 Transfers to other categories of non-performing exposures	5,057	1,385	808,369	360,984	99,739	7,940
C.6 Contractual changes with no cancellations	-	X	2,096	X	-	X
C.7 Other decreases	2,539,090	234,254	533,544	401,045	20,411	314
<i>of which: business combinations</i>	-	-	-	-	-	-
<b>D. Closing balance (gross amount)</b>	<b>10,210,219</b>	<b>1,335,246</b>	<b>5,813,106</b>	<b>3,469,496</b>	<b>159,639</b>	<b>7,069</b>
<i>of which sold non-cancelled exposures</i>	301,046	40,366	423,758	362,844	2,198	188

## Part E - Information on risks and hedging policies

## A.2 Classification of credit exposure, of loan commitments and financial guarantees given based on internal and external ratings

## A.2.1 Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ '000)

EXPOSURES	AMOUNT AS AT 12.31.2018						NO RATING	TOTAL
	EXTERNAL RATING CLASSES							
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
<b>A. Financial assets at amortised cost</b>								
- Stage 1	1,578,339	6,583,223	40,479,347	13,350,112	3,900,027	3,038	185,259,496	251,153,582
- Stage 2	116	181,532	2,184	12,537	116,287	52,624	10,987,728	11,353,008
- Stage 3	-	-	-	-	-	-	25,411,231	25,411,231
<b>B. Financial assets at fair value through other comprehensive income</b>								
- Stage 1	4,927,363	7,902,050	32,249,925	1,483	-	-	206,112	45,286,933
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	70	70
<b>Total (A + B)</b>	<b>6,505,818</b>	<b>14,666,805</b>	<b>72,731,456</b>	<b>13,364,132</b>	<b>4,016,314</b>	<b>55,662</b>	<b>221,864,637</b>	<b>333,204,824</b>
<i>of which: acquired or originated impaired financial assets</i>	-	-	-	-	-	-	21,534	21,534
<b>C. Loan commitments and financial guarantees given</b>								
- Stage 1	544,914	2,640,764	16,513,644	6,698,282	2,286,733	69,742	33,205,858	61,959,937
- Stage 2	5,719	6,657	134,184	10,676	10,921	2,199	2,139,162	2,309,518
- Stage 3	-	-	-	-	-	-	1,605,803	1,605,803
<b>Total (C)</b>	<b>550,633</b>	<b>2,647,421</b>	<b>16,647,828</b>	<b>6,708,958</b>	<b>2,297,654</b>	<b>71,941</b>	<b>36,950,823</b>	<b>65,875,258</b>
<b>Total (A + B + C)</b>	<b>7,056,451</b>	<b>17,314,226</b>	<b>89,379,284</b>	<b>20,073,090</b>	<b>6,313,968</b>	<b>127,603</b>	<b>258,815,460</b>	<b>399,080,082</b>

The table details on- and off-balance sheet credits granted to counterparties rated by external rating agencies, which provide brief assessments of the creditworthiness of different classes of borrowers such as Sovereigns, Banks, Public-Sector Entities, Insurance Companies and (usually large) Enterprises.

The table refers to classification of 262/2005 Banca d'Italia Circular (5<sup>th</sup> update dated 22 December 2017); then it provides, for external ratings, 6 classes of creditworthiness.

Rating Agencies utilised to fill the table are: Moody's, S&P's, Fitch and DBRS.

Where more than one agency rating is available, the most prudential rating is assigned.

The "Investment Grade" area (Class 1 to Class 3) is comprised of 29% of the counterparties provided with an external rating and refers to clients with a high credit rating.

Exposures without ratings amount to 65% of the total portfolio reflecting the fact that a considerable part of the portfolio is composed of private clients and small and medium sized companies for which an external rating is not available.

## Part E - Information on risks and hedging policies

### A.2.2 Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ '000)											
EXPOSURES	AMOUNT AS AT 12.31.2018									NO RATING	TOTAL
	INTERNAL RATING CLASSES										
	1	2	3	4	5	6	7	8	9		
<b>A. Financial assets at amortised cost</b>											
- Stage 1	9,286	1,209,849	38,951,855	109,488,227	27,458,861	15,626,347	7,744,402	1,640,905	481,000	48,542,850	251,153,582
- Stage 2	2,819	-	698,526	1,098,851	808,138	1,489,768	2,116,056	1,018,616	2,618,580	1,501,654	11,353,008
- Stage 3	-	-	-	-	-	-	-	-	-	25,411,231	25,411,231
<b>B. Financial assets at fair value through other comprehensive income</b>											
- Stage 1	1,667,897	2,117,157	39,649,704	974,831	-	-	-	-	-	877,344	45,286,933
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	70	70
<b>Total (A + B)</b>	<b>1,680,002</b>	<b>3,327,006</b>	<b>79,300,085</b>	<b>111,561,909</b>	<b>28,266,999</b>	<b>17,116,115</b>	<b>9,860,458</b>	<b>2,659,521</b>	<b>3,099,580</b>	<b>76,333,149</b>	<b>333,204,824</b>
<i>of which: acquired or originated impaired financial assets</i>	-	-	-	-	-	-	-	-	-	21,534	21,534
<b>C. Loan commitments and financial guarantees given</b>											
- Stage 1	500	1,643,620	17,042,469	21,420,466	5,850,532	3,469,870	1,208,798	332,974	112,436	10,878,272	61,959,937
- Stage 2	-	90	24,595	183,732	184,538	190,166	289,780	132,117	68,542	1,235,958	2,309,518
- Stage 3	-	-	-	-	-	-	-	-	-	1,605,803	1,605,803
<b>Total (C)</b>	<b>500</b>	<b>1,643,710</b>	<b>17,067,064</b>	<b>21,604,198</b>	<b>6,035,070</b>	<b>3,660,036</b>	<b>1,498,578</b>	<b>465,091</b>	<b>180,978</b>	<b>13,720,033</b>	<b>65,875,258</b>
<b>Total (A + B + C)</b>	<b>1,680,502</b>	<b>4,970,716</b>	<b>96,367,149</b>	<b>133,166,107</b>	<b>34,302,069</b>	<b>20,776,151</b>	<b>11,359,036</b>	<b>3,124,612</b>	<b>3,280,558</b>	<b>90,053,182</b>	<b>399,080,082</b>

The table contains on- and off-balance sheet exposures grouped according to the counterparties' internal rating. Ratings are assigned to individual counterparties using internally-developed models included in their credit risk management processes.

The internal models validated by the regulators are both 'Local' and 'Group-wide' (e.g. for banks, multinationals and sovereigns).

The various rating scales of these models are mapped onto a single master-scale of 9 classes (illustrated above) based on Probability of Default (PD).

## Part E - Information on risks and hedging policies

### A.3 Distribution of secured credit exposures by type of security

#### A.3.1 Secured on-balance and off-balance sheet credit exposures with banks

(€ '000)

	AMOUNT AS AT 12.31.2018					
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - FINANCIAL LEASES	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	10,744,485	10,744,102	-	-	10,739,487	-
<i>of which non-performing</i>	-	-	-	-	-	-
1.2 Partially secured	1,102	1,092	-	-	-	-
<i>of which non-performing</i>	-	-	-	-	-	-
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	581,968	580,774	-	-	231,556	349,168
<i>of which non-performing</i>	-	-	-	-	-	-
2.2 Partially secured	138,330	138,263	-	-	15,713	84,747
<i>of which non-performing</i>	-	-	-	-	-	-

continued: A.3.1 Secured on-balance and off-balance sheet credit exposures with banks

(€ '000)

	AMOUNT AS AT 12.31.2018										
	GUARANTEES (2)										
	CLN	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
		OTHER CREDIT DERIVATIVES					GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	
	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES							
<b>1. Secured on-balance sheet credit exposures</b>											
1.1 Totally secured	-	-	-	-	-	-	4,614	-	-	10,744,101	
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-	
1.2 Partially secured	-	-	-	-	-	-	447	-	-	447	
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-	
<b>2. Secured off-balance sheet credit exposures</b>											
2.1 Totally secured	-	-	-	-	-	-	-	-	-	580,724	
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-	
2.2 Partially secured	-	-	-	-	-	-	-	9,607	-	110,067	
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-	

## Part E - Information on risks and hedging policies

## A.3.2 Secured on-balance and off-balance sheet credit exposures with customers

(€'000)

	AMOUNT AS AT 12.31.2018					
	GROSS EXPOSURE	NET EXPOSURE	COLLATERALS (1)			
			PROPERTY - MORTGAGES	PROPERTY - FINANCIAL LEASES	SECURITIES	OTHER COLLATERALS
<b>1. Secured on-balance sheet credit exposures</b>						
1.1 Totally secured	135,897,212	125,556,242	66,719,182	-	35,006,366	2,236,750
<i>of which non-performing</i>	16,641,142	7,036,594	5,521,754	-	37,986	43,098
1.2 Partially secured	10,596,397	9,678,735	133,049	-	717,581	576,191
<i>of which non-performing</i>	1,223,952	349,681	48,002	-	15,411	9,350
<b>2. Secured off-balance sheet credit exposures</b>						
2.1 Totally secured	24,543,701	24,397,699	1,722,534	-	4,170,940	300,649
<i>of which non-performing</i>	1,109,125	988,851	380,670	-	1,442	11,743
2.2 Partially secured	4,189,049	4,172,074	28,787	-	112,824	151,911
<i>of which non-performing</i>	234,687	220,095	1,677	-	39,265	18,032

continued: A.3.2 Secured on-balance and off-balance sheet credit exposures with customers

(€'000)

	AMOUNT AS AT 12.31.2018									
	GUARANTEES (2)									
	CLN	CREDIT DERIVATIVES				SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
		OTHER CREDIT DERIVATIVES				GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	
	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES						
<b>1. Secured on-balance sheet credit exposures</b>										
1.1 Totally secured	-	-	-	-	2,797,921	40,254	293,850	17,456,844	124,551,167	
<i>of which non-performing</i>	-	-	-	-	59,142	505	49,695	985,403	6,697,583	
1.2 Partially secured	-	-	-	1,412,287	1,609,655	8,388	448,246	1,679,171	6,584,568	
<i>of which non-performing</i>	-	-	-	-	19,048	2,046	21,160	99,089	214,106	
<b>2. Secured off-balance sheet credit exposures</b>										
2.1 Totally secured	-	-	-	-	1,186,864	309,615	125,392	16,351,013	24,167,007	
<i>of which non-performing</i>	-	-	-	-	4,051	45,333	981	499,840	944,060	
2.2 Partially secured	-	-	-	-	414,276	249,109	15,964	1,400,502	2,373,373	
<i>of which non-performing</i>	-	-	-	-	317	2,541	85	28,672	90,589	

## Part E - Information on risks and hedging policies

### A.4 Financial and non financial assets obtained by taking possession of collaterals

#### A.4 Financial and non-financial assets obtained by taking possession of collaterals

(€ '000)

	CANCELLED CREDIT EXPOSURE	GROSS AMOUNT	OVERALL WRITE-DOWNS	CARRYING VALUE	
					OF WHICH OBTAINED DURING THE YEAR
<b>A. Property, plant and equipment</b>	-	-	-	-	-
A.1 Used in business	-	-	-	-	-
A.2 Held for investment	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
<b>B. Equity instruments and debt securities</b>	-	<b>63,292</b>	-	<b>63,292</b>	-
<b>C. Other assets</b>	-	-	-	-	-
<b>D. Non-current assets and disposal groups classified as held for sale</b>	-	-	-	-	-
D.1 Property, plant and equipment	-	-	-	-	-
D.2 Other assets	-	-	-	-	-
<b>Total 12.31.2018</b>	-	<b>63,292</b>	-	<b>63,292</b>	-

### B. Distribution and concentration of credit exposures

#### B.1 Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ '000)

EXPOSURES/COUNTERPARTIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	50,106	79,381	33,000	264,874	-	-	1,200,416	5,762,310	1,527,806	4,103,654
<i>of which: forbore exposures</i>	-	-	6,194	42,071	-	-	145,934	751,770	278,952	541,405
A.2 Unlikely to pay	5,177	4,595	729,689	415,986	-	-	4,399,063	4,755,815	1,221,795	636,710
<i>of which: forbore exposures</i>	91	74	514,789	328,042	-	-	2,747,998	2,769,309	773,312	372,071
A.3 Non-performing past-due	473	532	4,548	3,903	-	-	25,250	18,251	271,991	136,953
<i>of which: forbore exposures</i>	-	-	19	12	-	-	1,645	946	13,708	6,111
A.4 Performing exposures	67,423,956	70,659	71,118,075	102,200	292,680	201	78,492,969	527,177	63,483,445	603,341
<i>of which: forbore exposures</i>	1,053	2	25,310	2,868	-	-	1,054,619	61,398	1,606,336	206,972
<b>Total (A)</b>	<b>67,479,712</b>	<b>155,167</b>	<b>71,885,312</b>	<b>786,963</b>	<b>292,680</b>	<b>201</b>	<b>84,117,698</b>	<b>11,063,553</b>	<b>66,505,037</b>	<b>5,480,658</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	164	3	79,286	23,581	-	-	2,874,238	376,619	47,164	1,929
B.2 Performing exposures	7,816,435	5,001	20,831,227	18,506	947,666	132	97,965,653	52,535	6,152,663	6,537
<b>Total (B)</b>	<b>7,816,599</b>	<b>5,004</b>	<b>20,910,513</b>	<b>42,087</b>	<b>947,666</b>	<b>132</b>	<b>100,839,891</b>	<b>429,154</b>	<b>6,199,827</b>	<b>8,466</b>
<b>Total (A + B)</b>										
<b>12.31.2018</b>	<b>75,296,311</b>	<b>160,171</b>	<b>92,795,825</b>	<b>829,050</b>	<b>1,240,346</b>	<b>333</b>	<b>184,957,589</b>	<b>11,492,707</b>	<b>72,704,864</b>	<b>5,489,124</b>

## Part E - Information on risks and hedging policies

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### B.1 Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTIES/EXPOSURES	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES			
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	101	3,041	X	70,523	57,850	X	35,706	438,522	X	
- of which: forbome exposures	-	-	X	-	-	X	4,818	37,699	X	
A.2 Unlikely to pay	-	-	X	7,119	3,393	X	711,050	411,328	X	
- of which: forbome exposures	-	-	X	296	241	X	512,253	273,411	X	
A.3 Non-Performing past-due	317	269	X	2,408	1,190	X	1,304	529	X	
- of which: forbome exposures	-	-	X	-	-	X	1	2	X	
A.4 Performing exposures	62,690,691	X	4,038	2,450,173	X	50,195	59,521,240	X	70,319	
- of which: forbome exposures	-	X	-	-	X	-	102,956	X	660	
<b>Total A</b>	<b>62,691,109</b>	<b>3,310</b>	<b>4,038</b>	<b>2,530,223</b>	<b>62,433</b>	<b>50,195</b>	<b>60,269,300</b>	<b>850,379</b>	<b>70,319</b>	
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	X	-	-	X	175	677	X	
B.2. Unlikely to pay	-	-	X	-	-	X	100,551	-	X	
B.3 Other Non-Performing exposures	21	2	X	559	33	X	-	-	X	
B.4 Performing exposures	4,005,362	X	6	5,484,597	X	1,609	11,733,869	X	1,464	
<b>Total B</b>	<b>4,005,383</b>	<b>2</b>	<b>6</b>	<b>5,485,156</b>	<b>33</b>	<b>1,609</b>	<b>11,834,595</b>	<b>677</b>	<b>1,464</b>	
<b>Total</b>	<b>12.31.2017</b>	<b>66,696,492</b>	<b>3,312</b>	<b>4,044</b>	<b>8,015,379</b>	<b>62,466</b>	<b>51,804</b>	<b>72,103,895</b>	<b>851,056</b>	<b>71,783</b>

Continued: B.1 Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTIES/EXPOSURES	INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES			
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	-	-	X	2,179,319	7,541,516	X	3,352,818	4,062,844	X	
- of which: forbome exposures	-	-	X	187,709	571,298	X	293,408	273,730	X	
A.2 Unlikely to pay	-	-	X	5,767,452	5,464,332	X	1,541,223	647,038	X	
- of which: forbome exposures	-	-	X	3,667,102	3,161,106	X	958,792	385,884	X	
A.3 Non-Performing past-due	-	-	X	86,291	40,679	X	245,237	173,304	X	
- of which: forbome exposures	-	-	X	4,225	1,882	X	14,378	4,375	X	
A.4 Performing exposures	225,763	X	114	74,660,214	X	423,496	58,236,013	X	368,157	
- of which: forbome exposures	-	X	-	1,281,934	X	56,726	1,993,679	X	141,716	
<b>Total A</b>	<b>225,763</b>	<b>-</b>	<b>114</b>	<b>82,693,276</b>	<b>13,046,527</b>	<b>423,496</b>	<b>63,375,291</b>	<b>4,883,186</b>	<b>368,157</b>	
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	X	101,901	38,683	X	1,042	14	X	
B.2. Unlikely to pay	-	-	X	985,057	219,226	X	2,388	648	X	
B.3 Other Non-Performing exposures	-	-	X	7,007	732	X	806	90	X	
B.4 Performing exposures	365,846	X	56	39,936,784	X	32,273	1,383,079	X	1,467	
<b>Total B</b>	<b>365,846</b>	<b>-</b>	<b>56</b>	<b>41,030,749</b>	<b>258,641</b>	<b>32,273</b>	<b>1,387,315</b>	<b>752</b>	<b>1,467</b>	
<b>Total</b>	<b>12.31.2017</b>	<b>591,609</b>	<b>-</b>	<b>170</b>	<b>123,724,025</b>	<b>13,305,168</b>	<b>455,769</b>	<b>64,762,606</b>	<b>4,883,938</b>	<b>369,624</b>



## Part E - Information on risks and hedging policies

## B.2 Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area

(€ '000)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	2,804,612	10,145,592	5,823	47,027	665	16,712	96	271	132	617
A.2 Unlikely to pay	6,027,279	5,404,688	281,442	391,425	44,137	16,605	2,792	171	74	217
A.3 Non-performing past-due	299,386	154,844	2,481	4,208	97	186	88	199	210	202
A.4 Performing exposures	250,633,123	1,196,663	21,824,697	75,720	2,680,503	17,618	4,534,195	12,672	845,927	704
<b>Total (A)</b>	<b>259,764,400</b>	<b>16,901,787</b>	<b>22,114,443</b>	<b>518,380</b>	<b>2,725,402</b>	<b>51,121</b>	<b>4,537,171</b>	<b>13,313</b>	<b>846,343</b>	<b>1,740</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	2,908,266	398,655	65,575	1,401	26,703	1,932	308	144	-	-
B.2 Performing exposures	116,532,535	67,192	10,103,745	9,830	4,475,291	2,240	1,341,744	3,272	312,664	45
<b>Total (B)</b>	<b>119,440,801</b>	<b>465,847</b>	<b>10,169,320</b>	<b>11,231</b>	<b>4,501,994</b>	<b>4,172</b>	<b>1,342,052</b>	<b>3,416</b>	<b>312,664</b>	<b>45</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>379,205,201</b>	<b>17,367,634</b>	<b>32,283,763</b>	<b>529,611</b>	<b>7,227,396</b>	<b>55,293</b>	<b>5,879,223</b>	<b>16,729</b>	<b>1,159,007</b>	<b>1,785</b>

## B.2 Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area - Italy

(€ '000)

EXPOSURES/GEOGRAPHIC AREAS	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>								
A.1 Bad exposures	824,117	2,811,764	525,947	1,774,892	680,389	2,606,340	774,159	2,952,596
A.2 Unlikely to pay	1,729,190	1,567,774	1,154,904	1,223,714	2,006,558	1,635,020	1,136,627	978,180
A.3 Non-performing past-due	61,125	31,040	53,344	25,576	70,789	37,671	114,128	60,557
A.4 Performing exposures	71,520,830	389,472	37,719,268	214,691	118,662,225	327,193	22,730,800	265,307
<b>Total (A)</b>	<b>74,135,262</b>	<b>4,800,050</b>	<b>39,453,463</b>	<b>3,238,873</b>	<b>121,419,961</b>	<b>4,606,224</b>	<b>24,755,714</b>	<b>4,256,640</b>
<b>B. Off-balance sheet credit exposures</b>								
B.1 Non-performing exposures	937,380	127,461	689,086	117,603	1,058,720	136,832	223,080	16,759
B.2 Performing exposures	47,421,523	28,587	29,536,476	12,974	32,015,952	20,288	7,558,584	5,343
<b>Total (B)</b>	<b>48,358,903</b>	<b>156,048</b>	<b>30,225,562</b>	<b>130,577</b>	<b>33,074,672</b>	<b>157,120</b>	<b>7,781,664</b>	<b>22,102</b>
<b>Total (A+B)</b>								
<b>12.31.2018</b>	<b>122,494,165</b>	<b>4,956,098</b>	<b>69,679,025</b>	<b>3,369,450</b>	<b>154,494,633</b>	<b>4,763,344</b>	<b>32,537,378</b>	<b>4,278,742</b>

## Part E - Information on risks and hedging policies

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### B.2 Distribution of On- and off-balance sheet exposures with customers by geographic area (book value)

(€ '000)

GEOGRAPHIC AREA/EXPOSURES	AMOUNT AS AT 12.31.2017									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	5,632,066	12,065,047	5,661	37,202	563	1,231	97	110	82	183
A.2 Unlikely to pay	7,560,430	6,111,865	411,177	381,836	53,513	32,083	1,618	88	106	219
A.3 Non-Performing past-due exposures	333,110	213,201	1,780	994	169	286	125	381	373	1,109
A.4 Performing exposures	233,400,629	837,232	19,353,689	34,148	1,791,189	29,169	2,915,773	15,342	322,814	428
<b>Total A</b>	<b>246,926,235</b>	<b>19,227,345</b>	<b>19,772,307</b>	<b>454,180</b>	<b>1,845,434</b>	<b>62,769</b>	<b>2,917,613</b>	<b>15,921</b>	<b>323,375</b>	<b>1,939</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	103,118	39,374	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	1,076,740	217,934	7,548	1,358	2,111	582	1,597	-	-	-
B.3 Other Non-Performing exposures	8,387	856	2	-	-	-	-	-	4	1
B.4 Performing exposures	51,281,990	26,940	7,103,271	5,903	3,173,170	301	1,252,657	3,731	98,449	-
<b>Total B</b>	<b>52,470,235</b>	<b>285,104</b>	<b>7,110,821</b>	<b>7,261</b>	<b>3,175,281</b>	<b>883</b>	<b>1,254,254</b>	<b>3,731</b>	<b>98,453</b>	<b>1</b>
<b>Total A+B</b>										
<b>12.31.2017</b>	<b>299,396,470</b>	<b>19,512,449</b>	<b>26,883,128</b>	<b>461,441</b>	<b>5,020,715</b>	<b>63,652</b>	<b>4,171,867</b>	<b>19,652</b>	<b>421,828</b>	<b>1,940</b>

### B.2 Distribution of On- and off-balance sheet exposures with customers by geographic area (book value) - Italy

(€ '000)

GEOGRAPHIC AREA/EXPOSURES	AMOUNT AS AT 12.31.2017							
	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. Balance sheet exposures</b>								
A.1 Bad exposures	1,879,476	3,372,830	1,108,702	2,451,148	1,220,495	3,025,298	1,423,393	3,215,771
A.2 Unlikely to pay	2,348,478	1,975,214	1,539,364	1,341,652	2,163,342	1,609,537	1,509,248	1,185,461
A.3 Non-Performing past-due exposures	61,910	42,515	51,711	34,826	97,506	56,743	121,982	79,119
A.4 Performing exposures	65,453,720	264,283	37,665,745	148,182	107,498,645	239,709	22,782,516	185,057
<b>Total A</b>	<b>69,743,584</b>	<b>5,654,842</b>	<b>40,365,522</b>	<b>3,975,808</b>	<b>110,979,988</b>	<b>4,931,287</b>	<b>25,837,139</b>	<b>4,665,408</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Bad exposures	15,453	6,544	32,482	18,553	29,732	2,797	25,452	11,480
B.2 Unlikely to pay	411,955	124,977	163,369	47,563	441,073	40,348	60,344	5,045
B.3 Other Non-Performing exposures	717	41	647	68	6,063	687	960	59
B.4 Performing exposures	17,828,006	8,383	8,210,872	4,837	23,092,983	12,289	2,150,129	1,432
<b>Total B</b>	<b>18,256,131</b>	<b>139,945</b>	<b>8,407,370</b>	<b>71,021</b>	<b>23,569,851</b>	<b>56,121</b>	<b>2,236,885</b>	<b>18,016</b>
<b>Total A+B</b>								
<b>12.31.2017</b>	<b>87,999,715</b>	<b>5,794,787</b>	<b>48,772,892</b>	<b>4,046,829</b>	<b>134,549,839</b>	<b>4,987,408</b>	<b>28,074,024</b>	<b>4,683,424</b>

## Part E - Information on risks and hedging policies

## B.3 Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ '000)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	-	-	-	309	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	3,508	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	26	-	-
A.4 Performing exposures	8,819,215	1,547	23,376,961	15,501	414,213	316	977,577	3,947	336,339	228
<b>Total (A)</b>	<b>8,819,215</b>	<b>1,547</b>	<b>23,376,961</b>	<b>15,810</b>	<b>414,213</b>	<b>3,824</b>	<b>977,577</b>	<b>3,973</b>	<b>336,339</b>	<b>228</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	2,447,694	349	28,258,585	5,341	977,717	100	4,842,360	1,163	1,250,219	234
<b>Total (B)</b>	<b>2,447,694</b>	<b>349</b>	<b>28,258,585</b>	<b>5,341</b>	<b>977,717</b>	<b>100</b>	<b>4,842,360</b>	<b>1,163</b>	<b>1,250,219</b>	<b>234</b>
<b>Total (A+B)</b>										
<b>12.31.2018</b>	<b>11,266,909</b>	<b>1,896</b>	<b>51,635,546</b>	<b>21,151</b>	<b>1,391,930</b>	<b>3,924</b>	<b>5,819,937</b>	<b>5,136</b>	<b>1,586,558</b>	<b>462</b>

## B.3 Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area - Italy

(€ '000)

EXPOSURES/GEOGRAPHIC AREAS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
	<b>A. On-balance sheet credit exposures</b>							
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-
A.4 Performing exposures	6,045,323	1,494	276,807	12	2,497,085	41	-	-
<b>Total (A)</b>	<b>6,045,323</b>	<b>1,494</b>	<b>276,807</b>	<b>12</b>	<b>2,497,085</b>	<b>41</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,955,101	247	291,027	67	100,348	35	101,218	-
<b>Total (B)</b>	<b>1,955,101</b>	<b>247</b>	<b>291,027</b>	<b>67</b>	<b>100,348</b>	<b>35</b>	<b>101,218</b>	<b>-</b>
<b>Total (A+B)</b>								
<b>12.31.2018</b>	<b>8,000,424</b>	<b>1,741</b>	<b>567,834</b>	<b>79</b>	<b>2,597,433</b>	<b>76</b>	<b>101,218</b>	<b>-</b>

## Part E - Information on risks and hedging policies

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### B.3 Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value)

(€ '000)

EXPOSURES/GEOGRAPHIC AREA	AMOUNT AS AT 12.31.2017									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	-	-	-	309	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	4,998	1,175	-	16	-	-
A.3 Non-Performing past-due	-	-	-	-	-	-	-	25	-	-
A.4 Performing exposures	7,339,049	1,106	22,709,890	839	298,362	410	326,795	4,246	157,524	363
<b>Total A</b>	<b>7,339,049</b>	<b>1,106</b>	<b>22,709,890</b>	<b>1,148</b>	<b>303,360</b>	<b>1,585</b>	<b>326,795</b>	<b>4,287</b>	<b>157,524</b>	<b>363</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	2,333	2,334	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	808,834	219	10,528,281	3,130	177,520	231	1,079,053	1,993	244,553	606
<b>Total B</b>	<b>808,834</b>	<b>219</b>	<b>10,528,281</b>	<b>3,130</b>	<b>179,853</b>	<b>2,565</b>	<b>1,079,053</b>	<b>1,993</b>	<b>244,553</b>	<b>606</b>
<b>Total A+B</b>										
<b>12.31.2017</b>	<b>8,147,883</b>	<b>1,325</b>	<b>33,238,171</b>	<b>4,278</b>	<b>483,213</b>	<b>4,150</b>	<b>1,405,848</b>	<b>6,280</b>	<b>402,077</b>	<b>969</b>

### B.3 Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value) - Italy

(€ '000)

EXPOSURES/GEOGRAPHIC AREA	AMOUNT AS AT 12.31.2017							
	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>								
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-Performing past-due	-	-	-	-	-	-	-	-
A.4 Performing exposures	4,504,476	1,014	320,499	31	2,514,053	61	21	-
<b>Total A</b>	<b>4,504,476</b>	<b>1,014</b>	<b>320,499</b>	<b>31</b>	<b>2,514,053</b>	<b>61</b>	<b>21</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Bad exposures	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-
B.4 Performing exposures	643,179	187	45,319	27	120,267	3	69	1
<b>Total B</b>	<b>643,179</b>	<b>187</b>	<b>45,319</b>	<b>27</b>	<b>120,267</b>	<b>3</b>	<b>69</b>	<b>1</b>
<b>Total A+B</b>								
<b>12.31.2017</b>	<b>5,147,655</b>	<b>1,201</b>	<b>365,818</b>	<b>58</b>	<b>2,634,320</b>	<b>64</b>	<b>90</b>	<b>1</b>

## Part E - Information on risks and hedging policies

## B.4 Large exposures

	12.31.2018
a) Amount book value (€ million)	312,226
b) Amount weighted value (€ million)	14,248
c) Number	7

## C. Securitisation transactions

## Qualitative information

In 2018 UniCredit S.p.A. carried out four synthetic new securitisation transactions:

- Agribond 2;
- Bond del Mezzogiorno 1;
- Bond Italia 5 bis;
- Puglia Sviluppo 1.

Details of the transactions, traditional and synthetic, are set out in the tables enclosed in the 'Annexes' to the Consolidated Financial Statements, including also those carried out in previous financial years.

It should be noted that, again during 2018:

- the traditional transaction Caesar Finance was closed;
- at the end of November, the amount of the Consumer Three transaction, "self-securitisation" completed in 2016 for counterbalancing capacity purposes, was increased with the sale of a new portfolio and the issue of new notes by the vehicle for 2 billion.

It should also be noted that "self-securitisations" and transactions in warehousing phase are not included in the quantitative tables of Part C, as required by regulations.

Part of the portfolio are:

- own securitisation transactions, both traditional and synthetic, including also those traditional carried out by the Banks absorbed by UniCredit S.p.A. in previous years, for a book value of €7,816 million as at 31 December 2018;
- securities arising out of securitisation transactions carried out by other Companies belonging to the UniCredit group, for a book value of €1,412 million as at 31 December 2018;
- other third-party securitisation exposures, for a book value of €46 million as at 31 December 2018.

## Quantitative Information

## C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

(€ '000)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	<b>493,544</b>	<b>-</b>	<b>250,688</b>	<b>-</b>	<b>95,715</b>	<b>-</b>
A.1 CBO OTHERS	493,544	-	250,688	-	95,715	-
<b>B. Partially derecognised</b>	<b>-</b>	<b>-</b>	<b>32,701</b>	<b>-</b>	<b>-</b>	<b>(3,872)</b>
C.1 CLO OTHERS	-	-	32,701	-	-	(3,872)
<b>C. Not-derecognised</b>	<b>5,572,696</b>	<b>-</b>	<b>436,774</b>	<b>-</b>	<b>934,300</b>	<b>(222,546)</b>
C.1 RMBS Prime	801,278	-	259,350	-	361,758	(180,124)
C.2 CLO SME	125	-	-	-	30	-
C.3 CLO OTHERS	4,771,293	-	177,424	-	572,512	(42,422)
C.4 CONSUMER LOANS	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

continued: C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	-	-
A.1 CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
C.1 CLO OTHERS	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>304,000</b>	-	-	-	-	-
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	304,000	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-

continued: C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	-	-
A.1 CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
C.1 CLO OTHERS	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>11,017</b>	-	-	-	-	-
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	11,017	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2018 only.

### C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

(€ '000)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	10,541	-	-	-	30,794	1,153
- CONSUMER LOANS	4,403	-	-	-	-	-
- LEASING	1,412,285	-	-	-	-	-

continued: C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

continued: C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	-	-	-	-	1,411	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-

### C.3 SPVs for securitisations

(€ '000)

NAME OF SECURITISATION/SPES	COUNTRY OF INCORPORATION	CONSOLIDATION	ASSETS			LIABILITIES		
			LOANS AND RECEIVABLES	DEBT SECURITIES	OTHERS	SENIOR	MEZZANINE	JUNIOR
Capital Mortgage S.r.l. - BIPCA Cordusio	Piazzetta Monte 1 - 37121 Verona	Yes	302,963	-	14,010	189,389	99,600	247
Capital Mortgage S.r.l. - 2007	Piazzetta Monte 1 - 37121 Verona	Yes	649,413	-	34,032	495,744	74,000	67,592
Cordusio RMBS Securitisation S.r.l. - Serie 2006	Piazzetta Monte 1 - 37121 Verona	Yes	233,578	-	10,834	72,290	141,700	10,686
Cordusio RMBS Securitisation S.r.l. - Serie 2007	Piazzetta Monte 1 - 37121 Verona	Yes	840,671	-	24,523	554,353	236,400	2,004
Cordusio RMBS - UCFin S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	472,592	-	24,363	272,180	148,000	13,358
F-E Mortgages S.r.l. - 2003	Piazzetta Monte 1 - 37121 Verona	Yes	110,595	-	26,097	37,649	59,018	7,632
F-E Mortgages S.r.l. - 2005	Piazzetta Monte 1 - 37121 Verona	Yes	181,441	-	14,061	86,154	36,864	32,311
Heliconus S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	55,230	-	12,905	15,678	30,829	8,990
LARGE CORPORATE ONE SRL	Piazzetta Monte 1 - 37121 Verona	Yes	234,272	-	53,484	255,446	-	36,364
ARCOBALENO FINANCE SRL	Foro Buonaparte,70 - 20121 Milano	No	65,124	-	4,857	21,926	-	54,700
CREDIARC SPV SRL	Foro Buonaparte,70 - 20121 Milano	No	31,779	-	2,186	27,766	-	26,411
FINO 1 SECURITISATION SRL	Viale Luigi Majno 45, 20122 Milano	No	657,520	-	113,128	545,019	69,640	50,311
FINO 2 SECURITISATION SRL	Viale Luigi Majno 45, 20122 Milano	No	594,570	-	37,499	323,036	200,600	39,554
ONIF FINANCE SRL	Via Alessandro Pestalozza 12/14, 20131 Milano	No	282,572	-	21,443	94,438	117,481	80,877
Pillarstone Italy SPV S.r.l. - Burgo	Via Pietro Mascagni, 14 - 20122 Milano	No	182,581	-	8,464	6,959	132,225	27,078
Pillarstone Italy SPV S.r.l. - Premuda	Via Pietro Mascagni, 14 - 20122 Milano	No	226,813	-	5,252	4,544	197,347	88,911
Pillarstone Italy SPV S.r.l. - Rainbow	Via Pietro Mascagni, 14 - 20122 Milano	No	38,182	-	103	890	37,934	56,405
Sestante Finance S.r.l.	Via Borromei, 5 - 20123 Milano	No	233,586	-	-	166,432	89,502	8,610
YANEZ SPV S.R.L.	Via Vittorio Alfieri 1, 31015 Conegliano	No	1,012,267	-	25,314	1,492	297,066	441,730

### C.4 Special Purpose Vehicles for securitisation not subject to consolidation

See the corresponding item of Consolidated financial statements.

## Part E - Information on risks and hedging policies

### C.5 Servicer activities - "In-house" securitisations: collections of securitised loans and redemptions of securities issued by the special purpose vehicle for securitization

(€ '000)

SERVICER	SPECIAL PURPOSE VEHICLE	SECURITISED ASSETS (YEAR END FIGURES)		LOANS COLLECTED DURING THE YEAR		PERCENTAGE OF SECURITIES REDEEMED (YEAR END FIGURES)					
		IMPAIRED	PERFORMING	IMPAIRED	PERFORMING	SENIOR		MEZZANINE		JUNIOR	
						IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS	IMPAIRED ASSETS	PERFORMING ASSETS
UniCredit S.p.A.	Capital Mortgage S.r.l. - BIPCA Cordusio	16,538	286,426	3,935	40,811	-	77.77%	-	-	-	-
	Capital Mortgage S.r.l. - 2007	63,233	586,180	10,187	82,056	-	79.17%	-	-	-	-
	Cordusio RMBS Securitisation S.r.l. - SERIE 2006	15,656	217,921	5,293	87,730	-	96.98%	-	-	-	-
	Cordusio RMBS Securitisation S.r.l. - SERIE 2007	59,548	781,123	13,781	149,617	-	84.89%	-	-	-	-
	Cordusio RMBS UCFin S.r.l.	41,926	430,665	7,517	75,014	-	88.34%	-	-	-	-
	F-E Mortgage S.r.l. - SERIE 2003	8,382	102,214	1,780	17,139	-	97.85%	-	-	-	-
	F-E Mortgage S.r.l. - SERIE 2005	13,748	167,693	2,829	24,753	-	90.95%	-	10.31%	-	10.31%
	Heliconus S.r.l.	3,832	51,398	937	9,146	-	98.52%	-	-	-	-
	Large Corporate One S.r.l.	-	234,272	-	189,516	-	-	-	-	-	-

### D. Information on structured entities not consolidated for accounting purposes (other than vehicles for securitisation transactions)

#### Qualitative information

See the corresponding item of Consolidated financial statements.

#### Quantitative information

See the corresponding item of Consolidated financial statements.



## Part E - Information on risks and hedging policies

### E. Sales transaction

#### A. Financial Assets sold and not fully derecognised

##### Quantitative information

#### E.1 Financial assets sold and fully recognised and associated financial liabilities: book value

(migliaia di €)

	FINANCIAL ASSETS SOLD AND FULLY RECOGNISED				ASSOCIATED FINANCIAL LIABILITIES			
	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: AGREEMENT WITH REPURCHASE OBLIGATION	OF WHICH NON-PERFORMING	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: AGREEMENT WITH REPURCHASE OBLIGATION	
<b>A. Financial assets held for trading</b>	<b>1,041,598</b>	<b>-</b>	<b>1,041,598</b>	<b>X</b>	<b>1,017,611</b>	<b>-</b>	<b>1,017,611</b>	
1. Debt securities	1,041,598	-	1,041,598	X	1,017,611	-	1,017,611	
2. Equity instruments	-	-	-	X	-	-	-	
3. Loans	-	-	-	X	-	-	-	
4. Derivative instruments	-	-	-	X	-	-	-	
<b>B. Other financial assets mandatorily at fair value</b>	<b>773,173</b>	<b>22,892</b>	<b>750,281</b>	<b>4,341</b>	<b>824,317</b>	<b>-</b>	<b>824,317</b>	
1. Debt securities	750,281	-	750,281	-	824,317	-	824,317	
2. Equity instruments	-	-	-	X	-	-	-	
3. Loans	22,892	22,892	-	4,341	-	-	-	
<b>C. Financial assets designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
1. Debt securities	-	-	-	-	-	-	-	
2. Loans	-	-	-	-	-	-	-	
<b>D. Financial assets at fair value through other comprehensive income</b>	<b>19,120,302</b>	<b>-</b>	<b>19,120,302</b>	<b>-</b>	<b>18,894,175</b>	<b>-</b>	<b>18,894,175</b>	
1. Debt securities	19,120,302	-	19,120,302	-	18,894,175	-	18,894,175	
2. Equity instruments	-	-	-	X	-	-	-	
3. Loans	-	-	-	-	-	-	-	
<b>E. Financial assets at amortised cost</b>	<b>16,808,769</b>	<b>9,492,531</b>	<b>7,316,238</b>	<b>812,808</b>	<b>8,944,538</b>	<b>1,639,491</b>	<b>7,305,047</b>	
1. Debt securities	7,316,238	-	7,316,238	-	7,305,047	-	7,305,047	
2. Loans	9,492,531	9,492,531	-	812,808	1,639,491	1,639,491	-	
<b>Total 12.31.2018</b>	<b>37,743,842</b>	<b>9,515,423</b>	<b>28,228,419</b>	<b>817,149</b>	<b>29,680,641</b>	<b>1,639,491</b>	<b>28,041,150</b>	

#### E.2 Financial assets sold and partially recognised and associated financial liabilities: book value

(€ '000)

	ORIGINAL GROSS VALUE OF ASSETS BEFORE SALE	BOOK VALUE OF ASSETS STILL PARTIALLY RECOGNISED	OF WHICH NON-PERFORMING	BOOK VALUE OF ASSOCIATED FINANCIAL LIABILITIES
<b>A. Financial assets held for trading</b>	<b>-</b>	<b>-</b>	<b>X</b>	<b>-</b>
1. Debt securities	-	-	X	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	X	-
4. Derivative instruments	-	-	X	-
<b>B. Other financial assets mandatory at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>C. Financial assets designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-
2. Equity instruments	-	-	X	-
3. Loans	-	-	-	-
<b>E. Financial assets at amortised cost</b>	<b>59,675</b>	<b>29,501</b>	<b>29,501</b>	<b>6,155</b>
1. Debt securities	-	-	-	-
2. Loans	59,675	29,501	29,501	6,155
<b>Total 12.31.2018</b>	<b>59,675</b>	<b>29,501</b>	<b>29,501</b>	<b>6,155</b>

## Part E - Information on risks and hedging policies

**E.3 Sale transactions relating to financial liabilities with repayment exclusively based on assets sold and not fully derecognised: fair value**

			(€ '000)
	FULLY RECOGNISED	PARTIALLY RECOGNISED	TOTAL 12.31.2018
<b>A. Financial assets held for trading</b>	-	-	-
1. Debt securities	-	-	-
2. Equity instruments	-	-	-
3. Loans	-	-	-
4. Derivative instruments	-	-	-
<b>B. Other financial assets mandatorily at fair value</b>	<b>22,892</b>	-	<b>22,892</b>
1. Debt securities	-	-	-
2. Equity instruments	-	-	-
3. Loans	22,892	-	22,892
<b>C. Financial assets designated at fair value</b>	-	-	-
1. Debt securities	-	-	-
2. Loans	-	-	-
<b>D. Financial assets at fair value through other comprehensive income</b>	-	-	-
1. Debt securities	-	-	-
2. Equity instruments	-	-	-
3. Loans	-	-	-
<b>E. Financial assets at amortised cost (fair value)</b>	<b>3,587,942</b>	<b>28,038</b>	<b>3,615,980</b>
1. Debt securities	-	-	-
2. Loans	3,587,942	28,038	3,615,980
<b>Total associated financial assets</b>	<b>3,610,834</b>	<b>28,038</b>	<b>3,638,872</b>
<b>Total associated financial liabilities</b>	<b>1,639,491</b>	<b>6,155</b>	<b>X</b>
<b>Total net amount 12.31.2018</b>	<b>1,971,343</b>	<b>21,883</b>	<b>1,993,226</b>

*B. Financial assets sold and fully derecognised with recognition of continuing involvement**Qualitative information*

At the end of the year there were no disposals of financial assets that had been fully derecognised, which required the recognition of continuing involvement.

*Quantitative Information***E.4 Covered bond transaction**

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 1.1 Credit Risk - Quantitative information - D. Sales Transactions - D. 4 Regulatory consolidation - Covered Bond Transactions - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

**Information on Sovereign exposure**

It should be noted that, as a result of IFRS9 adoption since 1 January 2018, Sovereign debt securities have been classified in the new categories specified by the standard in consideration of the business model followed and the related cash flow features (Solely Payment of Principal and Interests - SPPI Test).

It should also be noted that during the year:

- no changes have been made to the business models adopted on the 1 January and, consequently, the sovereign debt securities have not been subject to reclassification
- the changed market circumstances also suggested the adoption of a "held to collect" business model for new purchases of Italian sovereign debt securities which, consequently, have to be measured at amortized cost subject to verification of the features of the related cash flows.

## Part E - Information on risks and hedging policies

With reference to the UniCredit S.p.A. Sovereign exposures, the book value of Sovereign debt securities as at 31 December 2018 amounted to €58,684 million, of which nearly 81% in connection with Italy.

This exposures is shown in the table below:

### Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 12.31.2018		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>- Italy</b>	<b>46,469,897</b>	<b>47,411,039</b>	<b>47,656,572</b>
Financial assets at amortised cost	14,270,296	14,263,919	14,509,452
Financial assets mandatorily at fair value	799,665	806,739	806,739
Financial assets designated at fair value	-	-	-
Financial assets/liabilities held for trading (net exposure)	1,778,671	1,867,473	1,867,473
Financial assets at fair value through other comprehensive income	29,621,265	30,472,908	30,472,908

The remaining 19% of the total of Sovereign debt securities, amounting to €11,273 million with reference to the book value as at December 2018, is divided into 15 countries, of which €4,968 million to Spain, €2,215 million to Japan, €2,011 million to France and €589 million to Germany.

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

(€ '000)

	AMOUNTS AS AT 12.31.2018				TOTAL
	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	
Book value		809,576	41,670,646	14,335,283	56,815,505
% Portfolio	100.00%	25.46%	88.80%	84.07%	

In addition to the exposures to Sovereign debt securities, loans given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount of the loans as at 31 December 2018:

### Breakdown of Sovereign Loans by Country

(€ '000)

COUNTRY	AMOUNTS AS AT 12.31.2018 BOOK VALUE
- Italy	2,906,615
- Czech Republic	699,339
- Qatar	312,292
- Kenia	88,095
- Dominican Republic	53,883
- Brazil	45,335
- Other	46,910
<b>Total on-balance sheet exposures</b>	<b>4,152,468</b>

### Other transaction

With reference to the indications of Banca d'Italia/Consob/IVASS document No.6 of 8 March 2013 - Booking of "long-term structured repos" - instructions, there are no transactions of this kind to report.

In addition, with reference to an investment of UniCredit S.p.A. in a debt security issued by the Italian Republic maturing on 30 August 2019 (ITALY 19EUR FRN) subscribed for during placement for a nominal amount of €750 million and with a book value of €750 million including accrued interest at 31 December 2018 (classified in the "mandatorily-at-fair value" portfolio in accordance with SPPI test result), a term repo (conducted in two stages) for a total nominal amount of €750 million, with a book value of liabilities of €824 million at 31 December 2018, was completed in 2012.

## Part E - Information on risks and hedging policies

At the same time, a 4.25% BTP maturing in September 2019 was purchased under a term reverse repo (conducted in 2 stages) for a total nominal value of €750 million and a book value of €824 million at 31 December 2018, with the economic purpose of obtaining the availability of more liquid securities (compared with the security ITALY 19EUR FRN), with the same maturity and similar underlying risks, that can be therefore used more easily for refinancing operations.

The term repo and the term reverse repo are subject to netting (whose value is collateralised by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause is accounted for as a financial guarantee issued, in accordance with the nature of the commitments of the parties. The fair value at trade date, €22 million, was initially recorded in other liabilities and is amortised on a pro-rata basis according to the current accounting rules.

### **Information on trading book derivative instruments with customers**

The business model governing OTC derivatives trading with customers provides for centralization of market risk in the CIB Division - Markets Area, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g. structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

The UniCredit group trades OTC derivatives on a wide range of underlying, e.g. interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalization; new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and controls in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not (usually) entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to credit-risk mitigation ("CRM") techniques, by using netting and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:

- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit & loan-credit default swaps, in order to obtain a value in terms of 'expected loss' (EL) to be used for items designated and measured at fair value maximising usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flow according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20a. Financial assets held for trading" and of balance-sheet liability item "20. Financial liabilities held for trading".

To make the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular 262 (which was used for the preparation of the accounts) was used as a reference.

Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross-currency swaps) and/or leverage effects.

## Part E - Information on risks and hedging policies

The balance of item "20a Financial assets held for trading" with regard to derivative contracts totaled €5,323 million (with a notional value of €181,963 million) including €2,894 million with customers. The notional value of derivatives with customers amounted to €76,433 million, of which €3,291 structured (fair value €143 million). The notional value of derivatives with banking counterparties totaled €105,530 million (fair value of €2,429 million) including €2,559 million related to structured derivatives (fair value of €65 million).

The balance of item "20 Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €5,740 million (with a notional value of €167,972 million) including €1,747 million with customers. The notional value of derivatives with customers amounted to €48,756 million including €2,413 million in structured derivatives (fair value of €64 million). The notional value of derivatives with banking counterparties totaled €119,216 million (fair value of €3,993 million) including €3,145 million related to structured derivatives (fair value €147 million).

### F. Credit risk measurement models

At the end of December 2018 the expected loss on the credit risk perimeter was 0.59% of total Bank credit exposure. This trend is mitigated by the exposures which have migrated to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario.

The ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 4.09% with reference date end of December 2018.

As far as quantitative information of UniCredit Group, reference is made to the paragraph Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Credit Risk - Quantitative information - E. Credit risk measurement models.

## Section 2 - Market risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - General aspects - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

Below end of year VaR, SVaR and IRC results:

### Daily VaR on Trading Book

	12.31.2018	2018			2017
		AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	3.64	5.1	11.2	2.7	4.3

### SVaR on Trading Book

	12.27.2018	2018			2017
		AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	9.50	19.67	30.33	8.42	17.86

### IRC on Trading Book

	12.27.2018	2018			2017
		AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	89.1	180.3	376.4	34.6	182.4

## 2.1 Interest rate risk and price risk - Regulatory trading book

### Qualitative information

#### Interest rate risk

##### A. General aspects

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Interest Rate Risk - Qualitative information - A. General information - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

##### B. Operational processes and methods for measuring interest rate risk and price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Interest Rate Risk - Qualitative information - B. Risk Management Processes and Measurement Methods - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

### Price risk

#### A. General information

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Price Risk - Qualitative information - A. General information - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

#### B. Operational processes and methods for measuring interest rate risk and price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Price Risk - Qualitative information - B. Risk Management Processes and Measurement Methods - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

### Quantitative information

#### 1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives

The table is not reported since a table showing Interest Rate sensitivity is described below, in accordance with Internal Model.

#### 2. Regulatory trading portfolio: distribution of equity exposures and equity indices for the main listing countries

The table is not reported since a table showing Price risk sensitivity is described below, in accordance with Internal Model.

#### 3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

### Interest rate risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Interest Rate Risk - Quantitative information- Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

The tables below show trading book sensitivities.

(€ million)

INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
<b>Total</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>1.9</b>	<b>-1.9</b>	<b>20.0</b>	<b>-17.4</b>	<b>-1.0</b>	<b>0.4</b>
of which:														
EUR	0.0	-0.1	0.0	0.0	0.0	-0.2	0.0	-0.2	2.2	-2.1	22.7	-19.0	1.9	-2.4
USD	0.0	0.0	-0.1	0.0	0.0	0.2	0.0	0.1	0.1	-0.1	0.6	-1.7	-3.4	3.4
GBP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-0.1	0.9	-0.9	-0.4	0.4
CHF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1	-1.4	1.4	0.5	-0.5
JPY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1	0.0	0.0

### Price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.1. Price Risk - Quantitative information - Part E of the Consolidated explanatory notes, which is herewith quoted entirely

## Part E - Information on risks and hedging policies

### 2.2 Interest rate and price risk - Banking book

#### Qualitative information

##### Interest rate risk and Price risk

##### A. General aspects, operational processes and methods for measuring interest rate risk and price risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk – 2.2.2 Interest Rate Risk and Price Risk - banking book - A. General aspects, operational processes and methods for measuring interest rate risk - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

#### Quantitative information

##### 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2018							
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE MATURITY
<b>1. On-balance sheet assets</b>	<b>35,774,664</b>	<b>141,836,652</b>	<b>20,403,186</b>	<b>18,810,430</b>	<b>69,125,784</b>	<b>22,155,435</b>	<b>9,238,187</b>	-
1.1 Debt securities	499,821	6,017,791	2,945,489	6,848,110	36,589,596	12,666,159	497,189	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	499,821	6,017,791	2,945,489	6,848,110	36,589,596	12,666,159	497,189	-
1.2 Loans to banks	4,223,061	15,002,279	1,898,103	3,245,057	4,266,881	-	-	-
1.3 Loans to customers	31,051,782	120,816,582	15,559,594	8,717,263	28,269,307	9,489,276	8,740,998	-
- Current accounts	13,336,175	52,156	7,474	209,107	833,956	30,668	7,708	-
- Other loans	17,715,607	120,764,426	15,552,120	8,508,156	27,435,351	9,458,608	8,733,290	-
- With prepayment option	10,539,115	57,427,400	7,726,836	3,335,842	18,604,979	7,622,507	7,543,460	-
- Other	7,176,492	63,337,026	7,825,284	5,172,314	8,830,372	1,836,101	1,189,830	-
<b>2. On-balance sheet liabilities</b>	<b>166,291,922</b>	<b>81,777,016</b>	<b>9,744,130</b>	<b>7,371,538</b>	<b>51,833,263</b>	<b>6,917,905</b>	<b>2,801,872</b>	-
2.1 Deposits from customers	161,141,383	44,881,463	1,453,533	1,291,458	370,981	249,228	1,847,705	-
- Current accounts	155,695,248	229,108	18,430	4,288	-	-	-	-
- Other	5,446,135	44,652,355	1,435,103	1,287,170	370,981	249,228	1,847,705	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	5,446,135	44,652,355	1,435,103	1,287,170	370,981	249,228	1,847,705	-
2.2 Deposits from banks	4,568,402	15,925,892	3,590,519	1,401,334	33,482,658	20,195	5,789	-
- Current accounts	805,668	-	-	-	-	-	-	-
- Other	3,762,734	15,925,892	3,590,519	1,401,334	33,482,658	20,195	5,789	-
2.3 Debt securities in issue	578,396	20,969,661	4,700,078	4,678,746	17,979,624	6,648,482	948,378	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	578,396	20,969,661	4,700,078	4,678,746	17,979,624	6,648,482	948,378	-
2.4 Other liabilities	3,741	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	3,741	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	210,394	-	128,592	3,112,587	95,352	-	-
3.2 Without underlying security								
- Option								
+ Long positions	-	3,503,463	1,251,732	3,003,468	23,027,639	16,293,043	15,578,825	-
+ Short positions	-	1,751,732	1,251,732	3,003,468	23,777,964	16,542,656	16,278,825	-
- Other derivatives								
+ Long positions	5,324,283	218,688,584	35,424,770	63,557,535	280,998,787	37,101,577	1,808,573	-
+ Short positions	2,469,777	217,819,902	40,593,135	77,580,500	269,778,299	21,939,288	5,403,872	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	19,564	19,685,678	1,341,519	531,210	2,776,976	-	-	-
+ Short positions	4,253,414	19,661,689	315,537	124,306	-	-	-	-

## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: euro

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2018							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>34,614,572</b>	<b>136,473,204</b>	<b>18,715,528</b>	<b>18,142,547</b>	<b>63,873,247</b>	<b>21,349,612</b>	<b>8,785,712</b>	-
1.1 Debt securities	486,968	5,388,310	2,928,285	6,807,334	34,163,684	12,308,408	488,440	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	486,968	5,388,310	2,928,285	6,807,334	34,163,684	12,308,408	488,440	-
1.2 Loans to banks	3,476,334	13,131,038	1,505,025	3,155,276	3,226,157	-	-	-
1.3 Loans to customers	30,651,270	117,953,856	14,282,218	8,179,937	26,483,406	9,041,204	8,297,272	-
- Current accounts	13,200,335	52,156	7,474	209,106	829,033	30,668	7,708	-
- Other loans	17,450,935	117,901,700	14,274,744	7,970,831	25,654,373	9,010,536	8,289,564	-
- With prepayment option	10,525,875	57,402,942	7,724,526	3,334,018	18,567,960	7,622,183	7,542,364	-
- Other	6,925,060	60,498,758	6,550,218	4,636,813	7,086,413	1,388,353	747,200	-
<b>2. On-balance sheet liabilities</b>	<b>162,069,456</b>	<b>76,759,148</b>	<b>9,471,649</b>	<b>7,266,582</b>	<b>47,276,420</b>	<b>6,275,270</b>	<b>1,933,993</b>	-
2.1 Deposits from customers	158,685,489	44,547,602	1,423,209	1,285,623	370,981	249,228	1,847,705	-
- Current accounts	153,417,700	50	-	-	-	-	-	-
- Other	5,267,789	44,547,552	1,423,209	1,285,623	370,981	249,228	1,847,705	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	5,267,789	44,547,552	1,423,209	1,285,623	370,981	249,228	1,847,705	-
2.2 Deposits from banks	2,836,215	11,422,031	3,386,686	1,303,063	33,324,570	20,195	5,789	-
- Current accounts	529,544	-	-	-	-	-	-	-
- Other	2,306,671	11,422,031	3,386,686	1,303,063	33,324,570	20,195	5,789	-
2.3 Debt securities in issue	544,011	20,789,515	4,661,754	4,677,896	13,580,869	6,005,847	80,499	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	544,011	20,789,515	4,661,754	4,677,896	13,580,869	6,005,847	80,499	-
2.4 Other liabilities	3,741	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	3,741	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Option								
+ Long positions	-	3,503,463	1,251,732	3,003,468	23,027,639	15,759,890	15,578,825	-
+ Short positions	-	1,751,732	1,251,732	3,003,468	23,777,964	16,542,656	16,278,825	-
- Other derivatives								
+ Long positions	5,210,746	191,131,692	34,505,782	62,440,028	265,907,932	34,530,400	1,698,267	-
+ Short positions	2,356,240	190,122,466	39,588,993	75,949,607	258,100,570	20,676,309	5,293,566	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	1,010	19,571,326	1,315,537	531,210	2,776,976	-	-	-
+ Short positions	4,253,414	19,502,802	315,537	124,306	-	-	-	-



## Part E - Information on risks and hedging policies

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: other currencies

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2018							INDEFINITE MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>1,160,092</b>	<b>5,363,448</b>	<b>1,687,658</b>	<b>667,883</b>	<b>5,252,537</b>	<b>805,823</b>	<b>452,475</b>	-
1.1 Debt securities	12,853	629,481	17,204	40,776	2,425,912	357,751	8,749	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	12,853	629,481	17,204	40,776	2,425,912	357,751	8,749	-
1.2 Loans to banks	746,727	1,871,241	393,078	89,781	1,040,724	-	-	-
1.3 Loans to customers	400,512	2,862,726	1,277,376	537,326	1,785,901	448,072	443,726	-
- Current accounts	135,840	-	-	1	4,923	-	-	-
- Other loans	264,672	2,862,726	1,277,376	537,325	1,780,978	448,072	443,726	-
- With prepayment option	13,240	24,458	2,310	1,824	37,019	324	1,096	-
- Other	251,432	2,838,268	1,275,066	535,501	1,743,959	447,748	442,630	-
<b>2. On-balance sheet liabilities</b>	<b>4,222,466</b>	<b>5,017,868</b>	<b>272,481</b>	<b>104,956</b>	<b>4,556,843</b>	<b>642,635</b>	<b>867,879</b>	-
2.1 Deposits from customers	2,455,894	333,861	30,324	5,835	-	-	-	-
- Current accounts	2,277,548	229,058	18,430	4,288	-	-	-	-
- Other	178,346	104,803	11,894	1,547	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	178,346	104,803	11,894	1,547	-	-	-	-
2.2 Deposits from banks	1,732,187	4,503,861	203,833	98,271	158,088	-	-	-
- Current accounts	276,124	-	-	-	-	-	-	-
- Other	1,456,063	4,503,861	203,833	98,271	158,088	-	-	-
2.3 Debt securities in issue	34,385	180,146	38,324	850	4,398,755	642,635	867,879	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	34,385	180,146	38,324	850	4,398,755	642,635	867,879	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying security								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	210,394	-	128,592	3,112,587	95,352	-	-
3.2 Without underlying security								
- Option								
+ Long positions	-	-	-	-	-	533,153	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	113,537	27,556,892	918,988	1,117,507	15,090,855	2,571,177	110,306	-
+ Short positions	113,537	27,697,436	1,004,142	1,630,893	11,677,729	1,262,979	110,306	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	18,554	114,352	25,982	-	-	-	-	-
+ Short positions	-	158,887	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## 2. Banking book: internal models and other methods for sensitivity analysis

## Interest Rate Risk

At 31st December 2018, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€468 million.

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€289 million at 31st December 2018<sup>46</sup>.

## 2.3 Exchange rate risk

## Qualitative information

## A. General aspects, risk management processes and measurement methods

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.3. Exchange Rate Risk - Qualitative information - A. General information, risk management processes and measurement methods - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

## B. Hedging exchange rate risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.3. Exchange Rate Risk - Qualitative information - B. Hedging exchange rate risk - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

## Quantitative information

## 1. Distribution by currency of assets and liabilities and derivatives

(€ '000)

ITEMS	AMOUNTS AS AT 12.31.2018					
	CURRENCIES					
	CANADA DOLLAR	U.S. DOLLAR	UNITED KINGDOM POUND	JAPAN YEN	POLAND ZLOTY	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>53,492</b>	<b>9,932,415</b>	<b>142,568</b>	<b>2,249,307</b>	<b>706,713</b>	<b>2,232,450</b>
A.1 Debt securities	-	1,278,227	-	2,215,866	-	-
A.2 Equity securities	-	408,074	-	-	416,346	3,219
A.3 Loans to banks	5,174	3,520,334	39,541	22,743	100,458	453,566
A.4 Loans to customers	48,318	4,725,780	103,027	10,698	189,910	1,775,665
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>1,517</b>	<b>1,115,063</b>	<b>7,579</b>	<b>2,300</b>	<b>1,052</b>	<b>63,586</b>
<b>C. Financial liabilities</b>	<b>55,012</b>	<b>13,436,765</b>	<b>643,623</b>	<b>51,503</b>	<b>60,133</b>	<b>1,438,113</b>
C.1 Deposits from banks	17,985	5,002,460	499,112	3,351	2,330	1,171,002
C.2 Deposits from customers	37,027	2,318,241	144,511	8,372	57,803	259,983
C.3 Debt securities in issue	-	6,116,064	-	39,781	-	7,128
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>44</b>	<b>58,780</b>	<b>2,493</b>	<b>61</b>	<b>49</b>	<b>4,676</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	-	882,082	3,241	159	-	76,748
+ Short positions	-	353,196	3,241	159	-	76,748
- Other derivatives						
+ Long positions	71,778	34,170,718	2,593,382	433,725	145,388	5,705,369
+ Short positions	106,903	32,666,716	2,131,804	2,604,019	378,165	6,573,878
<b>Total assets</b>	<b>126,787</b>	<b>46,100,278</b>	<b>2,746,770</b>	<b>2,685,490</b>	<b>853,154</b>	<b>8,078,152</b>
<b>Total liabilities</b>	<b>161,959</b>	<b>46,515,457</b>	<b>2,781,160</b>	<b>2,655,741</b>	<b>438,347</b>	<b>8,093,415</b>
<b>Difference (+/-)</b>	<b>(35,172)</b>	<b>(415,179)</b>	<b>(34,390)</b>	<b>29,749</b>	<b>414,807</b>	<b>(15,262)</b>

<sup>46</sup> The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

## Part E - Information on risks and hedging policies

### 2. Internal models and other methodologies for sensitivity analysis

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market Risk - 2.2.3. Exchange Rate Risk - Quantitative information - 2. Internal models and other methodologies for sensitivity analysis - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

### Credit spread risk and Stress test

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.2 Market risk - Credit Spread Risk - Stress Test - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

Below end of year Stress Test results:

#### Stress Test on trading book

27 December 2018

#### Scenario

(€ million)

	2018		
	WIDESPREAD CONTAGION	PROTECTIONISM	IR SHOCK
UniCredit S.p.A.	-44	-40	-5

## Section 3 - Derivative instrument and hedging policies

### 3.1 Trading financial derivatives

#### A. Financial derivatives

#### A.1 Trading financial derivatives: end-of-period notional amounts

(€ '000)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Debt securities and interest rate indexes</b>	<b>29,878,384</b>	<b>197,243,882</b>	<b>24,100,928</b>	<b>936,600</b>
a) Options	-	8,945,511	3,590,182	-
b) Swap	29,878,384	188,298,371	19,675,019	-
c) Forward	-	-	16,727	-
d) Futures	-	-	819,000	936,600
e) Other	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	<b>-</b>	<b>21,341,400</b>	<b>68,849</b>	<b>-</b>
a) Options	-	21,341,400	68,849	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Gold and currencies</b>	<b>-</b>	<b>62,917,880</b>	<b>5,797,756</b>	<b>-</b>
a) Options	-	9,043,609	1,714,968	-
b) Swap	-	14,383,518	661,067	-
c) Forward	-	39,490,753	3,421,721	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Commodities</b>	<b>-</b>	<b>4,073,069</b>	<b>637,561</b>	<b>-</b>
<b>5. Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>29,878,384</b>	<b>285,576,231</b>	<b>30,605,094</b>	<b>936,600</b>

## Part E - Information on risks and hedging policies

## A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ '000)

TYPE OF DERIVATIVES	AMOUNTS AS AT 12.31.2018			
	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Positive fair value</b>				
a) Options	-	456,724	50,114	-
b) Interest rate swap	148,819	2,842,664	440,563	-
c) Cross currency swap	-	794,360	18,156	-
d) Equity swap	-	-	-	-
e) Forward	-	280,888	31,235	-
f) Futures	-	-	169	3,869
g) Other	-	177,280	35,344	-
<b>Total</b>	<b>148,819</b>	<b>4,551,916</b>	<b>575,581</b>	<b>3,869</b>
<b>2. Negative fair value</b>				
a) Options	-	334,839	72,769	-
b) Interest rate swap	118,089	3,675,403	20,193	-
c) Cross currency swap	-	798,560	38,091	-
d) Equity swap	-	-	-	-
e) Forward	-	415,638	31,075	-
f) Futures	-	-	560	17,033
g) Other	-	183,280	29,233	-
<b>Total</b>	<b>118,089</b>	<b>5,407,720</b>	<b>191,921</b>	<b>17,033</b>

## Part E - Information on risks and hedging policies

## A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ '000)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	834,494	2,876,005	20,390,430
- Positive fair value	X	169	26,902	432,536
- Negative fair value	X	3,442	12,576	9,779
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	-	-	68,849
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	33,521
<b>3) Gold and currencies</b>				
- Notional amount	X	255,427	217,792	5,324,537
- Positive fair value	X	6,431	1,357	71,746
- Negative fair value	X	9,845	8,497	83,727
<b>4) Commodities</b>				
- Notional amount	X	-	-	637,561
- Positive fair value	X	-	-	36,441
- Negative fair value	X	-	-	30,534
<b>5) Other</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	29,878,384	145,919,403	37,970,570	13,353,909
- Positive fair value	148,819	1,215,929	1,071,693	589,619
- Negative fair value	118,089	2,535,542	1,051,398	139,983
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	21,341,400	-	-
- Positive fair value	-	261,279	-	-
- Negative fair value	-	98,461	-	-
<b>3) Gold and currencies</b>				
- Notional amount	-	53,389,163	2,368,087	7,160,629
- Positive fair value	-	855,063	12,843	342,762
- Negative fair value	-	1,191,055	32,199	150,470
<b>4) Commodities</b>				
- Notional amount	-	2,454,377	68,978	1,549,714
- Positive fair value	-	95,337	2,142	105,249
- Negative fair value	-	153,298	2,334	52,983
<b>5) Other</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

## A.4 OTC financial derivatives - residual life: notional amounts

(€ '000)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	56,631,770	122,941,823	71,649,603	251,223,196
A.2 Financial derivative contracts on equity securities and stock indexes	3,268,710	13,641,730	4,499,808	21,410,248
A.3 Financial derivative contracts on exchange rates and hold	50,799,247	10,546,797	7,369,591	68,715,635
A.4 Financial derivative contracts on other values	4,394,948	315,682	-	4,710,630
A.5 Other financial derivatives	-	-	-	-
<b>Total 12.31.2018</b>	<b>115,094,675</b>	<b>147,446,032</b>	<b>83,519,002</b>	<b>346,059,709</b>

## Part E - Information on risks and hedging policies

### B. Credit derivatives

No data to be disclosed.

### 3.2 Hedging policies

#### Qualitative information

Hedging transactions are used to manage the exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations and are executed in accordance with internal policies.

Derivatives are mainly used to manage of the banking book interest rate risk with the following goals:

- reducing banking book interest rate risk profile according to Risk Appetite Framework approved by the Board of Directors and limits defined by relevant Committees or risk functions. Within Risk Appetite Framework, the banking book exposure to interest rate risk is defined either in terms of Net Interest Income Sensitivity and Economic Value Sensitivity;
- optimizing the natural hedge between the risk profile of assets and liabilities using derivatives to manage the mismatch, even temporary, between the volume and the rates of assets and liabilities with different repricing schedules;
- minimizing the net exposure of derivatives used for hedging either assets and liabilities.

#### A. Fair value hedging activities

The objective of fair value hedge on assets/liabilities is to hedge the exposure to changes in fair value coming from the embedded risk factor subject to an hedging transaction.

The fair value hedge is applied both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, fixed rate loans and non-maturity deposits).

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

The hedging strategy on identified financial instruments classified as *Held-to-Collect* (HTC) and *Held-to-Collect & Sell* (HTCS) considers the contractual features of each instruments and business intent.

The hedging strategy on portfolios of financial instruments refers to the amounts of money contained in the portfolio of interest rate exposures that are not already subject to "micro/specific" hedging and mirrors to the nominal amount and financial conditions of hedging derivatives

The objective of fair value hedge on assets/liabilities denominated in foreign currency is to hedge the exposure to changes in fair value by converting to Euro denominated assets/liabilities.

The hedging instruments used mainly consist of interest rate swaps, basis swaps, caps, floors and cross currencies swaps.

#### B. Cash flow hedging activities

The objective of cash flow hedge on floating rate assets/liabilities is to hedge the exposure to changes in cash flows from borrowings/lendings that bear a floating interest rate.

The hedging relationship is classified at the inception of the hedge by identifying the portion and type of risk to be hedged (partial term hedge), the hedging strategy, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

The hedging instruments used mainly consist of interest rate swaps, caps, floors, cross-currency swaps with a maturity up to 20-30 year for some commercial assets.

#### C. Foreign net investments hedge activities

No hedging strategy is in place on an investment in entities whose functional currency differs from the Group's functional currency.

## Part E - Information on risks and hedging policies

The Group put in place some economic hedges on forecasted foreign currency revenues stemming from those entities. The objective of the economic hedge on is to reduce the volatility on the income statement coming from the foreign exchange risks. FX risk on forecasted foreign currency revenues is continuously monitored and hedging strategies are periodically assessed. The hedging strategy and the percentage to be hedged is defined on a case by case basis considering, inter alia, the diversification effect and taking into account the volatility and correlation in the FX rates.

The derivatives used consist mainly of currency options. These derivatives may not qualify for hedge accounting even though achieves substantially the same economic results. The impact of economic hedge is accounted in the Trading Income line.

### D. Hedging instruments and E. Hedging elements

Prospective hedge effectiveness is established by the fact that all derivatives must, at inception, have the effect of reducing interest rate risk in term of Economic Value Sensitivity (Fair Value Hedge) or Net Interest Income Sensitivity (Cash Flow Hedge) in the specific/portfolio of hedged underlyings.

Retrospectively the hedge effectiveness is quarterly measured by referring to the most stable portion of assets/liabilities using a portfolio hedge approach or by referring to the portion of risk being hedged using a micro/specific approach.

Sources of ineffectiveness comes from (i) the Euribor/Eonia basis for hedging derivatives transactions subject to a collateral agreement, (ii) Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair values, (iii) shortfall arising in the underlying's specifically associated with that hedge in term of nominal or reverse sensitivity due to prepayment or default on commercial assets or withdrawals on liabilities included such as commercial non maturity deposits and are presented in Item 90 - Net Gains (Losses) on Hedge Accounting.

### Quantitative information

#### A. Cash Flow hedging derivatives

##### A.1 Cash-flow hedging derivatives: end-of-period notional amounts

(€ '000)

	AMOUNTS AS AT 12.31.2018			ORGANISED MARKETS
	OVER THE COUNTER			
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>1. Debt securities and interest rate indexes</b>	<b>1,675,000</b>	<b>325,067,877</b>	<b>257,706,000</b>	-
a) Options	-	4,207,050	-	-
b) Swap	1,675,000	320,860,827	347,000	-
c) Forward	-	-	-	-
d) Futures	-	-	257,359,000	-
e) Other	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Gold and currencies</b>	-	<b>14,196,524</b>	-	-
a) Options	-	-	-	-
b) Swap	-	12,886,480	-	-
c) Forward	-	1,310,044	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other</b>	-	-	-	-
<b>Total</b>	<b>1,675,000</b>	<b>339,264,401</b>	<b>257,706,000</b>	-

## Part E - Information on risks and hedging policies

## A.2 Cash-flow hedging derivatives: positive and negative gross fair value - breakdown by product

(€ '000)

TYPE OF DERIVATIVES	AMOUNT AS AT 12.31.2018				AMOUNT AS AT 12.31.2018 CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS
	POSITIVE AND NEGATIVE FAIR VALUE				
	OVER THE COUNTER				
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		ORGANISED MARKETS	
WITH NETTING AGREEMENT		WITHOUT NETTING AGREEMENT			
<b>1. Positive fair value</b>					
a) Options	-	11	-	-	-
b) Interest rate swap	32	3,906,744	-	-	-
c) Cross currency swap	-	157,806	-	-	-
d) Equity swap	-	-	-	-	-
e) Forward	-	3,755	-	-	-
f) Futures	-	-	98,971	-	-
g) Other	-	-	-	-	-
<b>Total</b>	<b>32</b>	<b>4,068,316</b>	<b>98,971</b>	<b>-</b>	<b>-</b>
<b>2. Negative fair value</b>					
a) Options	-	36,824	-	-	-
b) Interest rate swap	50,320	4,119,994	38	-	-
c) Cross currency swap	-	218,597	-	-	-
d) Equity swap	-	-	-	-	-
e) Forward	-	-	-	-	-
f) Futures	-	-	99,485	-	-
g) Other	-	-	-	-	-
<b>Total</b>	<b>50,320</b>	<b>4,375,415</b>	<b>99,523</b>	<b>-</b>	<b>-</b>



## Part E - Information on risks and hedging policies

**A.3 OTC Cash-flow hedging derivatives: notional amounts, positive and negative gross fair value by counterparty**

(€ '000)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	X	257,706,000	-	-
- Positive fair value	X	98,971	-	-
- Negative fair value	X	99,523	-	-
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>4) Commodities</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>5) Other</b>				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
<b>Contracts included in netting agreement</b>				
<b>1) Debt securities and interest rate indexes</b>				
- Notional amount	1,675,000	323,230,877	1,837,000	-
- Positive fair value	32	3,894,671	12,084	-
- Negative fair value	50,320	4,030,993	125,826	-
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>3) Gold and currencies</b>				
- Notional amount	-	13,200,391	996,132	-
- Positive fair value	-	153,166	8,395	-
- Negative fair value	-	218,332	265	-
<b>4) Commodities</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
<b>5) Other</b>				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

**A.4 OTC Cash-flow hedging derivatives - residual life: notional amounts**

(€ '000)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	215,491,844	303,346,482	65,610,551	584,448,877
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	2,761,166	11,081,434	353,923	14,196,523
A.4 Financial derivative contracts on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
<b>Total 12.31.2018</b>	<b>218,253,010</b>	<b>314,427,916</b>	<b>65,964,474</b>	<b>598,645,400</b>

## Part E - Information on risks and hedging policies

### B. Hedging credit derivatives

No data to be disclosed.

### C. Non hedging instruments

Note that, as provided by the 5th update of Circular 262 of Banca d'Italia, the present table is not disclosed as the Group has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

### D. Hedging instruments

Note that the Group has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

In this context the following table provides the required information about hedged instruments.

#### Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ '000)

	AMOUNT AS AT 12.31.2018	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
<b>A) Fair value hedge</b>		
<b>1. Assets</b>		
1.1 Financial assets measured at fair value through other comprehensive income	42,266,122	-
1.1.1 Interest rate	42,266,122	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	12,964,884	1,685,975
1.2.1 Interest rate	12,964,884	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
<b>2. Liabilities</b>		
2.1 Financial liabilities measured at amortised costs	-	1,770,166
2.1.1 Interest rate	-	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
<b>B) Cash flow hedge</b>		
<b>1. Assets</b>	-	X
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
<b>2. Liabilities</b>	-	X
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
<b>C) Hedge of net investments in foreign operations</b>	-	X
<b>D) Portfolio - Assets</b>	X	-
<b>E) Portfolio - Liabilities</b>	X	-

## Part E - Information on risks and hedging policies

## E. Effects of hedging policy at equity

This table has to be filled in only by entities that apply IFRS9 hedge accounting rules.

## 3.3 Other information on derivatives instruments (trading and hedging)

## A. Financial and credit derivatives

## A.1 OTC financial and credit derivatives: net fair value by counterparty

(€ '000)

	AMOUNTS AS AT 12.31.2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>A. Financial derivatives</b>				
<b>1) Debt securities and interest rates</b>				
- Notional amount	31,553,384	272,689,161	39,654,607	28,894,710
- Positive net fair value	6,279	156,872	56,240	738,961
- Negative net fair value	25,837	123,800	12,978	11,808
<b>2) Equity instruments and stock indexes</b>				
- Notional amount	-	-	-	68,849
- Positive net fair value	-	-	-	-
- Negative net fair value	-	-	-	33,521
<b>3) Gold and currencies</b>				
- Notional amount	-	18,048,922	1,605,678	6,490,056
- Positive net fair value	-	39,097	6,679	80,035
- Negative net fair value	-	117,149	17,458	91,136
<b>4) Commodities</b>				
- Notional amount	-	-	-	637,561
- Positive net fair value	-	-	-	36,441
- Negative net fair value	-	-	-	30,534
<b>5) Other</b>				
- Notional amount	-	527,593,450	5,074,278	12,394,455
- Positive net fair value	-	322,517	2,915	431,166
- Negative net fair value	-	2,037,010	133,075	42,247
<b>B. Credit derivatives</b>				
<b>1) Protection buyer's contracts</b>				
- Notional amount	-	-	-	-
- Positive net fair value	-	-	-	-
- Negative net fair value	-	-	-	-
<b>2) Protection seller's contracts</b>				
- Notional amount	-	-	-	-
- Positive net fair value	-	-	-	-
- Negative net fair value	-	-	-	-

## Part E - Information on risks and hedging policies

### Section 4 - Liquidity risk

#### Qualitative information

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.4 Liquidity Risk - A. General aspects, operational processes and methods for measuring liquidity risk - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

#### Quantitative information

##### 1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€'000)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2018									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>25,209,784</b>	<b>15,409,353</b>	<b>12,361,688</b>	<b>16,420,502</b>	<b>27,417,603</b>	<b>17,982,114</b>	<b>28,550,515</b>	<b>115,110,142</b>	<b>68,493,469</b>	<b>1,911,961</b>
A.1 Government securities	31,541	-	71,880	231,179	563,418	1,390,392	8,677,406	37,764,743	13,748,792	-
A.2 Other debt securities	7,052	1,067	14,962	20,694	185,179	132,750	471,713	3,899,457	4,981,636	47,992
A.3 Units in investment funds	1,068,409	-	-	-	-	-	-	-	-	17,570
A.4 Loans	24,102,782	15,408,286	12,274,846	16,168,629	26,669,006	16,458,972	19,401,396	73,445,942	49,763,041	1,846,399
- Banks	4,100,559	2,530,200	1,692,504	2,214,528	4,266,863	2,032,135	3,456,971	6,011,597	595,167	1,837,086
- Customers	20,002,223	12,878,086	10,582,342	13,954,101	22,402,143	14,426,837	15,944,425	67,434,345	49,167,874	9,313
<b>B. On-balance sheet liabilities</b>	<b>171,022,505</b>	<b>31,789,595</b>	<b>9,443,497</b>	<b>12,214,745</b>	<b>10,634,815</b>	<b>4,699,761</b>	<b>9,425,281</b>	<b>64,519,104</b>	<b>19,666,567</b>	<b>212,034</b>
B.1 Deposits and current accounts	162,493,342	1,223,866	1,146,484	1,821,589	903,003	936,983	342,658	35,556	97,766	-
- Banks	3,734,067	1,035,773	1,053,496	1,776,953	839,791	901,461	334,570	-	-	-
- Customers	158,759,275	188,093	92,988	44,636	63,212	35,522	8,088	35,556	97,766	-
B.2 Debt securities	79,542	110,301	975,252	3,102,102	1,060,113	2,074,561	5,332,952	28,287,801	16,559,918	212,034
B.3 Other liabilities	8,449,621	30,455,428	7,321,761	7,291,054	8,671,699	1,688,217	3,749,671	36,195,747	3,008,883	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	31,451	6,898,076	7,045,488	9,607,389	12,286,941	11,711,696	8,308,687	18,718,508	5,798,822	-
- Short positions	31,310	7,514,281	7,074,512	9,441,052	11,828,993	11,020,240	7,190,828	18,594,155	5,504,213	-
C.2 Financial derivatives without capital swap										
- Long positions	3,678,392	245,878	413,994	1,104,062	2,459,808	3,622,134	5,336,580	-	-	-
- Short positions	3,735,128	344,529	392,870	738,504	3,012,261	2,873,111	4,897,438	-	-	-
C.3 Deposits and loans to be received										
- Long positions	18,554	18,423,348	-	-	54,538	315,537	124,306	-	-	-
- Short positions	-	9,167,077	2,123,427	4,524,757	1,414,117	1,582,599	-	124,306	-	-
C.4 Commitments to disburse funds										
- Long positions	6,920	949,297	102,375	3,129	153,056	1,026,044	407,006	2,777,519	1,100	-
- Short positions	4,261,195	165,250	-	-	1,000,000	-	-	-	-	-
C.5 Financial guarantees given	96	-	1,406	48,568	3,317	2,399	16,528	49,125	14,449	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: euro

(€ '000)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2018									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>24,029,860</b>	<b>14,932,922</b>	<b>12,001,197</b>	<b>15,026,679</b>	<b>25,843,338</b>	<b>16,880,917</b>	<b>27,713,628</b>	<b>108,815,429</b>	<b>66,017,184</b>	<b>1,903,131</b>
A.1 Government securities	29,032	-	70,579	231,179	563,079	1,383,378	8,628,578	35,367,927	13,410,233	-
A.2 Other debt securities	7,046	1,067	8,088	20,694	183,965	116,164	456,011	3,881,986	4,283,479	39,162
A.3 Units in investment funds	1,007,919	-	-	-	-	-	-	-	-	17,570
A.4 Loans	22,985,863	14,931,855	11,922,530	14,774,806	25,096,294	15,381,375	18,629,039	69,565,516	48,323,472	1,846,399
- Banks	3,360,551	2,395,017	1,650,355	1,518,650	3,719,431	1,610,327	3,304,157	4,906,672	175,167	1,837,086
- Customers	19,625,312	12,536,838	10,272,175	13,256,156	21,376,863	13,771,048	15,324,882	64,658,844	48,148,305	9,313
<b>B. On-balance sheet liabilities</b>	<b>166,858,562</b>	<b>31,033,131</b>	<b>8,352,412</b>	<b>10,506,941</b>	<b>9,870,694</b>	<b>4,261,399</b>	<b>8,716,131</b>	<b>59,620,953</b>	<b>18,142,373</b>	<b>212,034</b>
B.1 Deposits and current accounts	158,947,290	480,627	277,277	324,553	199,188	722,138	274,398	35,556	97,766	-
- Banks	2,465,346	460,494	259,986	319,988	187,497	717,300	272,230	-	-	-
- Customers	156,481,944	20,133	17,291	4,565	11,691	4,838	2,168	35,556	97,766	-
B.2 Debt securities	79,372	97,078	962,188	3,062,758	1,054,172	1,901,710	5,153,836	23,706,775	15,035,724	212,034
B.3 Other liabilities	7,831,900	30,455,426	7,112,947	7,119,630	8,617,334	1,637,551	3,287,897	35,878,622	3,008,883	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	31,450	4,346,783	4,275,441	4,117,085	4,585,615	4,910,680	2,263,490	7,400,933	2,360,335	-
- Short positions	1	3,337,269	2,448,727	5,142,886	6,484,399	3,395,103	3,092,680	6,852,703	2,002,305	-
C.2 Financial derivatives without capital swap										
- Long positions	3,120,808	226,913	250,431	865,474	1,702,928	2,253,955	3,420,629	-	-	-
- Short positions	3,192,503	320,730	172,780	508,865	1,991,962	1,759,615	3,009,581	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	18,373,265	-	-	54,538	315,537	124,306	-	-	-
- Short positions	-	9,160,348	2,119,696	4,517,526	1,363,171	1,582,599	-	124,306	-	-
C.4 Commitments to disburse funds										
- Long positions	6,920	945,933	102,375	-	95,280	1,000,062	407,006	2,777,519	1,100	-
- Short positions	4,261,195	75,000	-	-	1,000,000	-	-	-	-	-
C.5 Financial guarantees given	96	-	1,406	47,906	2,038	1,257	15,869	36,576	13,997	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

### 1. Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: other currencies

(€ '000)

ITEMS/MATURITY	AMOUNT AS AT 12.31.2018									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
<b>A. On-balance sheet assets</b>	<b>1,179,924</b>	<b>476,431</b>	<b>360,491</b>	<b>1,393,823</b>	<b>1,574,265</b>	<b>1,101,197</b>	<b>836,887</b>	<b>6,294,713</b>	<b>2,476,285</b>	<b>8,830</b>
A.1 Government securities	2,509	-	1,301	-	339	7,014	48,828	2,396,816	338,559	-
A.2 Other debt securities	6	-	6,874	-	1,214	16,586	15,702	17,471	698,157	8,830
A.3 Units in investment funds	60,490	-	-	-	-	-	-	-	-	-
A.4 Loans	1,116,919	476,431	352,316	1,393,823	1,572,712	1,077,597	772,357	3,880,426	1,439,569	-
- Banks	740,008	135,183	42,149	695,878	547,432	421,808	152,814	1,104,925	420,000	-
- Customers	376,911	341,248	310,167	697,945	1,025,280	655,789	619,543	2,775,501	1,019,569	-
<b>B. On-balance sheet liabilities</b>	<b>4,163,943</b>	<b>756,464</b>	<b>1,091,085</b>	<b>1,707,804</b>	<b>764,121</b>	<b>438,362</b>	<b>709,150</b>	<b>4,898,151</b>	<b>1,524,194</b>	<b>-</b>
B.1. Deposits and current accounts	3,546,052	743,239	869,207	1,497,036	703,815	214,845	68,260	-	-	-
- Banks	1,268,721	575,279	793,510	1,456,965	652,294	184,161	62,340	-	-	-
- Customers	2,277,331	167,960	75,697	40,071	51,521	30,684	5,920	-	-	-
B.2 Debt securities	170	13,223	13,064	39,344	5,941	172,851	179,116	4,581,026	1,524,194	-
B.3 Other liabilities	617,721	2	208,814	171,424	54,365	50,666	461,774	317,125	-	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with capital swap										
- Long positions	1	2,551,293	2,770,047	5,490,304	7,701,326	6,801,016	6,045,197	11,317,575	3,438,487	-
- Short positions	31,309	4,177,012	4,625,785	4,298,166	5,344,594	7,625,137	4,098,148	11,741,452	3,501,908	-
C.2 Financial derivatives without capital swap										
- Long positions	557,584	18,965	163,563	238,588	756,880	1,368,179	1,915,951	-	-	-
- Short positions	542,625	23,799	220,090	229,639	1,020,299	1,113,496	1,887,857	-	-	-
C.3 Deposits and loans to be received										
- Long positions	18,554	50,083	-	-	-	-	-	-	-	-
- Short positions	-	6,729	3,731	7,231	50,946	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	3,364	-	3,129	57,776	25,982	-	-	-	-
- Short positions	-	90,250	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	662	1,279	1,142	659	12,549	452	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Section 5 - Operational risk

### Qualitative information

#### A. General aspects, operational processes and methods for measuring operational risk

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks - Qualitative information - A. General aspects - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

#### B. Risks arising from legal disputes

Reference is made to the content of paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational Risks - Qualitative information - B. Legal Risks - Part E of the Consolidated explanatory notes, particularly relating to the parent company UniCredit S.p.A., which is herewith quoted entirely.

#### C. Risks arising from employment law cases

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 1.5 Operational Risks - Qualitative information - C. Risks arising from employment law cases - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

#### D. Risks arising from tax disputes

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risk - Qualitative information - D. Risks arising from tax disputes - Part E of the Consolidated explanatory notes, which is herewith quoted entirely.

## Part E - Information on risks and hedging policies

### **E. Other claims by customers**

Supporting the business structures, the Compliance function oversees the regulatory environment evolution relating to banking services and products in areas like transparency, financial and investment services and anti-usury. Compliance, as control function, develops rules, checks processes and procedures and monitors complaints trends. The Compliance function, along with the Legal one, also supports analysis and evaluation stages of adequacy of potential "customer care" actions or other initiatives designed to compose particular situations in which UniCredit S.p.A. might be involved in order to define them.

Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at banking system level.

The trend in market interest rates resulted in the main benchmark reference for indexed loans, the Euribor, being negative. This has originated the issue of how to measure the overall interest rate for the clients, creating a fact pattern not existing so far. In light of such complexity, the underlying contracts with clients were subject to a deep monitoring. In this regard, and in compliance with the regulations in force, UniCredit S.p.A. takes the necessary initiatives deciding to apply the most favorable approach for the clients for the past years too, applying a final interest rate calculated as algebraic sum of the parameter (Euribor) and the spread and also allocating a provision for the reimbursement to the clients defined on the basis of the best estimation considering the available information.

#### *Diamond offer*

Over the years, within the diversification of investments to which the available assets are addressed and also considering in this context those investments with the characteristics of the so-called "safe haven" with a long-term horizon, several UniCredit S.p.A.'s customers have historically invested in diamonds through a specialised intermediary company, with which the Bank has stipulated, since 1998, a collaboration agreement as "Introducer", in order to regulate the "reporting" methods of the offer of diamonds by the same company to UniCredit customers.

Since the end of 2016, the liquidity available on the market to meet the requests of customers who intended to divest their diamond assets has contracted to a certain extent until it became nil, with the suspension of the service by the brokerage company.

In 2017 UniCredit S.p.A. started a "customer care" initiative which envisaged the availability of the Bank to intervene for the acknowledgement towards the customer of the original cost incurred for the purchase of precious items and the consequent withdrawal of the stones, upon certain conditions.

The initiative has been adopted assessing the absence of responsibility for its role as "Introducer"; nevertheless, the AGCM ascertained UniCredit's responsibility for unfair commercial practice (confirmed in appeal by the Administrative Regional Court in the second half of 2018), imposing, in 2017, a fine of €4 million paid in the same year.

On 8 March 2018, a specific communication was issued from Banca d'Italia concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies.

As of 31 December 2018, UniCredit:

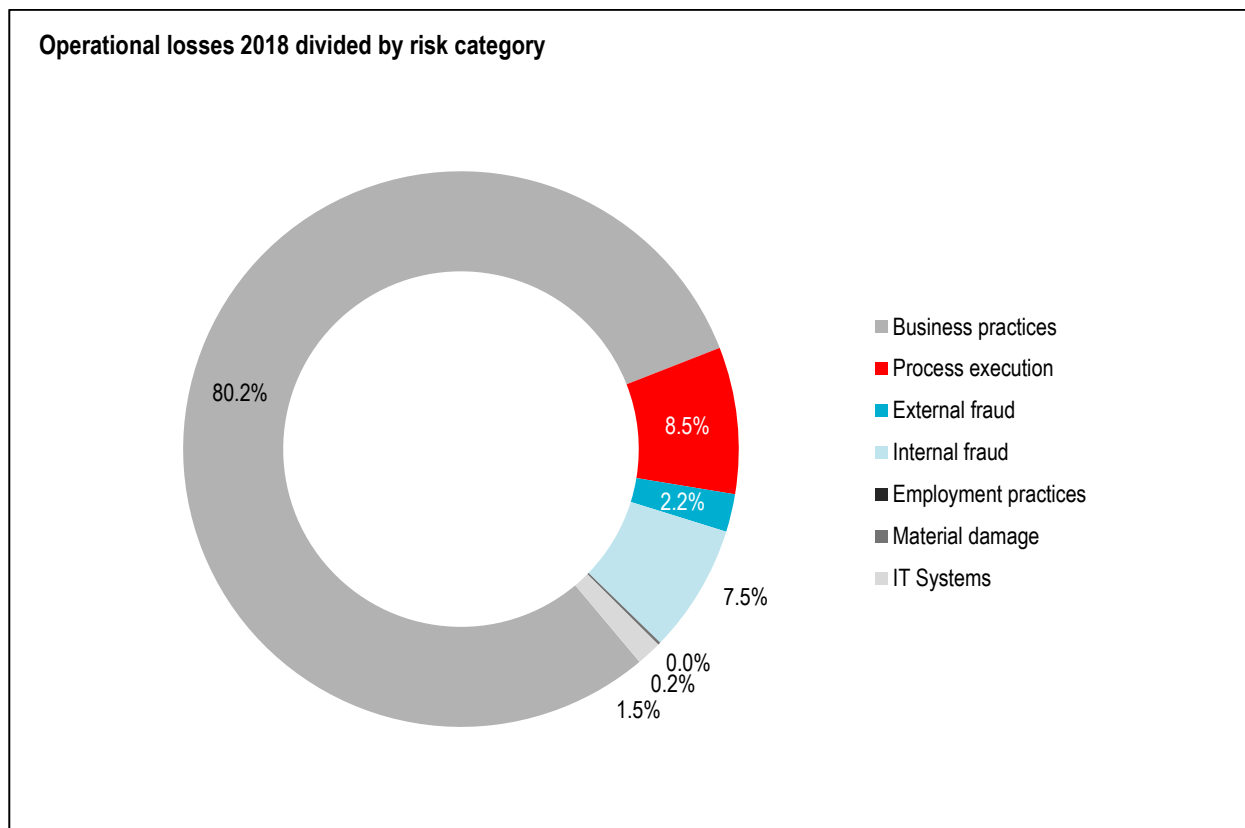
- received reimbursement requests for a total amount of about €215 million (cost originally incurred by the Clients) from No.5,680 Customers; according to a preliminary analysis, such requests fulfill the requirements envisaged by the "customer care" initiative; the finalization of the reimbursement requests is currently carried out, aimed at assessing their effective compliance with the "customer care" initiative, and then proceed with the settlement where conditions recur;
- with reference to the scope outlined in the previous point (€215 million), reimbursed No.1,623 customers for about €74 million (equivalent value of original purchases).

In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Risk and Charges Fund was set up; its quantification was also based on the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value.

## Part E - Information on risks and hedging policies

### Quantitative information

Reference is made to the paragraph Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risks- Quantitative information - Part E of the Notes to the consolidated accounts , which is herewith quoted entirely.



In 2018, the main source of operational risk was "Clients, products and business practices", a category which includes losses arising from the non-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided, as well as any sanctions for violating regulations; in this category the major event is linked to potential losses due to the ongoing American Authorities investigation for alleged violation of US sanctions. The second largest contribution to losses is related to errors in process management, execution and delivery due to operational or process management shortfalls.

There were also, in decreasing order, losses stemming from internal fraud, external fraud. The residual risk categories were IT systems related problems and damage to physical assets from external events.

### Section 6 - Other risks

#### Other risks included in Economic Capital

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.6 Other risks - Other risks included in Economic Capital with specific reference to business risk, real estate risk and financial investments risk which is herewith quoted entirely.

#### Reputational risk

Reference is made to the paragraph Section 2 – Risk of the prudential consolidated perimeter – 2.6 Others risks – Reputational risk – Part E of the Consolidated explanatory notes, wick is herewith quoted entirely.

#### Top and emerging risk

Reference is made to the paragraph of Part E - Notes to the consolidated accounts of UniCredit group - Section 2 - Risk of the prudential consolidated perimeter - 2.6 Other risks - Top and emerging risk which is herewith quoted entirely



## Part F - Shareholders' equity

## Section 1 - Shareholders' equity

## A. Qualitative information

Reference is made to the corresponding paragraph of Part F - Notes to the consolidated accounts of UniCredit group which is herewith quoted entirely.

## B. Quantitative information

## B.1 Company shareholders' equity: breakdown

ITEMS/VALUES	AMOUNT AS AT	
	12.31.2018	12.31.2017
<b>1. Share capital</b>	<b>20,940,398</b>	<b>20,880,550</b>
<b>2. Share premium reserve</b>	<b>13,392,918</b>	<b>13,399,799</b>
<b>3. Reserves</b>	<b>9,939,544</b>	<b>7,798,690</b>
- from profits	5,449,870	2,766,246
a) legal	1,517,514	1,517,514
b) statutory	6,160,551	679,464
c) treasury shares	-	-
d) other	(2,228,195)	569,268
- other <sup>(*)</sup>	4,489,674	5,032,444
<b>4. Equity instruments</b>	<b>4,610,073</b>	<b>4,610,073</b>
<b>5. Treasury shares</b>	<b>(2,440)</b>	<b>(2,440)</b>
<b>6. Revaluation reserves</b>	<b>(502,666)</b>	<b>585,548</b>
- Equity instruments designated at fair value through other comprehensive income	(244,279)	
- Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	
- Financial assets (different from equity instruments) at fair value through other comprehensive income	(316,293)	
- Available-for sale financial assets (ex IAS39)		537,118
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	(66,095)	(32,301)
- Foreign investments hedging	-	-
- Exchange differences	-	-
- Non-current assets and disposal groups classified as held for sale	-	-
- Non-current assets classified held for sale (ex IAS39)	-	-
- Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	41,543	
- Actuarial gains (losses) on defined benefit plans	(194,562)	(196,289)
- Changes in valuation reserve pertaining to equity method investments	-	-
- Special revaluation laws	277,020	277,020
<b>7. Net profit (loss)</b>	<b>2,458,163</b>	<b>6,235,645</b>
<b>Total</b>	<b>50,835,990</b>	<b>53,507,865</b>

## Note:

(\*) "Reserves - other" include the "Reserve of treasury shares" (€2 million), originally formed with the withdrawal from the "Share premium reserve", as well as a part of the "Legal reserve" (€2,533 million) also constituted, as resolved by the approval of the Ordinary Shareholders' Meeting of May 11, 2013, and of May 13, 2014 with the withdrawal from the "Share premium Reserve".

The Shareholders' Equity at 31 December 2018, additionally to the changes in capital explained in details in Part B) Section 12 "Shareholders' Equity", reflects, among the others described more in details in the Report on Operations in paragraph "Shareholders' Equity", the changes resulting from the Ordinary Shareholders' Meeting resolutions of 12 April 2018 regarding the allocation of profit for the year 2017 of €6,236 million:

- distribution to Shareholders holder of ordinary shares a dividend for a total amount of €711 million;
- allocation of €4 million to social, charity and cultural initiatives;
- allocation of €40 million to the reserve connected to the medium-term incentive plan for Group staff;
- allocation 5,481 million to the statutory reserve.

## Part F - Shareholders' equity

### B.2 Revaluation reserves of financial assets at fair value through other comprehensive income: breakdown

(€ '000)

ASSETS/VALUES	AMOUNT AS AT 12.31.2018		AMOUNT AS AT 12.31.2017	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	169,323	(485,616)		
2. Equity securities	88,818	(333,097)		
Units in investment funds (ex IAS39)			3,329	(7,456)
3. Loans	-	-		
<b>Total</b>	<b>258,141</b>	<b>(818,713)</b>		

### B.3 Revaluation reserves of financial assets at fair value through other comprehensive income: annual change

(€ '000)

ASSETS/VALUES	CHANGES IN 2018		
	DEBT SECURITIES	EQUITY SECURITIES	LOANS
<b>1. Opening balance</b>	<b>507,698</b>	<b>(231,338)</b>	-
<b>2. Positive changes</b>	<b>228,531</b>	<b>61,663</b>	-
2.1 Fair value increases	73,679	12,502	-
2.2 Net losses on impairment	-	X	-
2.3 Reclassification through profit or loss of negative reserves: following disposal	153,604	X	-
2.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	-	-
2.5 Other changes	1,248	(81)	-
<b>3. Negative changes</b>	<b>(1,052,522)</b>	<b>(74,605)</b>	-
3.1 Fair value reductions	(809,301)	(64,621)	-
3.2 Recoveries on impairment	(3,015)	-	-
3.3 Reclassification through profit or loss of positive reserves: following disposal	(240,094)	X	-
3.4 Transfers to other comprehensive shareholders' equity (equity instruments)	-	(374)	-
3.5 Other changes	(112)	(9,610)	-
<b>4. Closing balance</b>	<b>(316,293)</b>	<b>(244,279)</b>	-

### B.4 Revaluation reserves to defined benefit plan: annual changes

(€ '000)

	CHANGES IN	
	2018	2017
<b>1. Net opening balance</b>	<b>(196,289)</b>	<b>(211,508)</b>
<b>2. Positive changes</b>	<b>12,909</b>	<b>18,200</b>
2.1. Fair value increase	12,909	17,287
2.2 Other changes	-	913
<b>3. Negative changes</b>	<b>(11,182)</b>	<b>2,981</b>
3.1 Fair value reductions	(11,182)	2,151
3.2 Other changes	-	830
<b>4. Closing balance</b>	<b>(194,562)</b>	<b>(196,289)</b>

## Section 2 - Own funds and regulatory ratios

For information on the regulatory ratios of UniCredit S.p.A. at the reference date and for the comparison with the previous periods refer to the own funds disclosure reported into the UniCredit group disclosure (Pillar III) published at consolidated level.

## Part G - Business combinations

### Section 1 - Business Combinations completed in the year

#### 1.1 Business combinations

Business combinations with counterparties outside the Group are performed using the "purchase method" as required by IFRS3 "Business Combinations", cited in the disclosure of Accounting policies, part A.2 concerning the main balance-sheet items.

In 2018, the Bank did not carry out any business combinations outside the Group.

For business combinations inside the Group, effective 1 January 2018, was carried out the acquisition of the shares of the subsidiary UniCredit International Bank (Luxembourg) held by UniCredit Bank AG following the demerger of the "German private banking business".

### Section 2 - Business Combinations completed after year-end

No business combinations are performed after year-end closing.

## Part H - Related-party transaction

### Introduction

Reference is made to the corresponding paragraph of Part H - Notes to the consolidated accounts of UniCredit group which is herewith quoted entirely.

### 1. Details of Key management personnels' compensation

Details of Key management personnel's 2018 remuneration are given below pursuant to IAS24 and to Banca d'Italia Circular 262 dated 22 December 2005 (5<sup>th</sup> update of 22 December 2017) requiring that also the Statutory Auditors' compensation be included.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer.

#### Remuneration paid to key management personnel (including directors)

(€ '000)

	YEAR 2018	YEAR 2017
a) short-term employee benefits	15,646	15,146
b) post-retirement benefits	929	891
<i>of which: under defined benefit plans</i>	-	-
<i>of which: under defined contribution plans</i>	929	891
c) other long-term benefits	-	-
d) termination benefits	-	4,344
e) share-based payments	6,116	5,060
<b>Total</b>	<b>22,691</b>	<b>25,441</b>

The information reported above include the compensation paid to Directors (€4,341 thousand), Statutory Auditors (€699 thousand), General Manager (€1,595 thousand) and other Managers with strategic responsibility (€7,695 thousand), as shown in the document "Annex 1 to the 2019 Group Compensation Policy", and €8,361 thousand relating to other costs borne in 2018 (the company share of social security contributions, allocations to deferred statutory pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The reduction in total remuneration (by €2,750 thousand) compared to 2017 is linked mainly to the absence of payment of termination indemnities in a context anyhow characterised by the maintenance, during 2018, of the conservative approach to remuneration that in 2017 accompanied the launch of the Transform 2019 plan. The only growing item is the one related to share-based payments, which reflects the shifting of a significant portion of variable compensation to long-term equity incentives in order to align the interests of management with those of shareholders.

## Part H - Related-party transaction

### 2. Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

#### Related-party transactions: balance sheet items

	AMOUNTS AS AT 12.31.2018						% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
	CONTROLLED	JOINT VENTURE	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL			
Financial assets at fair value through profit or loss	2,427,722	-	47,855	-	-	2,475,577	16.51%	-	-
a) Financial assets held for trading	2,248,742	-	-	-	-	2,248,742	19.00%	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	178,980	-	47,855	-	-	226,835	7.17%	-	-
Financial assets at fair value through other comprehensive income	-	-	26,867	-	-	26,867	0.06%	-	-
Financial assets at amortised cost	42,168,849	3,383,514	1,444,504	1,756	1,134	46,999,757	17.37%	17,301	0.01%
a) Loans and advances to banks	16,415,638	2,201,029	824,003	-	-	19,440,670	62.77%	-	-
b) Loans and advances to customers	25,753,211	1,182,485	620,501	1,756	1,134	27,559,087	11.50%	17,301	0.01%
Hedging derivatives (assets)	4,015,220	-	-	-	-	4,015,220	96.35%	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-
Other assets	206,933	4,553	999	-	1	212,486	5.48%	-	-
<b>Total - Assets</b>	<b>48,818,724</b>	<b>3,388,067</b>	<b>1,520,225</b>	<b>1,756</b>	<b>1,135</b>	<b>53,729,907</b>	<b>15.77%</b>	<b>17,301</b>	<b>0.01%</b>
Financial liabilities at amortised cost	25,564,183	1,900	440,656	2,954	166,263	26,175,956	8.08%	45,283	0.01%
a) Deposits from banks	11,989,344	1,900	2,591	-	-	11,993,835	20.33%	31,037	0.05%
b) Deposits from customers	515,244	-	438,065	2,954	166,263	1,122,526	0.53%	14,246	0.01%
c) Debt securities in issue	13,059,595	-	-	-	-	13,059,595	24.66%	-	-
Financial liabilities held for trading and designated at fair value	3,730,078	-	-	-	-	3,730,078	26.80%	-	-
Hedging derivatives (liabilities)	4,150,942	-	-	-	-	4,150,942	91.73%	-	-
Liabilities associated with disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-
Other liabilities	314,046	845	10,693	-	38	325,622	4.27%	5	-
<b>Total - Liabilities</b>	<b>33,759,249</b>	<b>2,745</b>	<b>451,349</b>	<b>2,954</b>	<b>166,301</b>	<b>34,382,598</b>	<b>9.83%</b>	<b>45,288</b>	<b>0.01%</b>
Guarantees given and commitments	31,971,545	2,832,313	189,889	90	3,212	34,997,049	20.37%	1,173	-

Note:

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

## Part H - Related-party transaction

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

### Related-party transactions: profit and loss items

(€ '000)

	AMOUNTS AS AT 12.31.2018					TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
	CONTROLLED	JOINT VENTURE	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES				
10. Interest income and similar revenues	(96,491)	130,471	23,067	16	7,781	64,844	1.23%	3,167	0.06%
20. Interest expenses and similar charges	494,250	(501)	(746)	(1)	(120)	492,882	44.43%	(422)	0.04%
<b>30. Net interest margin</b>	<b>397,759</b>	<b>129,970</b>	<b>22,321</b>	<b>15</b>	<b>7,661</b>	<b>557,726</b>	<b>13.39%</b>	<b>2,745</b>	<b>0.06%</b>
40. Fees and commissions income	92,560	4,485	795,188	6	1,213	893,452	20.54%	245	-
50. Fees and commissions expenses	(44,412)	(7)	(9,289)	-	-	(53,708)	13.42%	-	-
<b>60. Net fees and commissions</b>	<b>48,148</b>	<b>4,478</b>	<b>785,899</b>	<b>6</b>	<b>1,213</b>	<b>839,744</b>	<b>21.26%</b>	<b>245</b>	<b>0.01%</b>
70. Dividend income and similar revenues	-	-	-	-	-	-	-	-	-
80. Net gains (losses) on trading	(229,496)	-	-	-	4,039	(225,457)	n.m.	-	-
90. Net gains (losses) on hedge accounting	(204,095)	-	-	-	-	(204,095)	n.m.	-	-
100. Gains (Losses) on disposal and repurchase of	(1,112)	-	-	-	-	(1,112)	2.13%	-	-
a) Financial assets at amortised cost	-	-	-	-	-	-	-	-	-
b) Financial assets at fair value through other comprehensive income	(1,613)	-	-	-	-	(1,613)	1.86%	-	-
c) Financial liabilities	501	-	-	-	-	501	66.18%	-	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	(22,918)	-	(2,058)	-	(1,984)	(26,960)	305.81%	-	-
a) Financial assets/liabilities designated at fair value	-	-	-	-	-	-	-	-	-
b) Other financial assets mandatorily at fair value	(22,918)	-	(2,058)	-	(1,984)	(26,960)	20.18%	-	-
<b>120. Operating income</b>	<b>(11,714)</b>	<b>134,448</b>	<b>806,162</b>	<b>21</b>	<b>10,929</b>	<b>939,846</b>	<b>8.71%</b>	<b>2,990</b>	<b>0.03%</b>
130. Net losses/recoveries on credit impairment relating to	(30)	-	(45,981)	21	(81)	(46,071)	2.29%	817	0.04%
a) Financial assets at amortised cost	(30)	-	(45,981)	21	(81)	(46,071)	2.31%	817	0.04%
b) Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
140. Gains/Losses from contractual changes with no cancellations	-	-	-	-	-	-	-	-	-
190. Administrative expenses	(1,421,715)	993	(924)	(7)	(18)	(1,421,671)	24.40%	-	-
a) Staff costs	(15,453)	1,009	535	-	-	(13,909)	0.49%	-	-
b) Other administrative expenses	(1,406,262)	(16)	(1,459)	(7)	(18)	(1,407,762)	47.57%	-	-
200. Net provisions for risks and charges	92	-	(52)	-	(7)	33	0.01%	-	-
230. Other operating expenses/income	64,781	4,890	(57,028)	8	40	12,691	3.08%	1	-
<b>240. Operating costs</b>	<b>(1,356,842)</b>	<b>5,883</b>	<b>(58,004)</b>	<b>1</b>	<b>15</b>	<b>(1,408,947)</b>	<b>24.27%</b>	<b>1</b>	<b>-</b>

**Note:**

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

## Part H - Related-party transaction

The "Other related-parties IAS" category includes:

- close family members of key management personnel (i.e. those family members who, as is expected, may influence, or be influenced by, the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

With reference to the description of main transactions with related parties, reference is made to the corresponding paragraph of Part H - Notes to the consolidated accounts of UniCredit group which is herewith quoted entirely.

## Part I - Share based payments

### A. Qualitative information

#### 1. Description of payment agreements based on own equity instruments

Reference is made to the paragraph Share-Based Payments - A - Qualitative information – 1. Description of payment agreements based on own equity instruments - Part I of the Consolidated explanatory notes, which is herewith quoted for the part that concern the delivery of UniCredit shares.

### B. Quantitative information

#### 1. Annual changes

Reference is made to the paragraph Share-Based Payments - B - Quantitative information – 1. Annual changes - Part I of the Consolidated explanatory notes, which is herewith quoted entirely.

#### 2. Other information

All Share-Based Payment granted after 7 November 2002 whose vesting period ends after 1 January 2005 are included within the scope of the IFRS2.

#### Financial statement presentation related to share based payments

(€ '000)

	2018		2017	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
<b>(Costs)/Revenues</b>	<b>(20,270)</b>		<b>(29,765)</b>	
- connected to equity-settled plan <sup>(1)</sup>	(20,270)		(32,413)	
- connected to cash-settled plans	-		2,648	
<b>Debts for cash-settled plans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Notes:

(1) Includes costs for €1.9 million related to golden parachute.



## Part L - Segment reporting

Segment reporting of UniCredit S.p.A., parent company of the UniCredit banking group, is provided in Part L of the Notes to the consolidated accounts, in accordance to the IFRS8.



# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below. Any discrepancy in the data shown in this table is solely due to roundings. An explanation for the restatement of comparative figures is provided in the previous sections.

## Balance sheet

	(€ million)
	AMOUNTS AS AT 12.31.2018
<b>ASSETS</b>	
Cash and cash balances	7,461
10. Cash and cash balances	7,461
Financial assets held for trading	11,834
20. Financial assets at fair value through profit and loss: a) Financial assets held for trading	11,834
Loans to banks	28,635
40. Financial assets at amortised cost: a) Loans and receivables with banks	30,972
less: Reclassification of debt securities in Other financial assets	(2,336)
Loans to customers	222,591
40. Financial assets at amortised cost: b) Loans and receivables with customers	239,585
less: Reclassification of debt securities in Other financial assets	(17,052)
+ Reclassification of loans from Other financial assets - Item 20 c)	58
Other financial assets	112,294
20. Financial assets at fair value through profit and loss: b) Financial assets designated at fair value	-
20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value	3,164
less: Reclassification of loans in Loans to customers	(58)
30. Financial assets at fair value through other comprehensive income	46,927
70. Equity investments	42,873
+ Reclassification of debt securities from Loans to banks - Item 40 a)	2,336
+ Reclassification of debt securities from Loans to customers - Item 40 b)	17,052
Hedging instruments	5,853
50. Hedging derivatives	4,167
60. Changes in fair value of portfolio hedged items (+/-)	1,686
Property, plant and equipment	2,246
80. Property, plant and equipment	2,246
Goodwill	-
90. Intangible assets of which: goodwill	-
Other intangible assets	4
90. Intangible assets net of goodwill	4
Tax assets	10,704
100. Tax assets	10,704
Non-current assets and disposal groups classified as held for sale	117
110. Non-current assets and disposal groups classified as held for sale	117
Other assets	3,877
120. Other assets	3,876
<b>Total assets</b>	<b>405,616</b>

## Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Balance sheet

(€ million)

	AMOUNTS AS AT 12.31.2018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
Deposits from banks	58,995
10. Financial liabilities at amortised cost: a) Deposits from banks	58,995
Deposits from customers	211,872
10. Financial liabilities at amortised cost: b) Deposits from customers	211,872
Debt securities issued	52,969
10. Financial liabilities at amortised cost: c) Debt securities in issue	52,969
Financial liabilities held for trading	10,384
20. Financial liabilities held for trading	10,384
Financial liabilities designated at fair value	3,535
30. Financial liabilities designated at fair value	3,535
Hedging instruments	6,295
40. Hedging derivatives	4,525
50. Value adjustment of hedged financial liabilities (+/-)	1,770
Tax liabilities	2
60. Tax liabilities	2
Liabilities included in disposal group classified as held for sale	-
70. Liabilities referable to disposal groups classified as held for sale	-
Other liabilities	10,728
80. Other liabilities	7,617
90. Provision for employee severance pay	629
100. Provisions for risks and charges	2,483
Shareholders' Equity:	50,836
- Capital and reserves	48,378
110. Valuation reserves	(503)
120. Redeemable shares	-
130. Equity instruments	4,610
140. Reserves	9,940
150. Share premium	13,393
160. Share capital	20,940
170. Treasury shares (-)	(2)
- Net profit (loss)	2,458
180. Profit (Loss) of the period (+/-)	2,458
<b>Total liabilities and Shareholders' Equity</b>	<b>405,616</b>

## Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Balance sheet

(€ million)

	AMOUNTS AS AT 12.31.2017
<b>ASSETS</b>	
Cash and cash balances	25,817
10. Cash and cash balances	25,817
Financial assets held for trading	13,864
20. Financial assets held for trading	13,864
Loans to banks	27,567
60. Loans and receivables with banks	27,567
Loans to customers	206,546
70. Loans and receivables with customers	208,965
Reclassification of debt securities with customers	(2,419)
Other financial assets	107,697
30. Financial assets at fair value through profit or loss	652
40. Available-for-sale financial assets	59,718
50. Held-to maturity investments	762
100. Investments in associates and joint ventures	44,145
Reclassification of debt securities with customers	2,419
Hedging instruments	6,114
80. Hedging derivatives	4,400
90. Changes in fair value of portfolio hedged items (+/-)	1,714
Property, plant and equipment	2,209
110. Property, plant and equipment	2,209
Goodwill	-
120. Intangible assets net of which: goodwill	-
Other intangible assets	4
120. Intangible assets net of goodwill	4
Tax assets	10,311
130. Tax assets	10,311
Non-current assets and disposal groups classified as held for sale	150
140. Non-current assets and disposal groups classified as held for sale	150
Other assets	4,701
150. Other assets	4,700
<b>Total assets</b>	<b>404,980</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Balance sheet

(€ million)

	AMOUNTS AS AT 12.31.2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
Deposits from banks <i>10. Deposits from banks</i>	56,807 56,807
Deposits from customers and debt securities in issue <i>20. Deposits from customers</i>	197,139 197,138
Debt securities issued <i>30. Debt securities in issue</i>	64,945 64,946
Financial liabilities held for trading <i>40. Financial liabilities held for trading</i>	13,068 13,068
Financial liabilities at fair value through profit or loss <i>50. Financial liabilities at fair value through profit or loss</i>	2,738 2,738
Hedging instruments <i>60. Hedging derivatives</i> <i>70. Changes in fair value of portfolio hedged items (+/-)</i>	6,279 4,558 1,720
Tax liabilities <i>80. Tax Liabilities</i>	1 1
Liabilities included in disposal group classified as held for sale <i>90. Liabilities included in disposal group classified as held for sale</i>	- -
Other liabilities <i>100. Other liabilities</i> <i>110. Provision for employee severance pay</i> <i>120. Provisions for risks and charges</i>	10,495 7,824 828 1,843
Shareholders' Equity:	53,508
- Capital and reserves	47,272
<i>130. Revaluation reserves</i>	586
<i>140. Redeemable shares</i>	-
<i>150. Equity instruments</i>	4,610
<i>160. Reserves</i>	7,799
<i>170. Share premium</i>	13,400
<i>180. Issued capital</i>	20,881
<i>190. Treasury shares</i>	(2)
- Net profit (loss) <i>200. Net profit (loss) for the period (+/-)</i>	6,236 6,236
<b>Total liabilities and Shareholders' equity</b>	<b>404,980</b>

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

**Income statement**

(€ million)

	<b>YEAR 2018</b>
Net interest	4,166
30. Net interest margin	4,166
Dividends and other income from equity investments	2,630
70. Dividend income and similar revenue	2,630
Net fees and commissions	3,839
60. Net fees and commissions	3,950
+ Administrative expenses - other administrative expenses - outsourced services for the management of non-performing loans (from Item 160 b)	(111)
Net trading income	78
80. Net gains (losses) on trading	-
90. Net gains (losses) on hedge accounting	1
100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income	87
100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	(1)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	(9)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities (from Item 100 a)	-
Net other expenses/income	(94)
200. Other operating expenses/income	412
less: Other operating expenses/income - recovery of expenses	(508)
less: Other operating expenses/income - leasehold improvements	21
less: Other operating expenses/income - integration costs	1
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	(1)
+ Administrative expenses - other administrative expenses - outsourced services for the management of non-performing loans - penalties (from Item 160 b)	(18)
<b>OPERATING INCOME</b>	<b>10,619</b>
Payroll costs	(2,866)
160. Administrative expenses: a) staff costs	(2,866)
less: Administrative expenses - staff costs - integration costs	-
Other administrative expenses	(2,465)
160. Administrative expenses: b) Other administrative expenses	(2,960)
less: Administrative expenses - other administrative expenses contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA	384
less: Administrative expenses - other administrative expenses - outsourced services for the management of non-performing loans	111
less: Administrative expenses - other administrative expenses - outsourced services for the management of non-performing loans - penalties	18
less: Administrative expenses - other administrative expenses - integration costs	2
+ Other operating expenses/income - leasehold improvements (from Item 200)	(21)
Recovery of expenses	508
+ Other operating expenses/income - recovery of expenses (from Item 200)	508
Amortisation, depreciation and impairment losses on intangible and tangible assets	(137)
180. Net value adjustments/write-backs on property, plant and equipment	(152)
less: Net value adjustments/write backs on property, plant and equipment - owned for investment	17
190. Net value adjustments/write-backs on intangible assets	(2)
<b>Operating costs</b>	<b>(4,960)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>5,659</b>
Net impairment losses on loans and provisions for guarantees and commitments	(1,986)
100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	(34)
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans	1
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	-
130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	(1,998)
less: Net losses/recoveries on impairment relating to financial assets at amortised cost - debt securities	11
130. Net losses/recoveries on impairment relating to: b) financial assets at fair value through other comprehensive income	(14)
less: Net losses/recoveries on impairment relating to financial assets at fair value through other comprehensive income - debt securities	14
140. Gains/Losses from contractual changes with no cancellations	(3)
170. Net provisions for risks and charges: a) commitments and financial guarantees given	38
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,673</b>
Other charges and provisions	(786)
170. Net provisions for risks and charges: b) other net provisions	(428)
less: Tax disputes relating to income tax (interests and sanctions excluded)	26
+ Administrative expenses - other administrative expenses contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA (from Item 160 b)	(384)
Integration costs	(3)
+ Administrative expenses - staff costs - integration costs (from Item 160 a)	-
+ Administrative expenses - other administrative expenses - integration costs (from Item 160 b)	(2)
+ Net other expenses/income - integration costs - (from Item 200)	(1)
Net income from investments	(1,582)
220. Profit (Loss) of equity investments	(1,590)
230. Net gains (losses) on tangible and intangible assets measured at fair value	-
250. Gains (Losses) on disposal of investments	50
+ Net losses/recoveries on impairment relating to financial assets at amortised cost - debt securities (from Item 130 a)	(11)
+ Net losses/recoveries on impairment relating to financial assets at fair value through other comprehensive income - debt securities (from Item 130 b)	(14)
+ Net value adjustments/write backs on property, plant and equipment - owned for investment (from Item 180)	(17)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,302</b>
Income tax	1,156
270. Tax expenses (income) from continuing operations	1,182
+ Other changes and provisions - Tax disputes relating to income tax (interests and sanctions excluded) - (from Item 170 b)	(26)
<b>PROFIT (LOSS) AFTER TAX</b>	<b>2,458</b>
Profit (Loss) from non-current assets held for sale after tax	-
290. Profit (Loss) after tax from discontinued operations	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,458</b>
Goodwill impairment	-
240. Goodwill impairment	-
<b>NET PROFIT (LOSS)</b>	<b>2,458</b>
300. Net profit (loss) for the period	2,458

# Annex 1 - Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Income statement

(€ million)

	YEAR 2017
Net interest	3,960
30. Net interest margin	3,711
+ reclassification of interests from impairment losses on loans	249
Dividends and other income from equity investments	3,808
70. Dividend income and similar revenue	3,808
Net fees and commissions	3,798
60. Net fees and commissions	3,921
+ other administrative expenses - of which: outsourced services for the management of non-performing loans	(135)
+ recovery of expenses - commissioni di istruttoria veloce (CIV)	12
Net trading income	302
80. Gains (Losses) on financial assets and liabilities held for trading	85
90. Fair value adjustments in hedge accounting	(13)
100. Gains (Losses) on disposal of: b) available-for-sale financial assets	314
less: gains (losses) on disposals AFS - Equity instruments - Equity investments - day one profit/loss	(20)
100. Gains (Losses) on disposal of: d) financial liabilities	37
110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss	(101)
Net other expenses/income	(95)
190. Other net operating income	432
+ gains (losses) on disposal/repurchase on loans and receivables - not impaired position (from Item 100)	16
+ outsourced services for the management of non-performing loans - penalties	(9)
less: other operating income - of which: recovery of expenses	(558)
less: other operating expenses - of which on leasehold improvements	24
<b>OPERATING INCOME</b>	<b>11,773</b>
Payroll costs	(3,139)
150. Administrative expenses - a) staff costs	(3,121)
less: integration costs	(18)
Other administrative expenses	(2,694)
150. Administrative expenses - b) other administrative expenses	(2,995)
less: contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA	181
less: outsourced services for the management of non-performing loans	135
less: outsourced services for the management of non-performing loans - penalties	9
+ other operating expenses - of which on leasehold improvements	(24)
Recovery of expenses	546
190. Other net operating income - of which: operating income - recovery of expenses	558
less: commissioni istruttoria veloce (CIV)	(12)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(137)
170. Impairment/Write-backs on property, plant and equipment	(165)
less: impairment losses/write backs on property owned for investment	32
180. Impairment/Write-backs on intangible assets	(4)
<b>Operating costs</b>	<b>(5,424)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>6,349</b>
Net impairment losses on loans and provisions for guarantees and commitments	(2,103)
100. Gains (Losses) on disposal of: a) loans	(569)
less: gains and losses on disposal/repurchase on loans and receivables - not impaired position (from Item 100)	(16)
130. Impairment losses on a) loans	(1,337)
less: Reclassification of interests from impairment losses on loans	(249)
130. Impairment losses on d) other financial assets	68
<b>NET OPERATING PROFIT (LOSS)</b>	<b>4,246</b>
Other charges and provisions	(565)
160. Net provisions for risks and charges	(388)
+ contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA	(181)
less: integration costs	4
Integration costs	14
Net income (losses) from investments	2,427
130. Impairment losses on: b) available-for-sale financial assets	(314)
+ impairment losses/write backs on property owned for investment	(32)
+ gains (losses) on disposal AFS - Equity instruments day one profit/loss	20
210. Profit (Loss) of investments	2,743
220. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-
240. Gains (Losses) on disposal of investments	10
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>6,122</b>
Income tax	30
260. Tax expense (income) related to profit or loss from continuing operations	30
<b>PROFIT (LOSS) AFTER TAX</b>	<b>6,152</b>
Profit (Loss) from non-current assets held for sale after tax	84
280. Profit (Loss) after tax from discontinued operations	84
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>6,236</b>
Goodwill impairment	-
230. Goodwill impairment	-
<b>NET PROFIT (LOSS)</b>	<b>6,236</b>
290. Net profit (loss) for the period	6,236



## Annex 2 - Fees for annual audits and related services

(pursuant to article 149-duodecies, CONSOB Regulation No.11971/99, as supplemented)

(€ '000)

DISCLOSURE OF EXTERNAL AUDITORS' FEES - UNICREDIT S.P.A. - FINANCIAL YEAR 2018 - DELOITTE NETWORK					
As prescribed by §149-duodecies of the Consob Issuers Regulation, the following table gives fees paid in 2018 for audit services rendered by the Auditor and firms in its network.					
EXTERNAL AUDITING	UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE		DESCRIPTION OF SERVICE	TYPE	FEES <sup>(1)</sup>
	SERVICE PROVIDER NAME OF AUDITING FIRM	COMPANY NAME			
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Audit of Company and Consolidated Accounts and First Half Report, accounting checks and foreign branches <sup>(2)</sup>		3,543
<b>Auditing Firm Total</b>					<b>3,543</b>
<b>External Auditing Total</b>					<b>3,543</b>
CHECKING FOR THE PURPOSES OF OTHER OPINIONS	UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE		DESCRIPTION OF SERVICE	TYPE	FEES <sup>(1)</sup>
	SERVICE PROVIDER NAME OF AUDITING FIRM	COMPANY NAME			
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Limited review on 2018 non financial information, Limited review on 2Q 2018 and 3Q 2018 Consolidated Reports for the inclusion of interim net profit in Common Equity Tier 1 Capital, Issuing Comfort Letters concerning bond issues, Signing the Italian tax declaration forms, Supervisory Fees ECB ISA805, Reporting data TLTRO II ISAE3000, Limited Assurance Engagement OBG ISAE3000, English translation of the Financial Reports		1,894
<b>Auditing Firm Total</b>					<b>1,894</b>
Network Auditing Firm(s)	Deloitte Touche Tohmatsu CPA LLP, Deloitte & Touche Middle Est LLP, Deloitte SL	UniCredit S.p.A.	Local statutory audit report of foreign branches of Shanghai, Abu Dhabi and Madrid according to local regulations		107
<b>Network Auditing Firm(s) Total</b>					<b>107</b>
<b>Data Checking Total</b>					<b>2,001</b>
OTHER NON-AUDITING SERVICES	UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE		DESCRIPTION OF SERVICE	TYPE	FEES <sup>(1)</sup>
	SERVICE PROVIDER NAME OF THE AUDITING FIRM	COMPANY NAME			
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Agreed Upon Procedure (AUP) on Own Funds, AUP on quarterly calculation foreign exchange risk of CIUs, AUP on contributions to the Single Resolution Fund, AUP on Servicing Report Cordusio RMBS	Other services	246
<b>Auditing Firm Total</b>					<b>246</b>
Network Auditing Firm(s)	Deloitte Consulting S.r.l.	UniCredit S.p.A.	Support to Projects "New App Mobile Banking", "Mobile Banking App Evolution" and "MREL Framework and Reporting"	Other services	593
<b>Network Auditing Firm(s) Total</b>					<b>593</b>
<b>Other Non-Auditing Services Total</b>					<b>839</b>
<b>Grand Total</b>					<b>6,383</b>

## Notes:

(1) Excluding VAT and expenses.

(2) Contract authorized by the Resolution of the Shareholders' Meeting of 11 May 2012 for a total amount of €2,206,600 (integrated by €150,000 in 2013, by €250,000 in 2016, by €250,000 in 2017 and by €586,600 in 2018), plus ISTAT indexation amounting to €100,138.

## Annex 3 - Internal pension funds: statement of changes in the year and final accounts

### Internal Pension Funds

As at December 31, 2018 Unicredit S.P.A. with regard to internal pension funds maintain commitments to the funds set up for the employees of the London and the Munich branch - of which the main details follow:

#### Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2018	NO. OF MEMBERS AS AT 12.31.2018	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>Statement of the "Pension fund for employees of the former Banca di Roma - London Branch"</b>	<b>6</b>	<b>20<sup>(1)</sup></b>	Defined benefit		
<b>Opening balance as at 12.31.2017</b>				<b>3,749</b>	
Provisions for the year:					
- Past service cost				56	
- Interest cost on defined benefit obligations				144	
- Interest Income on plan assets				(92)	
Administrative expenses paid from plan assets				69	-
Employer Contributions				(8)	
Exchange rate effect				(30)	
Actuarial (gains)/losses recognised in the year				(1,102)	
<b>Balance as at 12.31.2018</b>				<b>2,786</b>	
<b>Present value of the liabilities</b>				<b>8,831</b>	
<b>Present value of plan assets</b>				<b>6,045</b>	
<b>Net Liability as at 12.31.2018</b>				<b>2,786</b>	

Note:

<sup>(1)</sup> of which 20 deferred benefit.

<b>Statement of the "Pension fund for the employees of the London Branch" (ex Credito Italiano)</b>	<b>10</b>	<b>66<sup>(1)</sup></b>	Defined benefit		
<b>Opening balance as at 12.31.2017</b>				<b>4,052</b>	
Provisions for the year:					
- Current service cost (gross)				407	
- Past service cost				279	
- Interest cost on defined benefit obligations				866	
- Interest Income on plan assets				(766)	
Employer Contributions				(2,003)	
Exchange rate effects				(33)	
Actuarial (gains)/losses recognised in the year				(2,063)	
<b>Balance as at 12.31.2018</b>				<b>739</b>	
<b>Present value of the liabilities</b>				<b>25,099</b>	
<b>Present value of plan assets</b>				<b>24,360</b>	
<b>Net Liability as at 12.31.2018</b>				<b>739</b>	

Note:

<sup>(1)</sup> of which 66 deferred benefit.

## Annex 3 - Internal pension funds: statement of changes in the year and final accounts

<b>Statement of the "Pension fund for the employees of Munich Branch"</b>		
	-	10 <sup>(1)</sup> Defined benefit
<b>Opening balance as at 12.31.2017</b>		<b>216</b>
Provisions for the year:		
- Current service cost (gross)		188
- Interest cost on defined benefit obligations		9
- Interest Income on plan assets		(5)
Employer Contributions		(182)
Other increases (decreases)		182
Actuarial (gains)/losses recognised in the year		150
<b>Balance as at 12.31.2018</b>		<b>558</b>
<b>Present value of the liabilities</b>		<b>965</b>
<b>Present value of plan assets</b>		<b>407</b>
<b>Net Liability as at 12.31.2018</b>		<b>558</b>

Note:

<sup>(1)</sup> of which 3 deferred benefit.

## Annex 4 - Securitisation - qualitative tables

Reference is made to the Annexes - Annex 3 - Securitisations - qualitative tables of Consolidated financial statements of UniCredit group with specific reference to UniCredit S.p.A. as Originator which is herewith quoted entirely.





## Annual financial statements certification pursuant to art.81-ter of Consob regulation No.11971/99, as amended


1. The undersigned Jean Pierre Mustier (as Chief Executive Officer) and Stefano Porro (as the Manager Charged with preparing the financial reports) of UniCredit S.p.A., also in compliance with Art.154-bis, (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February 1998, do hereby **certify**:
  - the adequacy in relation to the Legal Entity's features, and
  - the actual applicationof the administrative and accounting procedures employed to draw up the 2018 Annual Financial Statements.
2. The adequacy of the administrative and accounting procedures employed to draw up the 2018 Annual Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the "Internal Controls - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and for financial reporting in particular.
3. The undersigned also **certify** that:
  - 3.1 the 2018 Annual Financial Statements:
    - a) were prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation No.1606/2002, of 19 July 2002;
    - b) correspond to the results of the accounting books and records;
    - c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer;
  - 3.2 the Report on Operations includes a reliable analysis of the operating trend and results as well as of the situation of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Milan - 6 February 2019

Jean Pierre MUSTIER



Stefano PORRO







# Report of the Board of Statutory auditors

**BOARD OF STATUTORY AUDITORS' REPORT  
TO THE SHAREHOLDERS MEETING OF APRIL 11, 2019  
(PURSUANT TO ART.153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND ART. 2429, PAR. 2, OF THE ITALIAN CIVIL CODE)**

Dear Shareholders,

The Board of Statutory Auditors (hereinafter, also the "BoSA") is called to report to the Shareholders' Meeting of UniCredit S.p.A. (hereinafter, also the "Bank", the "Parent Company") on the oversight activity performed during the year and on any detected omissions and censurable facts, pursuant to Art.153 of Italian Legislative Decree no. 58/1998 (Consolidated law on finance TUF) and art. 2429, paragraph 2, of the Italian Civil Code. The Board of Statutory Auditors is also entitled to make comments and proposals concerning the financial statements, their approval and all matters within its remit.

During 2018, the Board of Statutory Auditors performed its institutional duties in compliance with the Italian Civil Code, Italian Legislative Decree no. 385/1993 (Consolidated law on banking TUB), 58/1998 (TUF) and 39/2010 and subsequent amendments and/or additions, the provisions of the company Bylaws and those issued by the Authorities that exercise supervisory and control activities, also taking into consideration the rules of conduct recommended by the Italian National Board of Certified Public Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

This report provides the information required by Consob Communication 1025564/2001 as amended and/or supplemented.

## 1. Appointment and activities of the Board of Statutory Auditors

On 14 April 2016, the Shareholders' Meeting of UniCredit S.p.A. renewed the Board of Statutory Auditors, which had lapsed from office after completing its three-year term, appointing its members for the subsequent period and until the approval of the financial statements at 31 December 2018. These were Mr. Pierpaolo Singer (Chairman), Mr. Angelo Rocco Bonissoni, Mr. Enrico Laghi, Ms. Benedetta Navarra, and Ms. Maria Enrica Spinardi (Statutory Auditors). On 2 May 2017, Mr. Enrico Laghi resigned from office due to increasing professional commitments. He was replaced by Mr. Guido Paolucci, former Alternate Auditor from the same list, whose appointment was confirmed by the Shareholders' Meeting on 4 December 2017. On 26 October 2017, Ms. Maria Enrica Spinardi resigned from office for reasons related to her family commitments. She was replaced by Ms. Antonella Bientinesi, former Alternate Auditor from the same list, whose appointment was confirmed by the Shareholders' Meeting on 4 December 2017.

During the 2018 financial year, the Board of Statutory Auditors carried out its activities, holding 38 meetings with an average duration of about 3 hours and 50 minutes, of which 26 after the Shareholders' Meeting of 12 April 2018. During 2019 and until the date of this Report, the Board of Statutory Auditors met 10 times.

The Board of Statutory Auditors participated in all 17 meetings of the Board of Directors.

In 2018, the Board of Statutory Auditors, with the presence of all members, participated in 4 meetings of the Internal Control & Risk Committee (hereinafter, also "IC&RC"); subsequently, following the renewal of the composition of the IC&RC in April 2018, it participated on the invitation of the Chairman of the Board (9 meetings, May – December 2018 period).

## 2. Development of Group activities and other corporate operations

The Board of Statutory Auditors, in parallel with the monitoring carried out continuously by the Board of Directors and related to the implementation of the **Strategic Plan Transform 2019** (hereinafter, also the "Plan") approved in December 2016 and reconfirmed in December 2017, continued its analyses aimed at examining the implementation of the main actions contemplated in the Plan and carried out specific in-depth studies with the Top Management within the respective remits regarding the significant advances in the implementation of the five pillars of the Plan:

- Transforming the operating model;
- Maximizing the commercial bank value;
- Strengthening and optimizing the capital;
- Improving asset quality;
- Adopting a Group Corporate Center that is streamlined yet with directional powers strongly oriented towards coordinating the business.

The implementation of *Transform 2019* is fully in line with expectations.

The Consolidated Management Report also lists the initiatives for the sale of non-performing loan portfolios, which are aimed at reducing non-performing exposures and non-core assets and strengthening the Group's risk profile set in the Plan.

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Among the **operations and initiatives on shareholdings** described in the financial statements, please note the following:

## **Disposal of Italian pawncredit business**

On 1 July 2018, the holding UniCredit S.p.A. completed the disposal of its Italian pawncredit business to Dorotheum. The transaction envisaged a consideration of €141 million, paid by Dorotheum at closing, and a potential earn-out in favor of UniCredit S.p.A. up to €9 million, to be paid after three years. In 3Q18 the transaction generated a positive impact for UniCredit S.p.A. of about €100 million in the consolidated accounts and of almost 4 bps on the consolidated CET1 ratio.

## **Sale of the investment in i-Faber S.p.A.**

On 30 April 2018, UniCredit S.p.A. finalized the sale of the entire stake (100%) held in i-Faber S.p.A. to Accenture Managed Services S.p.A., as part of the broader action aimed at streamlining the Group's shareholdings.

## **Constitution of UniCredit myAgents S.r.l.**

In February 2018, UniCredit myAgents S.r.l., a wholly owned subsidiary of UniCredit S.p.A., was set up to operate as a financial business agency, mainly as a driver for recruiting and training associates to strengthen its distribution network, in order to contribute to the business development of Italian commercial bank business. The company has been operational since April 2018.

## **3. Other information on Group activities**

### **Contract renegotiation with ES Shared Service Center S.p.A.**

In line with the new HR Transformation program led by the UniCredit HR Transformation & Operations Office, a thorough revision of the relationship with ES Shared Service Center S.p.A. has been negotiated. The latter provides services in the field of Human Resources for UniCredit Group companies in Italy and Austria through an outsourcing contract spanning 15 years.

In line with the agreements, the subsidiary UniCredit Services Scpa has exercised its termination right of the agreement related to Italy which is effective from 1 July 2018. The termination of the said agreement envisages also a post termination assistance in order to ensure the continuity of the services and to support the migration of the systems and the activities to UniCredit S.p.A. In this context and in execution of the reached agreement, UniCredit Services has exercised its "put option"; therefore starting from 19 December 2018 UniCredit Services ceased to be a shareholder of ES SSC.

### **Treatment of Cashes**

In reference to the request made by Caius Capital on 20 July 2018, the EBA (European Banking Authority) decided not to open an investigation for breach of EU law regarding the regulatory treatment of the Cashes operation. UniCredit S.p.A. therefore confirmed the position of 2012 concerning the treatment of the Cashes, supported by the fact that the treatment was reviewed and affirmed by all the relevant authorities and that UniCredit ordinary shares are qualified as Common Equity Tier 1 Capital - CET1. UniCredit S.p.A. also has filed a complaint against Caius Capital and the Caius funds in the Milan Court, asking for damages quantified at about €90 million due to the initiatives taken by them in regards to the Cashes. In December 2018, UniCredit S.p.A. and Caius Capital jointly communicated that they had reached a definitive settlement agreement on the dispute, and UniCredit's complaint against Caius and the funds it manages has been withdrawn.

### **Mediobanca S.p.A. - new consultation agreement**

At 31 December 2018, UniCredit S.p.A. is the largest shareholder in Mediobanca Banca di Credito Finanziario S.p.A. ("Mediobanca") with a stake of 74.5 million shares, corresponding to 8.4% of the share capital. As a result of the termination of the existing Shareholders' Agreement of Mediobanca from 31 December 2018, on 20 December 2018, the holders of 20.7% of the share capital of Mediobanca, including UniCredit S.p.A., signed a new "consultation agreement" effective from 1<sup>st</sup> January 2019.

The stake in Mediobanca is classified among the related companies subject to considerable influence, in line with the previous years and on the basis of an opinion requested from an external law firm.

Given the signing of the new consultation agreement, UniCredit continues to hold significant influence on Mediobanca, as the new agreement does not introduce changes in the governance framework of Mediobanca so substantial to require an update in UniCredit classification and valuation criteria of such stake; UniCredit preserves its representation in the Board of Directors of Mediobanca and the participation in determining its financial and operating policies.

### **Approval of the Italian Budgetary law 2019 and consequent effects on deferred taxes associated with the adoption of the IFRS9 principle**

As indicated in the consolidated Notes, starting from 1<sup>st</sup> January 2018, the new accounting standard IFRS9 which deals with the recognition and measurement of Financial instruments has been applied for the preparation of Financial statements. The adoption of the new accounting standard has determined, among other effects, an increase in Loan Loss Provisions (LLPs) whose economic effects have been recognized as a reduction of 1<sup>st</sup> January 2018 net equity (First Time Adoption - FTA). At the same date, UniCredit S.p.A. has not recognised IRAP and IRES tax assets related to the mentioned LLPs because the tax rule applicable at the time required the full deductibility in 2018 and, absent a sufficient taxable income, the sustainability test showed the inability to recover the IRES deferred tax assets associated with tax losses carried forward.

The new 2019 Italian Budgetary Law, approved in December 2018, envisaged the deductibility of LLPs recognized in FTA on a 10 years period (1/10 in 2018 and 9/10 in future periods up to 2027), for both IRES and IRAP purposes.

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This circumstance has determined the transformation of these DTAs from tax assets related to tax losses carried forward to tax assets related to temporary differences (IRES and IRAP) and, consequently, their recognition in financial statements for an amount determined through the sustainability test carried out coherently with the new tax rules.

The Board of Statutory Auditors noted that the recognition of these DTAs has required a specific analysis by the Company Management in order to identify the appropriate accounting, taking into account the absence of specific guidelines from the IAS12 on the allocation of such effects to net assets rather than to the income statement. On the issue, which is purely representative and does not involve recognition or measurement issues, the Company Management:

- has performed technical analysis, also considering the content of the Document issued by Banca d'Italia, Consob and Isvap (now Ivass) on 21 February 2008 concerning the application of IAS/IFRS (in particular the Document was issued so to clarify the accounting treatment of negative changes in DTA related to the first time adoption of IAS/IFRS and resulting from the change in IRES and IRAP tax rates set by 2008 Budgetary Law);
- has concluded that the content of the mentioned Document is applicable also to the present case absent further indications by IFRS IC (Interpretation Commitments) or changes by IASB (International Accounting Standard Board).

Therefore, the DTAs related to the first adoption of the IFRS9 principle have been recognised against P&L for an amount of €871 million. As a result, also considering the impact of IRAP current taxes for €16 million, the net profit for 2018 is equal to €3,892 million (€1,727million in the fourth quarter of 2018). In case these DTAs were recognised against equity, the net profit for 2018 would have been equal to €3,006 million (€840 million in the fourth quarter of 2018); 20% of rectified net profit (3,006 million) is subject to proposal of dividend distribution to UniCredit Shareholders' Meeting. Lastly, to be pointed out that the the choice to recognise these DTAs against equity, instead against P&L as happened, would have not determined different effects on the overall equity capital of the Bank.

#### 4. Atypical or unusual transactions

The financial statements, the information received during the meetings of the Board of Directors and the information received from the Chairman and the CEO, the management, the direct subsidiaries' Boards of Statutory Auditors, and the External Auditor revealed no atypical or unusual transactions, including intragroup or related-party transactions.

#### 5. Related-party transactions

The financial statements shows the information relating to transactions with related parties, together with the relevant certifications (Art. 5 Consob resolution no. 17221/2010 and subsequent amendments "Information to the public on transactions with related parties").

##### **Global Policy "Transactions with related parties, related entities and Corporate Representatives under Art. 136 TUB [Consolidated Banking Law]"**

With a resolution of 6 February 2019, the Board of Directors approved an updated version of the Global Policy for the management of transactions with persons in conflict of interest, pursuant to Consob Regulation 17221/2010 of the Bank of Italy Circular 285/2013 and of Art. 136 of Italian Legislative Decree 385/1993. The regulation requires annually checking its adequacy and the need to make any amendments.

The Global Policy, renamed Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art 136 TUB" and adopted in accordance with the above-mentioned provisions, has been revised with a view to streamlining and easing the user's comprehension and merges into a single document the "Global Policy for the management of transactions with parties in conflict of interest" and the "Global Policy - Internal controls on risk activities with persons in conflict of interest".

The main changes include:

- identification of operations with Single Perimeter members and cases of exclusion
- the increase in the materiality threshold from 2% to 3% for the inclusion of shareholders/Shareholders' Agreement members in the Single Perimeter
- the qualification of the plafonds/internal limits.

On 30 January 2019, the Board of Statutory Auditors, after obtaining the favourable opinion of the Related Parties Committee, issued an opinion of the overall adequacy and suitability of the renewed Global Policy for the achievement of the objectives set by the regulations in force.

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### **Global Policy "Internal controls on risk activities with Persons in conflict of interest"**

The Bank of Italy's regulations (Circular no. 263 - Title V, Chapter 5) provide for the annual assessment of the policies of internal control on activities at risk with respect to Related Parties.

During 2018, the Board of Statutory Auditors took note that the relevant Group Risk Management and Group Compliance Functions assessed as unnecessary the revision of the Global Policy "Internal controls on Risk Activities with Parties in conflict of interest". Therefore, the contents of the version approved by the Board of Directors Meeting of 2 August 2016, were therefore confirmed on the basis of approvals respectively issued by the Related Parties Committee and the Board of Statutory Auditors. Moreover, as indicated in the previous paragraph, at its meeting of 6 February 2019, the Board of Directors approved the new version of the Global Policy "Transactions with related parties, related entities and Corporate Representatives under Art. 136 TUB", which includes the "Global Policy - Internal controls on Risk Activities with Parties in conflict of interest".

### **Transactions pursuant to Art. 136 TUB**

With reference to transactions approved by the Board of Directors pursuant to Article 136 of Italian Legislative Decree no. 385/1993 (TUB), the competent structures conducted an analysis of the creditworthiness of each of the proposals, expressing a favourable opinion and specifying that the transactions subjected to Board approval were assessed at market conditions, in line with those envisaged for customers with a similar risk profile and economic sector of business.

### **6. Oversight of the external audit activity**

Directive 2014/56/EU Art. 28 amended Directive 2006/43/EC concerning external audit and was transposed in Italy with Legislative Decree no. 135/2016, which updated Italian Legislative Decree no. 39/2010. Regulation (EU) 537/2014 of April 16, 2014, Art. 10 (hereafter also the "Regulation") defines the specific requirements of the audit report for public interest entities.

Pursuant to Art. 19 of Italian Legislative Decree no. 135/2016, during the course of 2018 and up to the date of this Report to the Shareholders, the Board of Statutory Auditors carried out a monitoring process during all the activity carried out by the External Auditors.

The BoSA scheduled a series of specific meetings during the various phases of the audit, during which it examined, among other things:

- the 2018 Transparency Report, with particular reference to the processes of certification of independence of the personnel of the External Auditors and quality control (practice review);
- the resources and hours budgeted for the 2018 external audit;
- the scope of work, materiality and significant risks 2018;
- the 2018 Audit Plan;
- the 2018 Group Audit timetable.

The Board of Statutory Auditors analyzed the methodology adopted by the External Auditors and acquired the necessary information during the task, with constant interaction on the audit approach used for the various significant areas of the financial statements, sharing the issues related to corporate risks, as well as receiving updates on the progress of the audit and on the main aspects examined by the External Auditors.

In November 2018, the Board of Statutory Auditors met in two separate sessions with the **Partners of the Deloitte network** in charge of the audits of UniCredit Bank AG, UniCredit Bank Austria AG, AO UniCredit Bank and of the Companies belonging to CEE (Central Eastern Europe), as well as FinecoBank Spa, Cordusio SIM, UniCredit Factoring, UniCredit Leasing SpA, UniCredit Services ScpA, for the usual annual update on the scenario developments in the various countries and on the main results of the respective audit activities

The Board of Statutory Auditors reviewed the following reports of the External Auditors Deloitte & Touche S.p.A., whose activity supplements the general framework of the control Functions required by the regulations in regard to financial information:

- the auditing reports issued on 8 March 2019 pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014,
- the supplemental report issued on 8 March 2019, pursuant to article 11 of the aforementioned Regulation, to the Board of Statutory Auditors in its capacity as internal control and auditing committee;
- the annual confirmation of independence, issued on 8 March 2019, pursuant to Art. 6 par. 2) subpar. a) of the Regulation and pursuant to paragraph 17 of ISA Italia 260.

The aforementioned reports on the audit of the Company financial statements and the consolidated financial statements of the Group highlight that they both provide a truthful and correct representation of the equity and financial situation of UniCredit S.p.A. and of the UniCredit Group at 31 December 2018, of the economic performance and cash flow for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/05 and of Art. 43 of Italian Legislative Decree no. 136/15.

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Furthermore, in the opinion of the External Auditors, the Management Report and some specific information contained in the Report on Corporate Governance and Ownership Structure indicated in Art. 123-bis, paragraph 4, of Italian Legislative Decree no. 58/98 (TUF) are consistent with the financial statements of UniCredit S.p.A. and with the consolidated financial statements of the UniCredit group at 31 December 2018 and are prepared in accordance with the law. With reference to the possible identification of significant errors in the Management Report (Article 14, paragraph 2, subpar. e) of Italian Legislative Decree no. 39/2010), the External Auditors declared that there was nothing to report.

Starting from the 2017 financial year, the reports on the auditing of the financial statements and the consolidated financial statements show the key audit matters that, according to the professional opinion of the External Auditors, were more significant in the accounting audit of the Company and consolidated financial statements for the year under review [ISA (Italy) 701].

The particular aspects are the following:

- the first adoption of the international accounting standard IFRS9;
- risk of uncorrected classification and valuation of performing customers loans;
- risk of uncorrected classification and valuation of non performing loans to customers (unlikely to pay and bad loans);
- legal risks related to non-compliance with the economic sanctions imposed by the United States of America ("U.S.") to other countries.

Regarding the aforementioned key matters, for which the External Auditors' reports illustrate the related audit procedures adopted, the External Auditors do not express a separate opinion, as the same have been dealt with in the audit, and in the assessment of the financial statements as a whole. The aforementioned key matters have been the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the External Auditors.

The Board of Statutory Auditors met regularly with the Auditing Company as required by Art. 150, paragraph 3, of Italian Legislative Decree 58/1998 (TUF) for a mutual exchange of information. It informed the Board of Statutory Auditors that there were no censurable actions or facts or irregularities which would have required specific reporting under Art. 155, paragraph 2, of Italian Legislative Decree 58/1998 (TUF).

In light of the foregoing, the Board of Statutory Auditors deems the process of interaction with the the External Auditors to be adequate and transparent. It also believes that the improvement of the "two-way dialogue" between the the External Auditors and the bodies responsible for governance on the areas of budget risk and on the procedures identified to oversee them further supported the role and responsibility of the parties involved in the preparation of the financial statements and in the auditing activities.

### 7. Oversight on the independence of the External Auditors

During the 2018 financial year, pursuant to Art. 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors verified and monitored the independence of the External Auditors Deloitte & Touche S.p.A., pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and article 6 of the Regulation, in particular with regard to the adequacy of the provision of services other than auditing to the audited entity. Furthermore, as previously stated (see previous paragraph), the Board of Statutory Auditors received the declaration confirming its independence from UniCredit S.p.A..

Following the entry into force of the aforementioned Regulation on specific requirements related to the external audit of the accounts of public interest entities (PIE), the Board of Statutory Auditors carried out, together with the relevant Bank Functions (Group Cost Management), a review of the existing internal regulations, Global Operational Instruction (GOI), called "Management of contractual relations with the external Group Auditing Company", issued in October 2014 and addressed to all Group subsidiaries.

From January 2017, the Bank has sent operating instructions to all the companies of the UniCredit Group so that they may submit each individual non-audit assignment for the assessment and approval of the Internal Control Body of each Group company (Board of Statutory Auditors, Audit Committee or equivalent body), then to the UniCredit S.p.A. Board of Statutory Auditors to issue the final binding opinion. The Board of Statutory Auditors also took note of the information concerning non-audit services prepared through a preventive and four-monthly flow by the competent Function. Therefore, pursuant to this process, all the companies of the UniCredit group contributed to the transmission of the data requested and required by internal regulations, in order to enable the timely monitoring of the costs of the services provided to the External Auditors and by all entities belonging to the Deloitte network.

The aforementioned revision of the internal operating instructions, aimed at strengthening the steering, coordination and control with further details, rules, responsibilities, processes and activities for the correct application of EU Regulation no. 537/2014 - ended on 27 March 2018, with the publication of OdS [Internal Regulation] 1316/1 referred to as "Global Operational Regulation - Principles and rules for the management of contractual relations with the Group's External Auditors".

On the basis of the final data for 2018, the services provided by the Group's External Auditors amount to approximately € 35.8 million, of which € 6.1 million refer to *non-audit* services.



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The ratio between the cost of non-audit services and the three-year average of audit services (2015-2016-2017) amounted to 29% for 2018, lower than the limit established by internal and external regulations (70%). On the other hand, as regards the non-audit services planning for 2019, the Deloitte network will be assigned services with a value of approximately € 7.2 million, with a forecast CAP of 32%.

With reference to the information provided in the statement relating to the "Publication of the remuneration - UniCredit S.p.A. - 2018 financial year - Deloitte network", the Board of Statutory Auditors notes that, compared to the previous year, the costs of the services assigned to the External Auditors increased, net of inflation, by €518,000, in consideration of the supplemental fees requested by the External Auditors following the introduction of the new IFRS 9 principle, while the costs of certification services, amounting to €2,001,000, decreased compared to the previous year by 41%. The costs of non-audit services, amounting to €839,000, decreased compared to the previous year by 11%.

At the Group level, the costs of non-audit services assigned to the External Auditors decreased by 10% compared to 2017. In order to be able to monitor effectively and promptly the allocation and the costs of the non-audit services, the Board of Statutory Auditors reserves the right to establish a more restrictive CAP annually.

### 8. Oversight of the financial information process

For the purposes of overseeing the financial reporting processes, the Board of Statutory Auditors, in addition to the aforementioned in-depth analysis carried out with the External Auditors, which did not reveal significant critical issues of the internal control system concerning the financial reporting process, carried out the planned and periodic meetings with the Manager in charge with preparing the financial reports and the competent Accounting and Group Risk Management structures.

The administrative and accounting procedures for drafting the Company and consolidated financial statements and all other financial information were set up under the responsibility of the Financial Reporting Manager who, together with the CEO, attests that they are adequate and actually applied.

During these periodic meetings, the Manager in charge with preparing the financial reports did not report any significant shortcomings in the operating and control processes that could undermine the adequacy and actual application of the administrative and accounting procedures, in order to correctly represent the economic, asset and financial aspects of the accounting events in compliance with international accounting standards.

The Manager with preparing the financial reports and the Chief Executive Officer signed the statements relating to the individual and consolidated financial statements at 31 December 2018, pursuant to Art. 81-ter of the Issuer Regulation, approved by Consob with Resolution 11971/1999 as amended and supplemented.

The Board of Statutory Auditors has examined the internal regulations relating to the process which allows the Manager with preparing the financial reports and the Chief Executive Officer to issue the cited certificates and has taken note of the updates on the subject, including those relating to the "Manual of Group Accounting Rules and Principles (Internal Regulation 911)" (approved by the Board of Directors in January and March 2018 and January 2019), with particular reference to the introduction of the new accounting standards (IFRS9, IFRS15), and the issuance of the update of Circular 262 by the Bank of Italy, and the findings of the Quality Assurance carried out by Deloitte as part of the IFRS9 Project.

The Board of Statutory Auditors also considered the updates to the Manual made as a result of the entry into force from 1<sup>st</sup> January 2019 of IFRS16, as well as those related to the new Policy "IFRS9 Held to collect - Sales".

The Board of Statutory Auditors also acknowledged the "Report on the status of the internal control system on the Financial Reporting - Management Report" with regard to the certification campaign L. 262/05 on the financial statements at 31 December 2018, issued on 6 February 2019.

In light of the information received and of the analyses carried out, as also described below, the Board of Statutory Auditors deems the overall administrative accounting system to be adequate in regards to the current regulations.

In any case, it recommends continuing without delay the direction and implementation of the corrective actions planned by the Management, as well as further strengthening the role of steering and coordination on the Group companies by the Corporate Center structures, with a view to increasingly sharing, harmonization and monitoring the different financial reporting processes.

Compared to a total of 505 companies wholly consolidated at 31 December 2018, on the basis of the criteria defined in the aforementioned internal regulations, the companies subject to certification for the 262 campaign amount to 65 and cover 98.1% of the Group Total Aggregated Assets ("GTAA").

The certification campaign at 31 December 2018, which for UniCredit S.p.A. involved 321 processes that undergo 1469 checks, ended with the issuance of all the so-called "internal certificates" to the UniCredit S.p.A. Manager in charge with preparing the financial reports by the counterparties of the relevant companies. Given the fact that the process system and the related checks are constantly updated, the Board of Statutory Auditors has recommended particular care in ensuring their complete mapping for the purposes of the related 262 certification.

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Regarding the areas of improvement that emerged from the certification campaign, which mainly concern i) the existence of substantial manual procedures that characterize part of the operations of Functions directly involved in the preparation of Company and consolidated financial statements/reports, ii) the supply of automated reports/procedures to improve the production and control activities carried out manually, the BoSA will continue to monitor the complete addressing of the related remedial actions (Group Remediation Plan), with a view to gradually reducing the use of compensatory actions, which are often manual and operationally burdensome, and which can raise the related operational risk.

As part of the project actions aimed at the 262 processes, the Board of Statutory Auditors confirmed the general revision of UniCredit S.p.A.'s operational model for the management of all the significant Workout processes in order to optimize their overall effectiveness (i.e. "**doBank project**"). A specific independent analysis was carried out as part of a comparative market survey by a leading consultancy company on the management of guarantees regarding non-performing exposures on the counterparties managed by the Servicers and, more generally, under the Master Service Agreement (MSA) with doBank: based on the results provided, an assessment is underway on actions to strengthen the supervision of doBank's activity, which, where necessary and agreed, could find future formalization within the existing Master Service Agreement. The Board of Statutory Auditors considers the aforementioned activity very significant also in the context of a general strengthening of the supervision of Outsourcer/Third-Party operations.

The Board of Statutory Auditors has taken note of the procedures carried out by the External Auditors requested by the Bank ("Agreed upon procedures") as suggested by the Board of Statutory Auditors, regarding the production of the disclosure made with reference to the date of 31 December 2018 by UniCredit S.p.A. in the document known as Disclosure of the UniCredit Group drawn up pursuant to Regulation (EU) no. 575/2013 ("Pillar III"), in relation to: (i) the processes and their first- and second-level controls for: (a) the determination of the Own Funds and Banking Regulatory Ratios; (b) the determination of Risk Weighted Assets; (c) the production of the disclosure made in Pillar III; (ii) verifying the composition, the correct determination and the arithmetic correctness of certain information provided in Pillar III; (iii) the trend and consistency analysis of the Own Funds, Banking Regulatory Ratios and Risk Weighted Assets.

The Board of Statutory Auditors believes that the above-described activity makes it possible to consider the internal regulatory framework adequate and updated, the design of the procedures and the control processes implemented sufficiently formalized and comprehensible, and the planned control activities (both first and second level) actually implemented and effective. It also contributes to the growth of the internal culture regarding the analysis of the phenomena underlying the formation of the Own Funds as well as an ever greater transparency towards the markets.

In regards to the activities related to the strengthening of the governance of data and information (**Data Quality**), as well as the strongest safeguards serving the decision-making and risk-control processes, a topic on which the Board of Statutory Auditors has placed significant attention over time, updates have been carried out with the relevant structures on the ongoing actions following the "Overall Data Quality Plan". The Board of Statutory Auditors also found the new Umbrella Program initiative, led by the GRM and COO Functions, whose objectives consist either in monitoring the resolution initiatives of the recommendations of the Supervisor under the SREP (Supervisory Review and Evaluation Process), or in laying the foundations for long-term strategic initiatives in the data architecture/aggregation/reporting field, to be included in the Strategic Plan 2020/2023, with the aim of responding to regulatory developments. The Umbrella Program will include not only the liquidity and interest rate data - which in the short term represent the priority - but also, more generally, all those subject to aggregation (as attributable to the Group perimeter) and/or regulatory reporting.

Keeping in mind the overall capacity to produce reporting quickly and comprehensively, the Board of Statutory Auditors considers it important, as per the approach adopted by the Bank, that each architectural investment aimed at strengthening the data aggregation capacity or speed is included in the Umbrella Program in order to synergistically harmonize the strengthening initiatives and the projects that involve data quality.

The Board of Statutory Auditors notes the results of the goodwill **impairment test** and other intangible assets at 31 December 2018. This activity was carried out by uniformly calculating the capital allocated to the CGU - Cash Generating Unit (unit generating financial flows identifiable in segments of the Group's operating activities) of the CEE compared to the method used for all the other CGUs. Goodwill is monitored by the CGUs at the lowest level in the Group in line with its business model.

The Notes to the Accounts show the effects of deferred tax assets (IRES and IRAP) deriving from exempting the excess values of the control shareholdings pursuant to Art. 23 of Italian Legislative Decree 98/2011 and those relating to deferred tax assets (IRES and IRAP) arising from the tax exemption of accounting goodwill; the values are those resulting from the sustainability test in accordance with IAS12, taking into account the foreseeable economic forecasts for the future periods, in order to verify that there are, on the basis of a time span of 5 years adopted in order to harmonize the approach between the main Group entities, future taxable incomes against which the same can be used.

Over the course of the year, the Board of Statutory Auditors continued to analyse the adoption status of the "**IFRS9**" implementation project, which is proceeding in accordance with the planned *timelines*. It also took note of the results of the analysis carried out by the External Auditors regarding the most significant areas of the Project, both at the local and Group level, from which no major critical issues emerged.

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The Notes to the Consolidated Accounts provide information about the impacts of the transition to IFRS9 – Financial Instruments. The adoption of the principle is the result of a multiannual project aimed at creating accounting and risk monitoring methodologies, harmonized between the various Group companies, which ensure full compliance with the provisions of the accounting principle, updating the governance and monitoring processes in light of the relevant regulatory innovations. The Board of Statutory Auditors acknowledges the value adjustments arising from the entry into force of the abovementioned accounting standard IFRS9, which required the development of models to calculate the amount of the adjustments on the basis of the expected credit loss. These models are based on two fundamental pillars: i) the allocation of credit exposures to stages 1, 2 and 3 provided for by the principle (Stage allocation); ii) the determination of the expected credit loss.

Detailed information is provided in the financial statements in relation to the investments in the **Voluntary Scheme**.

With reference to the measures in favour of Banca Carige S.p.A., UniCredit S.p.A.'s contribution amounted to about €62.5 million (of which about €53 million attributable to UniCredit S.p.A.) and was identified as a financial instrument, classified according to the Current Accounting Standard IFRS9 under item 20.c) "Financial assets mandatorily at fair value through profit or loss".

As no market valuations or prices of comparable securities are available, at 31 December 2018 the fair value of the instrument was determined using internal models (discounted cash flow and market multiples), also having as reference the valuation of the financial assets of the Voluntary Scheme (supported by the advisor in charge) contained in the 2018 Statement of the Voluntary Scheme.

The Notes provide detailed information on any liabilities and costs that may arise from **pending judicial proceedings**.

The Board of Statutory Auditors has investigated with the Bank's Legal Function the methodology and the process adopted in analyzing the dispute and determining the related provisions.

In particular, in the Notes to the Consolidated Accounts, information is provided on the evolution of the investigations still underway by the US Authorities on issues related to **the economic Sanctions imposed by the United States**, with reference to UCB AG, UCB Austria and UniCredit S.p.A.. Each of these companies is collaborating with the relevant US Authorities and *remediation* activities are underway, in particular regarding internal policies and procedures. The respective companies of the UniCredit Group keep the competent Authorities duly updated. As indicated in the Notes, it is also possible that investigations into historical compliance practices may be extended to other companies within the Group or that new investigations or proceedings may be commenced against the parent company UniCredit S.p.A. and/or the Group.

Recent violations of US sanctions and certain US dollar payment practices by other European financial institutions have resulted in those institutions entering into settlements and paying material fines and penalties to various US authorities.

It should be noted, therefore, that such inspections and/or proceedings against the Group companies could result in the enforcement against UniCredit S.p.A. and/or the Group of the payment of significant civil or criminal penalties.

UniCredit S.p.A., UCB AG and UCB Austria are continuing their settlement negotiations with the various US authorities in order to define an agreement and resolve the various proceedings accordingly. Therefore it is not possible to determine with any certainty the terms and timing of any resolution with any relevant authorities, including what final costs, remediation, payments or other criminal or civil liability may occur in connection with a final resolution.

The investigation costs, remediation required and/or payments or other legal liabilities to be incurred in connection with the proceedings could lead to liquidity outflows, potentially affect net results and have a material adverse effect on a reputational basis and business activities. The Group booked provisions which are deemed appropriate.

The timing of any agreement with the various U.S. authorities is currently not determinable, however it is possible that settlement discussions with any or all of the Group entities could be completed by the end of the first semester of 2019.

The Notes to the Consolidated Accounts also provide an update on the proceeding regarding the Squeeze-Out of former minority shareholders of UCB AG and UCB Austria (so-called Appraisal Proceeding). In reference to the Appraisal Proceeding of the minority shareholders of UCB AG, a forthcoming hearing will be scheduled at the Munich District Court for February 2020, to examine the supplementary expert report for the valuation of UCB AG at the time of the squeeze-out. The Bank continues to believe that it has operated in full compliance with the law and considers the price paid to minority shareholders to be adequate. At this stage, it is not possible to estimate the disputed amount or the duration of the proceeding, which could even last for a number of years and could result in the Parent Company UniCredit S.p.A. having to pay additional compensation to the minority shareholders.

In reference to the Appraisal Proceeding of the minority shareholders of UCB Austria, the proceeding will continue before the Commercial Court in Vienna, which has ordered the parties to submit further documents and must decide both on the assessment of the above price and on the legal issues. UniCredit S.p.A., considering the nature of the valuation methods used, believes that the amount paid to the minority shareholders was adequate. Currently, it is not possible to evaluate the amount under dispute and the possible risk connected with the above-described Appraisal Proceeding.

The Directors provide information about the litigation related to certain forms of banking operations connected to its operations with clients, which are not specific to the UniCredit group, rather affect the financial sector in general.

The proceedings pertaining to **compound interest** mainly involve damages requests from clients arising from the alleged unlawfulness of the calculation methods of the amount of interest payable in connection with certain banking contracts. Starting from the first years of 2000, there has been a progressive increase in claims brought by the account holders due to the unwinding of the interest payable arisen from the quarterly compound interest.



## Report of the Board of Statutory auditors

In the course of 2018, the number of claims for refunds/compensation for compound interest did not show particular variations compared to 2017. At present, the parent company UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.

With regard to the litigation connected to **derivative products**, the Directors report that several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, it is not possible to assess the full impact of these legal challenges on the Group.

Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at banking system level. The Compliance Function, together with the Legal Function, supports the phases of analysis and assessment of the adequacy of possible customer care actions or other initiatives that can create particular situations in which the Bank could be involved, in order to better define them.

The trend in market interest rates resulted in the main benchmark reference for indexed loans, the **Euribor**, being negative. This has originated the issue of how to measure the overall interest rate for the clients, creating a fact pattern not existing so far. In light of such complexity, the underlying contracts with clients were subject to a deep monitoring. In this regard, and in compliance with the regulations in force, UniCredit S.p.A. takes the necessary initiatives deciding to apply the most favorable approach for the clients for the past years too, applying a final interest rate calculated as algebraic sum of the parameter (Euribor) and the spread. In response to possible disbursements to customers, this has resulted in the allocation of a risk and charge fund determined on the basis of the best possible estimates.

In regard to the **diamond** issue, under an agreement concluded in 1998 with a specialised brokerage firm, the Bank played a "Introducer" role. As indicated in the financial statements, from the end of 2016 the liquidity available on the market to meet the requests of customers to divest their diamond assets contracted to a certain extent until it became nil, with the suspension of the service by the brokerage company.

Already during 2017 UniCredit S.p.A. launched a "customer care" initiative which, which envisaged the availability of the Bank to intervene for the acknowledgement towards the customer of the original cost incurred for the purchase of precious items and the consequent withdrawal of the stones, upon certain conditions.

The initiative has been adopted assessing the absence of responsibility for its role as "Introducer"; nevertheless, the AGCM (Autorita' Garante della Concorrenza e del Mercato) ascertained UniCredit's responsibility for unfair commercial practice (confirmed in appeal by the Administrative Regional Court in the second half of 2018), imposing, in 2017, a fine of €4 million paid in the same year.

On 8 March 2018, a specific communication was issued from Banca d'Italia concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies.

As of 31 December 2018, UniCredit S.p.A.:

- received reimbursement requests for a total amount of about €215 million (cost originally incurred by the Clients) from n 5,680 Customers; according to a preliminary analysis, such requests fulfill the requirements envisaged by the "customer care" initiative; the finalization of the reimbursement requests is currently carried out, aimed at assessing their effective compliance with the "customer care" initiative, and then proceed with the settlement where conditions recur;
- with reference to the scope outlined in the previous point (€ 215 million), reimbursed n 1,623 customers for about € 74 million (equivalent value of original purchases).

In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Risk and Charges Fund was set up; its quantification was also based on the the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value.

The Notes to the Consolidated Accounts also provide information on the risk fund to cover tax risks for litigation and tax audits and risks arising from labor lawsuits.

## Report of the Board of Statutory auditors

### 9. Oversight of the adequacy of the internal control and risk management system

The internal control system in the UniCredit Group is based on:

- Control bodies and functions which involve, each for their respective remits, the Board of Directors, the Internal Controls & Risks Committee (IC&RC), the Chief Executive Officer as Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the company Functions with specific duties in this regard;
- information flows and methods of coordination between the parties involved in the internal control and risk management system;
- Group Governance mechanisms.

As indicated in the **Report on Corporate Governance and Ownership Structures**, the types of control in UniCredit - in compliance with current legislation and inspired by international best practices - are structured on three levels:

- line controls (known as first-level controls), handled by the corporate Functions responsible for the business/operating activities, as well as a dedicated structure (Internal Controls Italy), which supports the Co-Heads Italy as system manager of first-level operational controls, including those set forth by "special laws", with reference to the relevant structures/activities;
- controls on risks and compliance (known as second-level controls), handled by the Group Compliance and Group Risk Management Functions, each for the matters within their respective remit;
- internal audit (known as third-level controls), handled by the Internal Audit Function.

Pursuant to Circular no. 285/2013 of the Bank of Italy, the Anti-Money Laundering Function and the Internal Validation Function are also included in the corporate control Functions, respectively positioned within Group Compliance and Group Risk Management.

During the period in question, the Board of Statutory Auditors acknowledges having carried out a periodic exchange of relevant information with the aforementioned Control Functions. It also acknowledges that the aforementioned Control Functions have fulfilled the related disclosure obligations towards the BoSA.

Moreover, in order to guarantee a continuous and timely flow of information with Internal Audit, the Head of the Function has a standing invitation to the Board of Statutory Auditors meetings.

On the basis of the information acquired and included in the 2018 Report (**Integrated Audit Report**) of the Internal Audit Function, the internal control system was assessed overall as "mostly satisfactory", confirming the same assessment for the previous period. The audits highlighted the positive trend of reduction of major delayed findings and a stronger discipline in resolution of remedial actions.

With regard to the credit risk, which is more broadly dealt with in the appropriate section below, the assessment of Internal Audit remains "partially satisfactory" in view of the fact that the completion of the main initiatives undertaken (NPE Program, doBank project, IRB Model Roadmap), even though on schedule, is expected by 2020.

The Board of Statutory Auditors has examined and formulated its own recommendations on the Internal Audit assessment of risks which have seen a rise in the alert level, such as: (i) ICT security, with particular reference to outsourcer/third party governance profiles and access rights; (ii) operational risk in terms of data quality/aggregation; (iii) supervision of smaller/subsidiary Group entities, with specific regard to critical issues arising from a foreign branch (including, weak risk culture, fragmentation of the IT system, lack of management of access rights and segregation of functions) and for which a specific remedial plan has been prepared by the Management.

With reference to the report "**Outsourcing of business activities**" prepared by the Internal Audit Function in accordance with the requirements of the Bank of Italy (Circular 285/2013), in addition to the Supervisory provisions, said report also includes the results of the audits in relation to non-relevant external outsourcers and ICT third parties (not considered outsourcers), from which no specific critical issues have emerged in relation to the Group outsourcing framework. The overall monitoring process of Retained Organization (RTO) Functions on the quality of service provided was effective. However, Internal Audit has detected some areas worthy of strengthening in terms of ICT and Security by some outsourcers. In particular, the aforementioned "doBank" project (see also paragraph 8) intends to address also the critical issues highlighted by Internal Audit.

The results of the audits expressed in the "Annual Internal Audit Report pursuant to Art. 14 Bank of Italy/Consob joint register of 29 October 2007" on the provision of investment services show an overall assessment of "*mostly satisfactory*" for the internal control system also for 2018. The audit analyses focused in particular on the implementation of the MiFID II project. The activities of collection, archiving and centralization of the customer's compulsory documentation together with the actions to ensure their dematerialization are still underway, with interventions whose completion is expected by 2019.

#### **Credit, counterparty, market, operational risk**

With regard to the credit risk (IRB Systems), the assessments of the Internal Validation (GRM) and Internal Audit Function, respectively "overall compliant" and "regulatory requirements overall met at the Group level", agree that the IRB systems are compliant with regulatory requirements.

With regard to counterparty, market (IMOD) and operational (AMA) risks, the assessments of the Validation and Internal Audit Function, respectively "adequate" and "mostly satisfactory", considered the relevant systems to be overall compliant with the regulatory provisions.

## Report of the Board of Statutory auditors

During its oversight activity, by means of the due updates with the competent Functions, the Board of Statutory Auditors has been able to positively ascertain the progress of the actions planned by the "IRB Model Roadmap 2018-2020" approved by the Board of Directors in November 2017.

Noticing the remarkable commitment and discipline spent in the execution of the aforementioned plan, the Board of Statutory Auditors also acknowledged the different fine-tuning requested by the ECB (European Central Bank), in terms of further models' simplification and harmonization, in order to ensure the best adherence to the Group's methodological standards, as well as their grouping with regard to the "model submission" to ECB in accordance with the new application process in force.

As part of the reorganization of the GRM Function, the Board of Statutory Auditors has also observed the implementation of the new Internal Validation framework, consisting of three pillars: (i) organizational set-up, (ii) operating model, (iii) new validation methodological standards, contributing to a unique and rigorous validation process.

In the framework of the overall improvements achieved, the Board of Statutory Auditors nonetheless considered it necessary to focus on the following aspects: (i) the persistence of execution risk in relation to the activities envisaged by the Model Roadmap and aimed at overcoming the remaining critical aspects due to the individual models and to the compliance with the regulatory framework (including the application of the new Definition of Default and entry into force of the EBA Guidelines); (ii) the strengthening of the inherent IT and Data Quality profiles, for which the Board of Statutory Auditors expects a consistent focus for the resolution of the issues concerning the data architecture/aggregation/reporting.

Lastly, the Board has noted that it has acknowledge the strong committee of the Management in the methodical implementation of concrete actions aimed at making the targets set achievable.

On 28 February 2019, the Board of Statutory Auditors issued its favorable opinion for the certification by the Board of Directors of the existence of the requirements for using the Group's credit, counterparty, market and operational risk management, measurement and control systems.

As part of the various credit initiatives, the BoSA analyzed the "Update on the implementation of the strategic and operative plan to address the high level of NPEs and foreclosed assets" forwarded to the Supervisor. The BoSA noted the qualitative and quantitative progress recorded for the Group NPEs (non-performing exposures) and invited the Bank to continue with determination the planned implementations, in order to reinforce the effectiveness and efficiency of the processes of disposal and recovery, as well as to promote the rooting of a solid risk culture.

During the financial year, the Board of Statutory Auditors also examined various audit reports focused on loans. It noted, particularly for the "strategic file restructuring" portfolio, the need to implement the new dedicated platform suitable to optimize the supervision of the restructuring process, already planned within the NPE project, which is expected to be implemented by 2019. It also noted the different weaknesses that emerged on the "collaterals and guarantees management" mainly in terms of data quality, of the resulting corrective actions defined by the Management for revisiting the end to end process related to the guarantees and associated simplification, as well as the critical issues arising in relation to the workout processes outsourced to doBank, for which the aforementioned "doBank project" is underway.

### **Liquidity risk**

In the context of the initiatives and actions concerning the liquidity monitoring processes, the Board of Statutory Auditors welcomed the new "Global Policy - Roles and responsibilities in the context of liquidity management & control", approved by the Board of Directors in January 2019, which implements the innovations in terms of roles and responsibilities within the liquidity framework, with a strengthening of the procedures between the different involved parties (CFO, CRO, GRM), in particular to further strengthen the steering by the Parent Company and the overall framework of the first- and second-level controls, in line with the ECB guidelines and the requests formulated in the scope of the "LCR deep dive".

### **Compliance risk**

The Board of Statutory Auditors took note of the **Annual Report** of the Compliance Function, which includes the assessments formulated by the Compliance Function with regard to potential compliance risks, at the Group level, with reference both to Italian companies, including UniCredit S.p.A., and to the main foreign companies.

The abovementioned report also fulfilled the requirements of Art.89 of Consob regulation no. 20307/2018.

Taking into account the results of the performed Compliance Risk assessment and second-level controls, the material completion of all the activities carried out as set forth in the Compliance Plan 2018, the ECB inspection and the audits carried out in 2018, as well as the support for the implementation of the Bank's "Transform 2019" Strategic Plan, the Compliance Function expressed a "mostly satisfactory" assessment regarding the management of non-compliance risk.

The overall situation at the end of 2018 is in line with that of last year (the areas with Limited or Medium risk constituted 93% of the covered regulatory areas, a slight decrease compared to the 95% recorded in 2017). At the Group level, no regulatory area has Critical risk levels and only 7% shows Significant levels. The necessary mitigation actions are in the implementation phase, in line with the respective plans.

In taking note of the results of the abovementioned ECB inspection aimed at assessing the internal governance of the Compliance Function, the Board of Statutory Auditors also found that the related remedial actions are, where compatible, already reflected in the Compliance Plan for 2019.

## Report of the Board of Statutory auditors

The Board of Statutory Auditors has also favorably noted the actions and initiatives put in place during 2018 by the Bank in order to further strengthen and promote the compliance culture in the Group. These are targeted for each of the 5 Pillars of the Compliance Culture Framework (support of the Top Management and Tone from the Top, Governance and processes, learning and development, communication and people engagement, and performance appraisal), also in expectation of the relevance of the increasing dissemination of ethics in business.

The training activities were also strengthened and further developed, constantly monitoring their level of fruition at the Group level. In particular, the Board of Statutory Auditors has noted favourably that the introduction of the obligation to complete all mandatory compliance courses by a certain deadline in order to be able to access the incentive system has further strengthened the risk culture and is a sign of the Top Management's focus on the subject.

The Board of Statutory Auditors hopes to maintain the strong focus expressed by the Top Management on the "Culture" factor, considered a strategic element for the Group's overall sustainability.

The Board of Statutory Auditors was informed on the implementation of the Group Rules by the Group companies: at the end of 2018 there is no delay in their implementation. The Board of Statutory Auditors took note of the actions carried out in 2018 aimed at increasing compliance at the Group level through the design and implementation of new second-level controls and the refinement of existing ones, with particular reference to the controls of the Financial benchmarks, consumer credit and mortgage, PSD II, PRIIPS, IDD - Insurance Distribution Directive, and Data Protection areas.

Regarding the new methodology of compliance risk assessment adopted during 2018 updated with the establishment of a single mode of execution applicable to all relevant regulatory areas in order to:

- align with the markets standards;
- improve the harmonization between the Group companies;
- increase the level of granularity of the analysis,

the adoption of the associated tool by all the Group Companies relevant for the purposes of the compliance risk assessment is envisaged in 2019.

The Board of Statutory Auditors took note of the "**Complaints Report**". Compared to 2017, it shows an increase of about 16% in the complaints received and an increase of 180% in the amount of refunds to customers; the increase is mainly attributable to the "diamonds" component, net of which a reduction would be recorded in both the number of received complaints and refunds paid.

The Board of Statutory Auditors took note of the "**Report of the Anti-Money Laundering Function of UniCredit S.p.A. - Italian Perimeter - 2018**" presented to the Board of Directors of UniCredit at the meeting held on 5 March 2019.

The activities carried out for the self-assessment of the risks of money laundering and terrorist financing have confirmed, just like in 2017, the attribution of the "Significant" level of residual risk

This invariance was determined by: (i) the findings (some of which expire during 2019) contained in the reports issued by the Internal Audit Function; (ii) the results of the second-level controls that have highlighted points of attention mainly related to the backlog in revisions/renewals of the customer due diligence (on which the Function has intervened, completing the activities by the end of 2018, with specific focus on the 2016-2017 backlog).

The Board of Statutory Auditors has been informed about the analysis of Suspicious Activity Report ("SARs").

On this subject, the downward trend of the SARs flow received by the competent UniCredit Functions already underway in the previous period 2017, was confirmed. Specifically, the number of SARS received in 2018 was 6,388 (-16.5% compared with the 7,652 of 2017) and the main motivations behind this trend can be identified:

- in the confirmed significant reduction of the phenomenon of "Voluntary Disclosure";
- in the confirmed increased sensitivity of the reporting structures, acquired through the constant education measures aimed at the Sales network.

Finally, the Board of Statutory Auditors took note of the Anti-Money Laundering Training Plan 2019 - UniCredit S.p.A., which contains training measures for employees and external associates, through a training program aimed at recognizing activities that are potentially related to money laundering or terrorist financing.

The Board of Statutory Auditors therefore recommends a particular focus on the revision/renewal profiles of the customer due diligence, with the constant commitment to paying attention to Anti-Money Laundering issues, in order to make the Bank's operations more and more compliant with the provisions of the Bank of Italy given the changing nature of the threats posed by money laundering and terrorist financing.

The Board of Statutory Auditors noted the information contained in the **Report on the internal violation reporting system** (so-called **Whistleblowing**) for 2018 - prepared pursuant to the Bank of Italy's Oversight Provisions (Circular 285/2013 Part One, Title IV, Chapter 3, Section VIII "Internal violation reporting systems", which summarizes the information concerning the 37 (86 in 2017) reports received by UniCredit S.p.A. during 2018.

## Report of the Board of Statutory auditors

None of the reports of UniCredit S.p.A. closed in 2018, gave rise to disciplinary penalties. In 2018, 17 disciplinary penalties were adopted for a case closed at the end of 2017.

During the first half of 2018, the Internal Audit assessed as "satisfactory" the Bank's whistleblowing process, and the implementation of the first set of strengthening actions suggested by Internal Audit was completed.

To point out that at the European Union level, regulation 2016/679 "General Data Protection Regulation" (GDPR), which entered into force on 25 May 2018, increased the safeguards for the personal data protection of the whistleblower, the reported party and any third parties; the Board of Statutory Auditors took note of the Bank's attention to the subject, including its promotion initiatives on the use of Whistleblowing within the Group, and to this end in 2018 the Bank launched a new communication and training campaign that involved all the Companies, with interviews with the Top Managers published on the Group Intranet to highlight the importance of the process of reporting offences and protecting the Whistleblowers. Moreover, in order to further reinforce the whistleblowing process, over the course of 2018 a Whistleblowing Managerial Forum was set up in UniCredit S.p.A. and a new escalation process was developed for reporting serious cases.

The Board of Statutory Auditors has also taken note of the information contained in the **Report of the Data Protection Officer (DPO)** of UniCredit S.p.A. drafted for the first time since the introduction of the regulations in May 2018.

During the month of February 2019, the Board of Directors appointed the new Data Protection Officer (DPO) of UniCredit S.p.A. to replace the previous one, who had been provisionally appointed in February 2018 given his role as project leader.

The Board of Statutory Auditors has examined the progress of the GDPR General Data Protection Regulation Project, together with the results of the "Global Audit on GDPR implementation" and the related management plan, in order to overcome the findings, taking into consideration the results of the GDPR risk assessment carried out on all the Group Companies in the perimeter at 3Q 2018 - in accordance with the new risk assessment methodology introduced in 2018 - which highlighted for UniCredit S.p.A. a "significant" overall assessment of both the intrinsic risk (assessment of the potential impact of risks irrespective of the existence and/or mitigation measures of adequacy) and of the relevant residual risk. On the issue of data breaches, the Board of Statutory Auditors took note of the most significant cases determined by "external" events, such as cyber attacks on applications used by the Bank or fraud committed by unknown persons. These have been notified to both the competent oversight authority (Data Protection Authority) in accordance with GDPR requirements, and to the parties involved, to protect the rights and freedoms of the customers involved, who have also been provided adequate information and assistance from the Bank's competent functions.

Lastly, the Board of Statutory Auditors took note of the "MiFID" Report set forth in Art.13 of the Consob/Bank of Italy Joint Regulation of 28 October 2008, prepared by Group Risk Management.

### **ICT Risk**

Also in 2018, the Board of Statutory Auditors has placed particular attention on the topic of ICT Risk, meeting with the competent structures at various times for the necessary in-depth examinations.

The Board of Statutory Auditors has, among other things, examined:

- the 2018 report drafted by Internal Audit on Business Continuity Management (which includes Business Continuity, Disaster Recovery and Crisis Management processes), which does not reveal any major critical issues;
- the Business Continuity (BC) Plan, which includes the BC overall structure and BC Strategies, submitted for approval by the Board of Directors Meeting of 5 March 2019, verifying its completeness, adequacy, functionality and reliability;
- the Adequacy and Cost of ICT (Information Communication Technology) report, which shows the essential adequacy of the maturity cycle of the ICT process with certain appropriate improvements regarding data architecture and infrastructural architecture management, as well as the maintenance of the related costs;
- the Group and UC SpA ICT and Cyber Risk reports (presented by Group Risk Management), which account for the assessment carried out in order to: (i) evaluate the current risk transfer strategies for worst case scenarios, (ii) provide business owners with the framework of expected impacts and risk mitigation actions;
- the ICT Security current and 2019 main priorities document, which reports global trends for ICT security, identifying cyber crime among the main risks due to the increasing number and sophistication of cyber attacks; also on the basis of a benchmark carried out by an external consultant, the Bank's "cybersecurity maturity" was assessed, highlighting the need for further investments.

In reference to access rights, the Board of Statutory Auditors took note of the results of the follow-up by the Supervisor regarding ICT Risk issues in relation to UniCredit S.p.A. and other Group Companies. Even in the presence of improvements in the systems and the organizational framework, they also noted the need for further corrective actions, promptly addressed by the Management in the appropriate remedial plan. The Board of Statutory Auditors considered that access rights represent a cross-company topic in the Group, therefore the Management gives them the utmost attention.

Finally, the Board of Statutory Auditors has received updates from the experts of the External Auditors regarding the audit of (i) the information systems of the Bank and the Group (ISAE 3402 E&Y), (ii) the Cyber Risk and its benchmark.



## Report of the Board of Statutory auditors

### **Operational Risk - Group Top Risks**

The Board of Statutory Auditors took positive note of the initiative launched by the three Control Functions, aimed at providing an integrated vision of the activities and initiatives related to the main operational risks for 2018 (Cyber Risk; Regulatory Framework Evolution; Conduct Risk; Business Transformation), as well as providing the first indications regarding 2019 (Third Party/Outsourcer risk, in addition to those mentioned above).

The initiative in question has allowed the three Functions to develop synergies, thanks to the mutual exchange of the results of the enacted activities and to benefit from the different approaches to the issues.

The Board of Statutory Auditors has advised the Bank to continue with determination in the assessment and integrated monitoring of the operational risk by the Control Functions, in order to take account of each new arising risk that could potentially affect the Group, helping to change at any given time and with high priority the interventions on priority risks and to extend the monitoring where necessary.

### **Other contributions**

With reference to further reporting containing information on the internal control and risk management system, the Board of Statutory Auditors has noted that, at the date of this Report, the assessment of the adequacy of the allocation of Group capital (ICAAP) is underway by the structures in charge, together with the assessment of the overall functionality of the Internal Liquidity Adequacy Assessment Process (ILAAP).

The Board of Statutory Auditors examined the "2018 Group ICS Management Evaluation Assessment" document, prepared by the Group COO IT & Operations, Security and Internal Controls, aimed at supporting the Board of Directors in assessing the completeness, adequacy, functionality and reliability of the Group Internal Control System as a whole.

Based on the self-assessment carried out by the Management in 2018, the Group's internal control system (24 companies subject to self-assessment by the reference Management and 14 Foreign Branches of the Group) was rated overall as "mostly satisfactory", in line with the aforementioned rating expressed by the Internal Audit Function.

The Board of Statutory Auditors, in acknowledging the areas of attention identified by the Management, related mainly to data aggregation and data quality, anti financial crime and customer protection, operational risk management, first- and second-level controls, cyber risk (access right management), IT Risk, Risk culture (Tone from the Top), took note of the initiatives adopted or being finalized, aimed at further strengthening the internal control and risk management system.

Lastly, the Board of Statutory Auditors took note of the Report concerning the second half of 2018 of the 231 Oversight Body (hereinafter also "231 OB") on the implementation of the Organization and Management Model adopted by UniCredit S.p.A. pursuant to Italian Legislative Decree no. 231/2001.

In closing, the Board of Statutory Auditors did not identify critical situations or facts that could make the internal control and risk management system as a whole inadequate, even though situations that required the planning and addressing of specific corrective actions did emerge. Lastly, the Board of Statutory Auditors acknowledges the greater and renewed reactivity and proactive nature of the Management in relation to the definition and operational implementation of the actions to improve and remedy the detected weaknesses and shortcomings.

### **10. Oversight of the adequacy of the organizational structure**

In consideration of the fact that the organizational and managerial structure is an integral part of the Bank's and the Group's transformation plan, the Board of Statutory Auditors acknowledges that the Group's structure reflects an organizational and business model that guarantees the autonomy of the countries and local banks on specific activities in order to ensure greater proximity to the customer. This model also guarantees efficient decision-making processes and considers a divisional structure with regard to the governance of the Corporate Investment Banking (CIB) products/businesses and the business in the Central and Eastern Europe (CEE) area countries, as well as a global supervision of the supporting corporate Functions.

The Board of Statutory Auditors examined the report prepared by the competent Group Human Capital structure which considers the organizational structure of UniCredit S.p.A. to be adequate, by virtue of the robustness of the overall regulatory framework that ensures the uniqueness of the system of responsibility and powers with reference to the bodies/committees and the corporate structures.

## Report of the Board of Statutory auditors

The Board of Directors Meeting of 6 February 2019, approved the optimization of the organizational model and the managerial team reorganization project with the start of the development of the Strategic Plan 2020-2023, which will be presented to the financial community on 3<sup>rd</sup> December.

The reorganization project has set itself the objective of continuing the streamlining process that was launched with Transform 2019 and to ensure that the managerial team that will implement the new Strategic Plan is in charge of it from the beginning of the planning process.

The current organizational structure is focused on the following main areas of responsibility:

- The Chief Executive Officer exercises direct control over the Business pending the detailed implementation of the aforementioned reorganization, and over the definition of the Group Strategy, Risks, Compliance, Human Resources, e optimization of the Cost structure and the main operational activities;
- the Chief Operating Office (COO), a position held by two co-Heads (co-Chief Operating Officers), is responsible for supervising the activities of Finance, Cost Management, IT & Operations, Security and Internal Controls;
- the CIB division has a coverage role for multinational customers ("Multinational"), for selected "Large Corporate" customers with a strong potential demand for investment banking products, for Financial and Institutional Groups (FIG) and is responsible for Global Product Lines "Global Transaction Banking (GTB)", "Global Financing & Advisory (F & A)", "Markets", as well as internationalization activities;
- as regards the Italian perimeter, the co-Heads of the "Italy" structure are responsible for defining the business strategies of the "commercial bank" and for the direction, coordination and control of the networks;
- the CEE Division coordinates the activities in the countries of Central and Eastern Europe where the Group operates, aligning them with a single comprehensive business vision in the area;
- Group Institutional Affairs & Sustainability and Group Regulatory Affairs are respectively responsible for the development of relations with institutional counterparts of interest for the Group and the management of relations with the banking Supervisory Authorities at the European level (e.g. EBA, ECB) and with the Bank of Italy;
- the various Functions defined as "Competence Line" (Internal Audit, Planning, Finance & Administration, Risk Management, Lending, Legal, Compliance, Identity & Communications, Human Capital) maintain, each within their remit, the responsibility for the direction, coordination and control of the Group's activities and related risks.

The Board of Statutory Auditors has examined the main organizational changes that occurred in 2018, including:

- the creation of two distinct entities ("Group Regulatory Affairs" and "Group Institutional Affairs and Sustainability"), with the aim of: (i) clearly separating the responsibilities between regulatory and institutional activities and make each area more focused and effective; (ii) strengthening the area of institutional affairs by grouping relevant activities at the Group level, including social banking/environmental responsibility initiatives and the Sustainability Report;
- the creation of a Non-Core Asset Management structure, directly reporting to Group Risk Management and a newly established functional line to the Group Lending Office/GLO, responsible for coordinating and managing the files classified under restructuring and workout by UniCredit S.p.A. in relation to the non-performing non-core portfolio, and performing the transfer of the latter according the rundown strategy of the non-core portfolio defined by the Group;
- the reorganization of the Data Protection Advisory structure under the new General Data Protection Regulation, (GDPR), applying the instructions of the Board of Directors Meeting of 7 February 2018, and in order to create a single Compliance safeguard for Privacy/data protection. The Head of the structure is the Group Data Protection Officer of UniCredit S.p.A., who covers the role of Data Protection Officer both for UniCredit SpA and for the Italian Entities that have outsourced that role to the Parent Company, directly reporting to the Chief Compliance Officer to ensure the necessary independence and autonomy required by the GDPR;
- the assignment, within the framework of the "Group Operational & Reputational Risks" - GORR structure, starting from June 2018, of the following responsibilities: assessment of exposure to Information & Communication Technology and Cyber Risks (ICT & Cyber Risks) through the definition of a specific framework for their management, as well as the monitoring of their implementation in order to ensure a more effective monitoring in the second-level control activity on ICT risks, including Cyber Risks, and to ensure a better distribution of the governance and control of operational and reputational risks with the aim of further strengthening the processes of measurement, control and related mitigation;
- the creation of the "Group Transformation Office" structure, from October 2018, under the leadership of the Group Chief Transformation Officer (GCA), responsible for managing the transformation and ensuring a significant and durable change in order to achieve greater and measurable customer satisfaction and quality of service, while also improving cost efficiency.

Lastly, the Board of Statutory Auditors examined the changes in the area of the Chief Operating Office for reorganizing the Group ICT & Security Office (GISO) Function, noting the direct reporting of the Function Manager to the COO, also in line with the market benchmarks, as well as the factual content of the operational mandate aimed at guaranteeing, inter alia, a "lean and steering" coordination of ICT activities, the definition of the Group strategy on the subject of Security, a uniform approach in terms of business continuity and emergency & crisis management.

# Report of the Board of Statutory auditors

## ***Suitability of Control Functions and Activity Plans***

### *Internal Audit Function*

The Board of Statutory Auditors examined the 2019 Audit Plan (as an integral part of the Multi-year Audit Plan) approved by the Board of Directors in January 2019. In addition to providing for coverage of the Group's main risks, this plan takes into account legislative and regulatory developments and the requirements of the Supervisor and the IC&RC. The planning, based on the riskiness of the activities/processes, includes on-site and off-site activities, also using remote control methods for the Retail structures as well as measures aimed at acquiring an end-to-end assessment of the processes at the Group level.

The Board of Statutory Auditors noted the issuance of the new version of the Global Policy "Mandate of the Group Internal Audit", also revised following a recommendation emerged during the last external assessment of the Internal Audit Function carried out by Ernst & Young, which had suggested to expressly plan for an annual update of the Mandate.

Therefore, the Board of Statutory Auditors has noted the number of resources included in the Function and the related skills, of the job rotation initiatives undertaken with the Business Functions and with the other Control Functions aimed also at improving the dissemination of the risk culture. Particularly in regards to the skills, Internal Audit implemented training programs, especially for data analytics and IT profiles. Any gaps of resources will be filled during 2019 also through external recruitment. The overall efficiency of the Function is increased by relying on a series of levers, such as remote audits and remote control, and the increased availability of data. On the basis of the information acquired, the Board of Statutory Auditors considers that the Function's capacity to fulfill its tasks is adequate.

### *Group Risk Management*

The Board of Statutory Auditors has examined the Activities Plan 2019 - approved by the Board of Directors in January 2019 - of the Group Risk Management (GRM) Function, developed taking into account the overall context of ECB requests, the developments in the regulatory environment, the attention to operational and reputational risk, Cyber/IT risks, and the dissemination of the Risk Culture and awareness of issues of conduct risk, also with attention to third parties.

The Plan also takes into account the strong focus on data quality and risk data aggregation. These are important issues for the Supervisor and closely related to the efficiency of the control functions, together with the great attention to the management of remedial actions to ensure the timely closure of the findings by Supervisor and Internal Audit, strengthening second-level controls and optimizing costs.

On the basis of the information acquired, the Board of Statutory Auditors considers the size and capacity of the GRM Function to be adequate for achieving the objectives laid down in the Plan 2019.

### *Compliance Function*

The Board of Statutory Auditors has examined the foundation lines of the Activity Plan 2019 of the Compliance Function (approved by the Board of Directors in January 2019). The Plan was constructed by taking a number of elements such as, for example, the ECB recommendations arising from the results of the completed inspection (in particular, strengthening the steering and governance activities of the Group companies, including the smaller ones), the strategic guidelines and priorities of the Function, the results of the controls and risk assessments of Compliance, the directions deriving from the audits by Internal Audit, and any new regulations.

In terms of resource development and skill adaptation, the training programs have been further strengthened. Overall, the challenge for the future will be based on finding and organizing a correct mix of skills also in the use of new technologies, such as artificial intelligence, areas in which the Bank is investing heavily.

On the basis of the information acquired, the Board of Statutory Auditors considers the Function's capacity to fulfill its tasks as adequate.

## **11. Remuneration policies**

The Board of Statutory Auditors noted that the Board of Directors, in its meeting of 5 March 2019, approved the document "Group 2019 Remuneration Policy" and the related Board of Directors' Report to be submitted to the Shareholders' Meeting. This document defines the principles and standards used to design, implement and monitor the Group's remuneration systems, as part of the review of the Group's strategy described in the 2016-2019 Strategic Plan, which confirms the pre-existing pillars with renewed architecture.



## Report of the Board of Statutory auditors

The Board of Statutory Auditors took note of the report issued by the Internal Audit Function "2018 Remuneration Policies and Practices", which ends with the formulation of a "satisfactory" rating.

Finally, in compliance with current legislation, the Board of Statutory Auditors examined the proposals for:

- Goal Setting 2019 for the Chief Executive Officer, the Co-Chief Operating Officer - Manager in charge with preparing the financial reports and the Head of the Internal Audit Function of UniCredit S.p.A.;
- 2019 remuneration review for the Co-Chief Operating Officer- Manager in charge with preparing the financial reports and the Head of the Internal Audit Function of UniCredit S.p.A. (for the Chief Executive Officer, it remained unchanged from the previous year);
- review of the 2018 bonus for the Co-Chief Operating Officer- Manager in charge with preparing the financial reports and the Head of the Internal Audit Function of UniCredit S.p.A. (no 2018 bonus proposal was formulated for the Chief Executive Officer in view of the fact that the 2017-2019 LTI Long-Term Incentives Plan replaces the variable bonus for the entire duration of the Plan) and verified the correctness of the Bank's adopted process and criteria, including the consistency with the relevant legislation, thus expressing its favorable opinions to the Board of Directors.

### 12. Non-Financial Statement

The Board of Statutory Auditors, taken note of Italian Legislative Decree no. 254/2016 on the disclosure of non-financial information and the Implementing Regulation issued by Consob with a resolution dated 18 January 2018, exercised its functions by supervising the compliance with the provisions contained therein regarding the drafting of the Non-Financial Statement (hereinafter also "DNF") as part of the Integrated Financial Statements, approved by the Board of Directors on 5 March 2019.

The Board of Statutory Auditors held various meetings the Function responsible for drafting the DNF, the representatives of the appointed External Auditors (Deloitte & Touche) and examined the documentation made available. The BoSA analyzed the Assonime Circular no. 13 of 12 June 2017, a commentary on Italian Legislative Decree 254/2016 and found the application of the Global Rule "Preparation of Non-Financial Information for the Integrated Report Production", aimed at defining roles, responsibilities, activities, controls and information flows of coordination between the Parent Company and the Group's Companies and structures.

It also acknowledged the report issued by the External Auditors on 8 March 2019 which states that no elements were received that would suggest that the DNF of the UniCredit Group for the financial year ended on 31 December 2018 had not been drafted in all significant aspects in accordance with the relevant regulations.

On the basis of the information acquired, the Board of Statutory Auditors attests that, in the course of its examination of the Non-Financial Statement, elements of non-compliance and/or violation of the relevant regulatory provisions have not come to its attention.

### 13. Additional activity by the Board of Statutory Auditors' and information requested by Consob

In performing its duties, as prescribed by Art. 2403 of the Italian Civil Code and Art. 149 of Italian Legislative Decree 58/1998 (TUF), the Board of Statutory Auditors:

- exercised oversight on the implementation of the corporate governance rules contained in the codes of conduct that the Company declares to abide by. UniCredit S.p.A. complies with the Corporate Governance Code promoted by Borsa Italiana S.p.A. and has prepared, pursuant to Article 123-bis of Italian Legislative Decree no. 58/1998 (TUF), the annual "Report on Corporate Governance and Ownership Structure" which provides information on:
  - i) the corporate governance practices actually applied;
  - ii) the main features of the risk management and internal control systems;
  - iii) the functioning mechanisms of the Shareholders' Meeting, its main powers, the rights of Shareholders and the procedures for exercising them;
  - iv) the composition and functioning of the administrative and control bodies and their committees as well as the other information required by Article 123-bis of Italian Legislative Decree no. 58/1998 (TUF);
- exercised oversight of the adequacy of the instructions given to subsidiaries pursuant to Art. 114, par. 2 of Italian Legislative Decree 58/1998.
- exchanged information with the Boards of Statutory Auditors of the directly controlled companies as required by Art. 151, paragraph 2, of Italian Legislative Decree no. 58/1998 (TUF) and by the Supervisory Instructions of the Bank of Italy. In January 2019, in addition to an exchange of correspondence, the Board of Statutory Auditors met the Chairmen of the Boards of Statutory Auditors of the main Italian companies of the Group, in order to receive reports on any critical issues affecting the administration and control systems and the general trend of corporate activity;
- it carried out its oversight activities at some Foreign Branches of UniCredit S.p.A. (Paris and Madrid), as well as through investigations conducted at the Central Region and Sicilia Region on selected samples of managed positions;
- in accordance with the regulations and customary practices, the BoSA met with the Supervisory Authorities for the purpose of a fruitful exchange of information on subjects of mutual interest, including specific issues illustrated in this Report.

## Report of the Board of Statutory auditors

From the date of the previous Report of the Board of Statutory Auditors and up to the date of this Report, communications and/or complaint have been received, also qualified as such pursuant to Art. 2408 of the Italian Civil Code.

The following are noted in particular:

- a communication dated 9 April 2018, received on 9 April 2018 by certified email from the shareholder Mr. Marco Bava;
- a communication dated 11 April 2018, received on 12 April 2018 by certified email from the shareholder Mr. Marco Bava;
- a question from the shareholder Mr. Gianfranco D'Atri dated 12 April 2018, formulated during a speech at the shareholders' meeting of 12 April 2018;
- a complaint dated 1<sup>st</sup> May 2018 to the Bank of Italy formulated by the shareholder Mr. Marco Bava, communicated to UniCredit by the Bank of Italy on 13 June 2018;
- a communication dated 4 September 2018, received on 4 September 2018 by certified email from the shareholder Mr. Marco Bava;
- a communication dated 12 January 2019, received on 16 January 2019 by registered letter from the shareholder Mr. Francesco Santoro.

In response to each received communication/complaint, the Board of Statutory Auditors promptly carried out adequate in-depth examinations with the support of the Bank's competent structures, checking the possible merits of the reported facts, gathering the necessary information to examine and evaluate the cases submitted and sharing, in all cases, the reasonableness of the conclusions presented by those structures. At the outcome of the investigations, no irregularities were found that required reporting to the Shareholders' Meeting.

During the year, the Board of Statutory Auditors issued the opinions and expressed the observations that the current regulations and supervisory provisions for banks assign to its responsibility.

Furthermore, the Board of Statutory Auditors reports that:

- it has taken note of the self-assessment required by the regulatory provisions, carried out by the Board of Directors in the meeting of 5 March 2019;
- it found that the criteria and procedures establishing the requirements of independence adopted by the Board of Directors for the annual assessment of the independence of its members were correctly applied;
- it found that the Board of Directors carried out the verification of the positions held for the purposes of the interlocking prohibition pursuant to Article 36 of Italian Legislative Decree 201/2011;
- it verified, as required by the Corporate Governance Code issued by Borsa Italiana S.p.A., that its members fulfill the same requirements of independence required for Directors;
- it verified the fulfillment of the independence requirements of the individual members of the Board of Statutory Auditors and carried out, periodically and occasionally, the acknowledgement and the assessments concerning the communications received by the individual members regarding the number of awarded/lapsed appointments and the associated time commitment;
- in addition to the board meetings, it participated in specific meetings with the Directors, also open to the Statutory Auditors, dedicated to the perspectives and key elements of the strategy of the Group and the entire European banking sector;
- it oversaw that transactions undertaken with persons with administrative, managerial or control functions were always conducted in compliance with Art. 136 TUB and Supervisory Instructions.

The Board of Statutory Auditors does not deem it necessary to exercise the option of making proposals to the Shareholders' Meeting pursuant to Art. 153, second paragraph, of Italian Legislative Decree 58/1998.

### **Corporate Governance**

The Board of Statutory Auditors of UniCredit S.p.A. operates within the framework of an integrated governance and of adequate and structured internal corporate information flows. The BoSA took note of the information provided in the Report on Corporate Governance and Ownership Structures, approved by the Board of Directors during the meeting held on 5 March 2019.

TheBoSA, pursuant to the provisions of Circular 285/2013 of the Bank of Italy, carried out the self-assessment on its composition and operation, considering them adequate also in light of its development over time and its range of skills, responsibilities and expertise, which ensured the effective ongoing operation of the Body.

During the year, the members of the Board of Statutory Auditors participated in the permanent induction program for the members of the Board of Directors, based on three-year cycles linked to the BoSA's mandate and prepared also with the support of an external consultant. This program includes both sessions aimed at facilitating the addition of new Directors and recurring training sessions in order to preserve, inter alia, the wealth of technical skills necessary to carry out the Role with awareness.

During 2018, the Board of Statutory Auditors participated in the meetings of the IC&RC, according to the modalities laid down in the Regulation of the Company Bodies and Committees of UniCredit S.p.A. (the Chairman of the Board of Statutory Auditors in all cases and the other Statutory Auditors until the renewal of the composition of the IC&RC of April 2018), receiving periodic information on the issues of common interest, and met the members of the Related Parties Committee for a mutual exchange of information, with a view to an integrated governance.

## Report of the Board of Statutory auditors

The Board of Statutory Auditors reported every six months to the Board of Directors and the IC&RC about the main activities carried out and the recommendations made.

In specific regard to the attribution to the Board of Statutory Auditors also of the functions of Oversight Body according to Italian Legislative Decree 231/2001, the Board of Directors of UniCredit S.p.A., on its meeting of 6 February 2019, decided the attribution of these duties to the Board of Statutory Auditors starting from its renewal for the years 2019 - 2021. Until the renewal of the Board of Statutory Auditors, the previous structure is maintained, entrusting these functions to a specifically constituted independent body composed of external members and senior executives with direction, support and control functions.

### Conclusions

The oversight of the Board of Statutory Auditors revealed no censurable actions, omissions or irregularities requiring to be noted in this Report.

During the meetings of the Board of Directors, during which the most significant economic, financial and equity transactions of UniCredit S.p.A. and its subsidiaries were examined, the Board of Statutory Auditors received the information pursuant to Art. 150, paragraph 1, of Italian Legislative Decree. 58/1998 (TUF).

Based on the information acquired through its oversight activity, the Board of Statutory Auditors did not become aware of any operations during the period covered by this report performed not in compliance with the principles of proper management, resolved and carried out not in accordance with the law and the Company Bylaws, not in the Company's interest, not in accordance with Shareholders' resolutions, manifestly imprudent or reckless, lacking the necessary information where Directors' interests were involved, or prejudicial to the Company's assets.

Having regard to the foregoing, the Board of Statutory Auditors, having examined the reports drawn up by the Auditing Company, having noted the joint attestations issued by the Chief Executive Officer and the Financial Reporting Manager, does not find in the areas under its remit any impediment to the approval of the proposal of the Financial Statements as of 31 December 2018 and the distribution of dividends submitted by the Board of Directors. In this regard, the Board of Statutory Auditors notes that the Board of Directors assessed the dividend distribution proposal based on prudent assumptions aimed at allowing, linearly over time, the constant compliance with prudential capital requirements.

The mandate of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 14 April 2016 expires on 31 December 2018, with the approval of the Financial Statements. Consequently, the Shareholders' Meeting of 11 April 2019 is called to appoint the new Board of Statutory Auditors for the three-year period 2019 - 2021.

This is the occasion to thank you for the trust given to the Board of Statutory Auditors during these years of mandate.

Milan, 13 March 2019

For the Board of Statutory Auditors

The Chairman  
Pierpaolo Singer



## INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of  
UniCredit S.p.A.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of UniCredit S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### First time adoption of IFRS 9

##### Description of the key audit matter

The first time adoption, as of January 1 2018, of the International Financial Reporting Standard IFRS 9 "Financial instruments" (hereafter the "Standard"), has led to the classification and measurement of the Bank's financial assets and liabilities according to the new accounting categories envisaged by the Standard and the definition of a new methodology for determining the impairment of the financial assets in scope based on an expected losses model (expected credit losses).



The Bank has exercised the option, allowed by the Standard, to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB will complete the project on accounting for macro-hedging.

In addition, the Bank has decided to elect the option provided by the Standard not to restate comparative figures of previous year.

As reported in *Part A – Accounting Policies Section 4 – Other matters (Transition to IFRS 9: Financial Instruments of UniCredit S.p.A.)* of the notes to the accounts, which reports the information required by International Financial Reporting Standards regarding the first time adoption of the Standard, including the main methodological choices made by the Bank, the first application of the Standard determined, at January 1, 2018, a negative effect on the Bank's net equity equal to 3,084 million Euro net of tax (3,188 million Euro gross of taxes).

Particularly, the above effect derives:

- from changes in the valuation reserves presented under the line item "110. Revaluation reserves" for a total amount of 318 million Euro net of tax (358 million Euro gross of taxes) related to financial instruments classified in the line item "30. Financial assets at fair value through other comprehensive income" and in the line item "30. Financial liabilities designated at fair value" for the valuation of own credit risk.
- for a negative amount, net of the tax effect, of 2,766 million Euro (2,830 million Euro gross of taxes) from changes in the line item "140. Reserves" attributable to the effects resulting from the reclassification and measurement of financial instruments other than those reported under the line item "30. Financial assets measured at fair value through other comprehensive income" and the calculation of loan loss provisions on credit and off-balance sheet exposures.

These effects were determined as a result of the implementation of the requirements of the new Standard that has significantly affected the various aspects of the Bank's internal control system.

In this context, the determination of impairment provisioning of the financial assets according to the expected losses model introduced by the Standard constitutes the result of a complex estimation process that includes numerous subjective variables regarding the criteria used to identify the significant increase in credit risk, that has been used for the purpose of allocating the financial assets in the Standard's different stages, and the definition of the models used for measuring of expected credit losses, using assumptions and parameters which have to take into account current and future macroeconomic information ("forward-looking"), and different scenarios, including for impaired exposures (classified in Stage 3) possible sale scenarios whereas the Bank's Non-Performing Asset Strategy foresees the sale on the market as a recovery method.

At January 1<sup>st</sup>, 2018, the Bank has not recognized IRES and IRAP tax assets related to the mentioned impairment on credit exposure (LLPs) because the tax rule applicable at that time required the full deductibility in 2018 and, absent a sufficient taxable income, the sustainability test showed the inability to recover the IRES deferred tax assets associated with tax losses carried forward. The new 2019 Italian Budgetary Law approved in December 2018 envisaged the deductibility of LLPs recognized in FTA on a 10 years horizon (1/10 in 2018 and 9/10 in future periods up to 2027), for both IRES and IRAP purposes. This circumstance has determined the transformation of these DTAs from tax assets related to tax losses carried forward to tax assets related to temporary differences (IRES and IRAP) and, consequently, their recognition in financial statements for an amount determined as a result of the sustainability test carried out coherently with the new tax rules for an amount of 871 million Euro in line item 270. Tax (expenses) income of the year from continuing operations.

In relation to the significance of the above mentioned effects, of the pervasive operational complexities connected to the transition to the Standard and of the inherent subjectivity of the estimation processes adopted by the Management in the valuation of financial assets according to the new impairment methodology, together with the Management analysis aimed at assessing the proper accounting treatment of the tax impact arising from the first time adoption of the Standard, following the change in the applicable tax law, given the absence of specific indications by IAS 12, we have identified the first time adoption of the Standard a Key Audit Matter of the statutory financial statements of UniCredit S.p.A. as at December 31, 2018.

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**Audit procedures performed**

While performing our audit procedures we have preliminarily examined, also supported by IT and credit risks specialists of the Deloitte network, the Bank's transition and implementation project with particular reference to the application choices adopted, in order to verify their appropriateness and compliance with the requirements of the Standard, and the related impacts.

The main audit procedures performed were:

- we have obtained and examined the minutes of the Bank's Governance and Control Bodies, the approved accounting policies and any other documentation developed and made available, for example: manuals, procedures, project documentation, with particular reference to the areas of interpretation, also through information gathering and interviews with the relevant functions of the Bank and in-depth analysis with their external consultants;
- we have analyzed the technical-methodological documentation underlying the identification of the Bank's business models with particular reference to the classification criteria for financial assets in such business models;
- we have identified and understood the design, of certain key controls, including IT controls, which are driving the classification and evaluation of the Bank's financial assets, by verifying the correct implementation and the operational effectiveness;
- we have carried out checks aimed at ascertaining - for certain loans and debt securities - the correctness of the results of the Solely Payments of Principal and Interests test (SPPI) carried out by the Bank during the first application of the Standard;



- we have analyzed and understood the functioning of the impairment models developed by the Bank and verified the reasonableness of the assumptions and parameters used for stage allocation and estimation of expected credit losses, also through the support of the Deloitte network specialists, and we have verified the correctness of the related calculations;
- we have verified the coherence between the information used for calculating expected credit losses and those used in the other main decision-making, budget and assessment processes in place (for example in the goodwill impairment process, multi-period plans, stress test) with particular reference to qualitative and macroeconomic indicators and forward-looking information;
- we have verified the coherence of the information used by the Bank to calculate the expected credit losses on impaired exposures (stage 3) for which the Bank foresees the sale on the market as a recovery method with the Bank's Non-Performing Asset Strategy communicated to the European Central Bank ("NPL Strategy");
- we have verified, also with the support of the Deloitte network IFRS specialists, the accounting treatment of the tax impact arising from the first time adoption of the Standard following the enforcement of the new tax law;
- we have verified the tax assets related to temporary differences (IRES and IRAP) arising from the first time adoption of the Standard recoverability, through the analysis of its sustainability test.

Finally, as far as the impact deriving from the first application of the Standard is concerned, we have acquired the details of the relative quantification and verified its mathematical accuracy. We have also verified the compliance and completeness of the information provided in this regard in *Part A - Accounting Policies Section 4 - Other matters (Transition to IFRS 9: Financial Instruments of UniCredit S.p.A.)* of the notes to the accounts of the statutory financial statements of UniCredit S.p.A. as at December 31, 2018 in compliance with the requirements of the applicable International Financial Reporting Standards.

### ***Risk of uncorrected classification and valuation of performing customer loans***

#### **Description of the Key Audit Matter**

As represented in the report on operations in the table Loans to customers – Asset Quality, as at December 31, 2018, performing loans to customers, net of writedowns equal to 0.58%, has a carrying value of 213,224 million Euro, of which, as reported in the notes to the accounts *Part B - Balance Sheet - Assets (table 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers)*, loans are equal to 213,177 million Euro.

For the classification of credit exposures in the various homogeneous risk classes, the Bank refers to sector regulations, supplemented by the internal rules governing the classification and transfer rules within the various risk categories.

In particular, the allocation of credit exposures in one of the IFRS 9 stages is done at initial recognition, when the exposures is classified at stage 1 and it is periodically reviewed based on "stage allocation" rules depending on a combination of relative and absolute elements as specified in *Part E - Information on risks and hedging policies - paragraph 2.3 Measurement method for expected losses*.



The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 15 – Other Information Impairment* describes the methods used for the impairment of groups of performing loans. In particular, for exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year, while for exposures in stage 2, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure. The notes to the accounts, in the same paragraph, describes the method to calculate the expected credit loss.

Considering the significance of the amount of the performing loans recorded in the financial statements, the complexity of the estimation processes adopted by the Bank which implied an articulated classification activity into homogeneous risk categories and the use of valuation models characterized by numerous variables, including the existence of indicators of possible impairment, we have identified the classification and valuation of performing loans, with particular reference to performing credit portfolios with higher levels of management risk ("watchlist" exposures), as a Key Audit Matter of the financial statements of UniCredit S.p.A. as at December 31, 2018.

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**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the Bank's internal control system and the relative internal regulations concerning to the credit process which included, in particular, the identification of the organizational and procedural safeguards implemented by the Bank to monitor credit quality as well as the adequacy of the classification according to the provisions of the sector legislation and for the relative assessment in compliance with the applicable accounting standards;
- analysis of the implementation of the procedures and Bank processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures with reference to the most significant changes compared to the data of the previous year, if applicable, also through the obtainment and analysis of the monitoring reports; analysis of the related results with the heads of the Bank departments and related organizational units involved;
- analysis and recalculation of the collective assessment of performing loans;
- analysis and understanding of the main valuation models adopted and verification, on a sample basis, of the reasonableness of the parameters subject to estimation, also used with the support of credit model experts and IT experts belonging to the Deloitte network;
- checks on a sample basis on the classification according to the provisions of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurred after the reference date of the financial statements.

Finally, we verified the adequacy and compliance of the information provided in the notes to the accounts with respect to the requirements of the applicable accounting standards and the relevant legislation.

***Risk of uncorrected classification and valuation of non performing loans (unlikely to pay and bad loans)***

**Description of the Key Audit Matter**

As represented in the report on operations in the table Loans to customers – Asset Quality, as at December 31, 2018, non performing loans to customers, net of writedowns equal to 63.28%, has a carrying value of 9,367 million Euro of which, as reported in the notes to the accounts *Part B – Balance Sheet - Assets (table 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers)*, loans are equal to 9,356 million Euro.

In addition, the report on operations, shows that the coverage ratio for bad exposures is equal to 78.41% with a carrying value of 2,811 million Euro, for unlikely to pay is equal to 47.99% with a carrying value of 6,254 million Euro and for non-performing past due is equal to 34.56% with a carrying value of 302 million Euro.

The notes to the accounts *Part A – Accounting Policies section A.2 - Main items of the accounts Paragraph 15 – Other Information Impairment* shows that in stage 3, there are impaired exposures corresponding to the aggregate Non-Performing Exposures in accordance with Bank of Italy Circular No.272 as of 30 July 2008 and subsequent updates and with the EBA Implementing Technical Standards.

In the same paragraph of the notes to the accounts, it is also described that the assessment of bad exposures and unlikely to pay takes place:

- on an analytical basis, as the difference between the carrying amount and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset;
- through the comparison with coverage levels defined statistically for some credit portfolios below a predefined threshold.

Considering the significance of non performing loans amount recorded in the financial statements and the complexity of the estimation processes adopted by the Bank which implied a complex classification activity into homogeneous risk categories and the use of some variables characterized by a high subjectivity (such as the estimates of expected cash flows, the relative recovery times, the value of any guarantees and the recovery strategies) for the determination of the relative recoverable amount, we have identified the classification of non performing loans and their valuation as a Key Audit Matter of the financial statements of UniCredit S.p.A. as at December 31, 2018.

**Audit procedures performed**

The audit procedures performed included, among others, the following:

- analysis and understanding of the internal control system as well as the related internal regulations regarding the monitoring of credit quality, the management of impaired loans as well as the adequacy of the classification according to the provisions of the sector legislation and its assessment in compliance with the applicable accounting principles;



- analysis of the implementation of the procedures and Bank processes, test of the operational effectiveness of the relevant controls for the purposes of the classification and assessment process;
- analysis and understanding of the IT systems and applications used and test of the operational effectiveness of relevant controls, also with the support of IT experts belonging to the Deloitte network;
- comparative analysis procedures, for each category of non-performing loans, by calculating appropriate hedging indices and comparing them with the data for the previous year, if applicable, also by obtaining and analyzing the monitoring reports, and analysis of the relative results with the heads of the Bank departments and the related organizational units involved, in addition to sector data;
- analysis and understanding of the main evaluation models adopted and verification, on a sample basis, of the reasonableness of the parameters to be assessed, also with the support of credit model experts and IT experts belonging to the Deloitte network;
- checks on a sample basis, for each category of non-performing loans, on the classification according to the provisions of the sector legislation as well as on the related valuation in compliance with the applicable accounting standards;
- analysis of events occurred after the reference date of the financial statements.

Finally, we verified the adequacy and compliance of the information provided in the notes to the accounts with respect to the requirements of the applicable accounting standards and the relevant legislation.

***Legal risks related to non-compliance with the economic sanctions imposed by the United States of America ("U.S.") to other countries***

**Description of the key audit matter**

As described in the *Part E – Information on risks and hedging policies* of the notes to the accounts, in March 2011 the subsidiary UniCredit Bank AG ("UCB AG") received a subpoena from the District Attorney for New York County ("NYDA") relating to historical transactions involving certain Iranian entities designated by U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). In June 2012, the U.S. Department of Justice opened an investigation of OFAC-related compliance by UCB AG and, more generally, by its subsidiaries.

In this context, UCB AG conducted, with the support of external lawyers, a voluntary investigation of its U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions to other countries, in the course of which certain historical non-transparent practices have been identified. In addition, also UniCredit S.p.A. and its subsidiary UniCredit Bank Austria AG have independently started, with the support of external lawyers, a voluntary investigation of its historical compliance with applicable U.S. financial sanctions and have similarly identified certain historical non-transparent practices.

UniCredit S.p.A. and its subsidiaries continue settlement discussions with the relevant U.S. authorities to find an agreement and come to a resolution of these matters.

The Directors' considerations on this matter are reported in the *Part E - Information on risks and hedging policies* of the notes to the accounts in the paragraph "Financial sanctions matters".

In relation to the complexity of the matter, the uncertainties related to the outcomes of the investigations, the negotiation still ongoing with the U.S. Authorities and the relevance of the economic and financial effects that may occur in connection therewith, we have identified the assessment of legal risks related to non-compliance with US economic sanctions a Key Audit Matter of the financial statements of UniCredit S.p.A as at December 31, 2018.

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#### **Audit procedures performed**

The main audit procedures, performed also with the support of legal experts belonging to the Deloitte network, were:

- analysis and understanding of the internal control system of the Bank related to the monitoring and management of litigations and any other legal issue;
- analysis and understanding of the process adopted by the legal and the compliance functions of the Bank to monitor, manage and report to the governance bodies with specific reference to the U.S. economic sanctions;
- periodic meetings with the heads of the legal and the compliance functions of the Bank and with the external lawyers appointed by the Bank;
- analysis of the criteria applied by the Bank for the estimation of provisions for risks and charges accounted for in the statutory financial statements as at December 31, 2018 with reference to the U.S. economic sanctions matter;
- obtaining and examining written confirmations and opinions prepared by the lawyers appointed by the Bank to support the assessments made by the Directors of the Bank for the purpose of preparing the financial statements for the year ended December 31, 2018;
- analysis of any significant events occurred after the reference date of the financial statements.

Finally, we verified the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

#### **Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.



The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

**Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of UniCredit S.p.A. has appointed us on May 11, 2012 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS****Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of UniCredit S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of UniCredit S.p.A. as at December 31, 2018, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of UniCredit S.p.A. as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of UniCredit S.p.A. as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Riccardo Motta**  
Partner

Milan, Italy  
March 8, 2019

*This report has been translated into the English language solely for the convenience of international readers.*







## **ABCP Conduits - Asset Backed Commercial Paper Conduits**

Asset Backed Commercial Paper Conduits are a type of “SPV - Special Purpose Vehicle” (see item) set up to securitise various types of assets and financed by Commercial Paper (see item).

Commercial Paper generally matures in 270 days, with payment of principal and interest depending on the cash flow generated by the underlying assets.

ABCP Conduits may be single-sellers or multi-sellers according to the number of issues they make. Conduits generally require several SPVs. The first-level vehicles issue the Commercial Paper and finance one or more second-level vehicles or Purchase Companies (see item) which purchase the assets to be securitised.

An ABCP Conduit will have the following:

- issues of short-term paper creating a maturity mismatch between the assets held and the paper issued;
- liquidity lines covering the maturity mismatch; and
- security covering default risk in respect of both specific assets and the entire programme.

## **ABS - Asset Backed Securities**

Debt securities, generally issued by an “SPV - Special Purpose Vehicle” (see item) guaranteed by assets of various types such as mortgage loans, consumer credits, credit card receivables, etc. Principal and interest payments are subject to the performance of the securitised assets and the existence of any further security guaranteeing the bond. ABSs are divided into tranches (senior, mezzanine and junior) according to the priority with which principal and interest will be paid.

## **Absorbed capital**

Absorbed capital represents the amount of capital that the Group sets aside as a buffer against potential losses and needs to support its business activities and all positions held. It is measured by the regulatory capital and the internal capital. The regulatory capital is obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio. The internal capital is the sum of the economic capital, obtained through aggregation of the capital needed to cover the different types of risk measured according to internal models, plus a reserve to consider the effects of the cycle and model risk.

## **Acquisition Finance**

Finance for business acquisition operations. The most common form of Acquisition Finance is the leveraged buy-out (see Leveraged Finance).

## **Affluent**

Banking customer segment whose available assets for investment are regarded as moderate to high.

## **Allocated capital**

It represents the amount of capital absorbed by the Group and the Divisions to perform their business activities and to cover all the types of related risks. It is measured by Regulatory Capital obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio, plus certain regulatory deductions (e.g. shortfall, securitisations, equity exposures). Only for Fineco and Private Banking, it is measured by the maximum between the result of the Regulatory Capital and Internal Capital. The Internal Capital is the capital needed to cover, with a high level of confidence, the risks faced by the Group measured according to internal models.

## **ALM - Asset & Liability Management**

Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimise the risk/return ratio.

## **ALT-A (residential mortgages)**

Mortgages whose borrowers, while not subject to the significant repayment problems of those described as Subprime (see item), have a risk profile with high loan-to-value and installment-to-income ratios or incomplete documentation of the debtor's income.

## **Alternative investment**

Alternative investments cover a wide range of forms of investment, including investments in Private Equity (see item) and Hedge Funds (see item).

## **AMA (Advanced Measurement Approach)**

Applying this methodology the operational risk requirement is obtained with calculation models based on operational loss data and other evaluation elements collected and processed by the bank. Admittance threshold and specific suitability requirements have been provided for the use of the standardised and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.

**Asset allocation**

Decisions to invest in markets, geographical areas, sectors or products.

**Asset management**

Activities of management of the financial investments of third parties.

**ATM - Automated Teller Machine**

Automated machine that allows customers to carry out operations such as withdrawing cash, paying in cash or checks, requesting account information, paying utility bills, topping up mobile phone credits, etc.

The customer activates the terminal by inserting a smart card and entering his/her Personal Identification Number.

**Audit**

Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

**Backstop prudential provisioning (i.e. Calendar provisioning)**

Quantitative guidelines defining coverage practices of Non Performing exposures (ie. Past Due, Unlikely to Pay, Bad loans), which require a full coverage of a Non Performing exposure starting from the second year up to the ninth year since the date of the counterparty's classification to default depending on whether the exposure is unsecured or secured respectively.

**Back-testing**

Statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.

**Bad Loans ("Sofferenze")**

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any, secured or personal, guarantees covering the exposures).

**Banking Book**

Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

**Bank Levy**

Charges applied at national level specifically to financial institutions, mainly based on Balance Sheet figures, or parts of it.

**Basel 2**

New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.

The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- **Pillar 1:** while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- **Pillar 2:** this requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures;
- **Pillar 3:** this introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

**Basel 3**

In the light of the crisis that in recent years has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as at 1 January 2014. These rules have been implemented at the European level through the CRD IV "Package".

# Glossary

## **Best practice**

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

## **Budget**

Statement forecasting the future costs and revenues of a business.

## **CBO - Collateralised Bond Obligations**

CDO - Collateralised Debt Obligations (see item) with bonds as underlyings.

## **CCF - Credit Conversion Factor**

Ratio between (a) the unused portion of the line of credit that it is estimated may be used in the event of default and (b) the portion currently unused.

## **CDO - Collateralised Debt Obligations**

Bonds issued by a vehicle with loans, bonds, ABS - Asset Backed Securities (see item) or other CDOs as underlyings. CDOs make it possible to derecognise assets in the bank's balance sheet and also to arbitrage the differences in yield between the securitised assets and the bonds issued by the vehicle.

CDOs may be funded if the vehicle legally acquires title to the assets or unfunded if the vehicle acquires the underlying risk by means of a CDS - Credit Default Swap (see item) or similar security.

These bonds may be further subdivided as follows:

- CDOs of ABSs, which in turn have tranches of ABSs as underlyings;
- Commercial Real Estate CDOs (CRE CDOs), with commercial property loans as underlyings;
- Balance Sheet CDOs which enable the Originator (see item), usually a bank, to transfer its credit risk to outside investors, and, where possible under local law and supervisory regulations, to derecognise the assets from its balance sheet;
- Market Value CDOs whereby payments of interest and principal are made not only out of cash flow from the underlying assets, but also by trading the instruments. The performance of the notes issued by the vehicle thus depends not only on the credit risk, but also on the market value of the underlyings;
- Preferred Stock CDOs with hybrid debt/equity instruments or Preference shares (see item) issued by financial institutions;
- Synthetic Arbitrage CDOs which arbitrage the differences in yield between the securitised assets acquired synthetically by means of derivatives and the bonds issued by the vehicle.

## **CDS - Credit Default Swap**

A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount should a certain event indicating a deterioration of the creditworthiness of a reference entity occur.

## **CEO**

Chief Executive Officer.

## **CFO**

Chief Financial Officer.

## **CGU - Cash Generating Unit**

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## **CLO**

Chief Lending Officer.

## **CLO - Collateralised Loan Obligations**

CDO - Collateralised Debt Obligations (see item) with loans made by authorised lenders such as commercial banks as underlyings.

## **CMBS - Commercial Mortgage Backed Securities**

ABS - Asset Backed Securities (see item) with commercial mortgages as underlyings.

# Glossary

**Commercial Paper**

Short-term securities issued to raise funds from third-party subscribers as an alternative to other forms of debt.

**Commodity risk**

The risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

**Consumer ABS**

ABS (see item) in which the collateral consists of consumer credits.

**Corporate**

Customer segment consisting of medium to large businesses.

**Cost/Income Ratio**

The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

**Cost of risk**

The ratio between loan loss provisions and loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.

**Counterparty Credit Risk**

The risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.

**Covenant**

A loan agreement clause whereby the lender is entitled to restructure or call in the loan on occurrence of the events specified in the clause, which ties changes in the borrower's profits and financial situation to events of default or restructuring (modifying e.g. the repayment schedule or the interest rate charged).

**Covered bond**

A bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV - Special Purpose Vehicle (see item).

**CRD (Capital Requirement Directive)**

EU directives No.2006/48 and 2006/49, incorporated into Banca d'Italia Circular 263/2006 of 27 December 2006 as amended.

The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into Banca d'Italia Circular 285 of 17 December 2013 as amended.

**Credit Quality Step**

Step based on external ratings, which is used to assign risk weights under credit risk Standardised Approach.

**Credit risk**

The risk that an unexpected change in the creditworthiness of a counterparty, the value of the guarantees provided by it or the margins used by it in the event of insolvency might produce an unexpected change in the value of the bank's credit position.

**Credit Valuation Adjustment (CVA)**

Is the adjustment to the valuation of a portfolio of transactions reflecting the market value of the counterparties' credit risk.

**CRM**

Credit Risk Mitigation is a set of techniques, contracts accessories to the loan or other instruments (e.g. securities, guarantees), which allows a reduction of the credit risk capital requirements.

# Glossary

## **CRO**

Chief Risk Officer.

## **CRR (Capital Requirements Regulation)**

Regulation EU No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

## **Currency risk**

The risk that the value of the instrument decreases due to foreign exchange rates changes.

## **Daily VaR**

It reflects the Value at Risk risk measures calibrated to a 1-day holding period to compare with the 99% confidence level with its trading outcomes.

## **Default**

A party's declared inability to honor its debts and/or the payment of the associated interest.

## **Duration**

This is generally calculated as the weighted average of the maturities for payment of the interest and capital associated with a bond, and represents an indicator of the interest rate risk to which a security or a bond portfolio is subject.

## **EAD - Exposure at Default**

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the IRB - Internal Rating Based (see item) advanced approach are allowed to estimate EAD (see item). Other banks are required to refer to regulatory estimations.

## **EBA - European Banking Authority**

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

## **ECA**

Export Credit Agency.

## **ECAI**

External credit assessment institution.

## **ECB European Central Bank**

The ECB is the central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the Euro area.

## **Economic capital**

Capital level that is required to cover the bank's losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

## **Economic value perspective**

Variation in interest rates can affect the economic value of assets and liabilities.

## **EL**

Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).

## **EPS - Earnings Per Share**

An indicator of a company's profitability calculated as: Net Profit divided by Average total outstanding shares (excluding treasury shares).

## **Equity risk**

The risk that the value of the instrument decreases due to stock or index prices changes.

**Expected Shortfall**

Risk measure representing the expected loss of a portfolio or a counterparty calculated in the scenarios of loss exceeding the VaR.

**EVA - Economic Value Added**

Expresses the ability to create value in monetary terms. EVA is equal to the difference between the Net Operating Profit After Tax ("NOPAT" Net Operating Profit After Tax - see item) and the cost of the absorbed capital.

**Factoring**

Contract for the sale without recourse (with credit risk borne by the buyer) or with recourse (with credit risk borne by the seller) of commercial credits to banks or specialist companies, for the purposes of management and collection. May be associated with financing in favor of the seller.

**Fair value**

The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.

**FINREP**

Document issued by the Committee of European Banking Supervisors (CEBS). The Committee gives advice to the European Commission on policy and regulatory issues related to banking supervision; it also promotes cooperation and convergence of supervisory practice across the European Union. The objective of FINREP is to provide guidelines for implementation of the consolidated Financial Reporting framework for supervisory purposes; it is based on International Financial Reporting Standards (IFRSs).

**Forbearance/Forborne exposures**

According to EBA Implementing Technical Standards, forborne exposures consist of exposures to which forbearance measures have been extended, i.e. concessions towards a debtor who is facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

**Forwards**

Forward contracts on interest rates, exchange rates or share indices, generally traded on "OTC - Over-the-Counter" (see item) markets, in which the conditions are fixed when the contract is agreed but execution will take place at a predetermined future date, by means of the collection or payment of differentials calculated with reference to various parameters according to the subject of the contract.

**FRA - Forward Rate Agreement**

Contract whereby the parties agree to receive (pay) at maturity the difference between the value calculated by applying a predetermined interest rate to the transaction amount and the value obtained on the basis of the level reached by a reference rate preselected by the parties.

**FTE - Full Time Equivalent**

The number of a company's full-time employees. Part-time employees are considered on a pro-rata temporis basis.

**Full Revaluation Approach**

Is a methodology behind the historical simulation approach for VaR calculation, when the value of a portfolio is estimated by the complete revaluation of its value according to the simulation results.

**Funding**

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

**Futures**

Standardised contracts whereby the parties undertake to exchange money, transferable securities or goods at a preset price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

**GDP (Gross Domestic Product)**

The total market value of the products and services produced by Country residents in a given time frame.

**GIV**

Group Internal Validation.

# Glossary

## **GLO**

Group Lending Office.

## **Goodwill**

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

## **Hedge Fund**

Speculative mutual investment fund adopting hedging techniques which generally are not used by ordinary mutual funds, in order to deliver a constant performance, which is only hardly linked to reference markets. Hedge Funds are distinguished by a limited number of partners and require a high minimum level of investment.

## **IAA**

Internal Assessment Approach.

## **IAS/IFRS**

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organisation of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP - United States Generally Accepted Accounting Principles (see item).

## **IBNR**

Incurred But Not Reported (losses).

## **ICAAP - Internal Capital Adequacy Assessment Process**

See "Basel 2 - Pillar 2".

## **IMA**

Internal Models Approach is an approach to calculate market risk capital requirement using internal models.

## **Impaired loans**

Loans are subjected to periodic examination in order to identify those which, following events occurring after their entry in the accounts (at the market value, normally equal to the disbursed amount including the transaction costs and revenues directly attributable to the disbursement of the loan), show objective signs of a possible loss of value. This category includes loans that have been classed as bad, doubtful, restructured or overdue, in accordance with Banca d'Italia rules consistent with IAS/IFRS (see item).

## **Impairment**

Within the framework of the IAS/IFRS (see item), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

## **Index linked**

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

## **Interest rate risk**

The risk that the value of the instrument decreases due to interest rates changes.

## **(Internal) validation**

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

## **Investment banking**

Banking segment devoted to the subscription and placement of newly issued securities, as well as the trading of financial instruments.

# Glossary

## **Investor**

Any entity other than the Sponsor (see item) or Originator (see item) with exposure to a securitisation.

## **IPRE**

Income Producing Real Estate.

## **IRB - Internal Rating Based**

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (see item). The rules are applied to the exposures of the banking portfolio. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD - Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD - Probability of Default", "LGD - Loss Given Default", "CCF - Credit Conversion Factors" and, where provided for, "M - Maturity" (see item). The use of IRB methods for the calculation of capital requirements is subject to authorisation from Banca d'Italia.

## **IRC**

Incremental Risk Charge is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.

## **IRS - Interest Rate Swap**

See "Swap".

## **Joint venture**

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

## **Junior, Mezzanine and Senior exposures**

In a securitisation transaction, the exposures may be classified as follows:

- junior exposures are the last to be repaid, and consequently absorb the first loss produced by the securitisation transaction;
- mezzanine exposures are those with medium repayment priority, between senior and junior;
- senior exposures are the first to be repaid.

## **Ke**

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium/longterm averages of market parameters.

## **KPI - "Key Performance Indicators"**

Set of indicators used to evaluate the success of a particular activity or process.

## **LCP**

Loss Confirmation Period.

## **LCR (Liquidity Coverage Ratio)**

The ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period.

## **Lead Arranger**

The bank responsible for arranging a securitisation. The arranger's duties include checking the quality and quantity of the assets to be securitised, conducting relations with rating agencies, drawing up the prospectus and dealing with accounting and legal problems.

## **Leasing**

Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the choice and on the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.



# Glossary

## **Leveraged Finance**

Loans provided mainly to Private Equity funds in order to finance the acquisition of a company through a financial transaction based on the cash flow generation capacity of such target company. This can result in a higher level of debt and therefore a higher level of risk. Leveraged finance may be syndicated.

## **LGD - Loss Given Default**

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", see item).

## **Liquidity risk**

The risk of the company being unable to meet its payment commitments due to the inability to mobilise assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily liquidating positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

## **M - Maturity**

The average, for a given exposure, of the residual contractual maturities, each weighted for the relevant amount.

## **Mark-up**

Positive differential with respect to a benchmark index, generally an interbank rate, applied to the lending rate offered to customers.

## **Market risk**

The effect that changes in market variables might have on the economic value of the Group's portfolio, where this includes both the assets held in the Trading Book and those entered in the Banking Book, or the operations connected with the characteristic management of the commercial bank and its strategic investment choices.

## **MDA**

Stands for Maximum Distributable Amount i.e. a limit to the distributable profits in order to preserve the Combined Buffer Requirement.

## **Medium Term Note**

Bond with a maturity of between 5 and 10 years.

## **Merchant banking**

This term covers activities such as the subscription of securities, shares or debt instruments, by corporate customers for subsequent placement on the market, the taking of more permanent equity interests but always with a view to subsequent disposal, and the conduct of business consultancy activities for the purposes of mergers and acquisitions or restructurings.

## **Monoline Insurers**

Insurance companies that insure only one kind of risk. Against payment of premium they guarantee the repayment of principal and interest of bonds, usually "ABS - Asset Backed Securities" (see item) or US municipal bonds, on default by the issuer, which enables the guaranteed bond to obtain a better rating than similar unguaranteed issues.

## **Non-Performing Exposures**

According to EBA Implementing Technical Standards, Non-Performing Exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

## **NOPAT - Net Operating Profit After Tax**

Net Operating Profit after tax and minority interests, adjusted by elements that would not allow to assess the capability to create value through ordinary operations.

It represents the share of Group Net Profit produced by typical business activities, gross of the costs of capital.

## **Notch**

Level, referred to a scale.

**Operational risk**

The risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel or systems, or by external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk. For example, operational risks include losses deriving from internal or external fraud, employment contracts and employment protection regulations, customer claims, distribution of products, fines and other sanctions arising from breaches of regulations, damages to the company's assets, interruption of operations, malfunction of systems and the management of processes.

**Option**

The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

**Originator**

The entity that originated the assets to be securitised or acquired them from others.

**OTC - Over the counter**

Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

**Overcollateralisation**

The value of the assets underlying the bonds issued is higher than the amount of the bonds.

**Past Due**

Problematic exposures that, at the reporting date, are more than 90 days past due on any material obligation, as required by the relevant prudential regulation. Past due can be determined either at individual debtor or at single transaction level according to the relevant local prudential regulation.

**Payout ratio**

It indicates the percentage of net income that is distributed to shareholders. The percentage distributed is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

**PD - Probability of Default**

Probability of a counterparty entering into a situation of "default" (see item) within a time horizon of one year.

**Preference shares**

Capital instruments that associate forms of remuneration tied to market rates with particularly pronounced subordination conditions, such as non-recovery in subsequent years of the interest not paid by the bank and bearing a share of its losses in the event that these produce a significant reduction in the capital requirements. The regulatory authorities set the conditions under which preference shares may be counted among the core capital of banks and banking groups.

**Private banking**

Financial services aimed at so-called "high-end" private customers for the global management of financial needs.

**Private equity**

Investments in the risk capital of companies, generally unlisted but with high growth potential and the ability to generate constant cash flows. Investments in private equity include a wide range of operations that vary according to both the development phase of the company concerned and the investment techniques used. These techniques include closed-end private equity funds.

**Purchase Companies**

Vehicle used by "ABCP Conduits - Asset Backed Commercial Paper Conduits" (see item) to purchase the assets to be securitised and subsequently financed by the Conduit vehicle by means of commercial paper.

**Rating**

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

# Glossary

**RBA**

Ratings-Based Approach.

**Retail**

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

**RIC**

IRB calculation model - Rating Integrato Privati (Individuals Integrate Rating).

**RISB**

IRB calculation model - Rating Integrato Small Business (Small Business Integrate Rating).

**RMBS - Residential Mortgage Backed Securities**

Asset Backed Securities (see item) with residential mortgages as underlyings.

**ROA - Return On Asset**

Ratio between Net Profit/(Loss) of the year and Total Assets as per IFRS balance sheet.

**ROAC - Return On Allocated Capital**

Annualised ratio between the net profit and the average allocated capital. It shows in percentage terms the earning capacity for absorbed capital units. A corrective factor is applied to divisional net profit where capitalisation is substantially higher than Group's target.

**ROTE - Return on Tangible Equity**

Annualised ratio between the net profit and the average tangible equity. Tangible Equity is defined as Shareholders' equity (including Consolidated Profit of the period) less intangible assets (goodwill and other intangibles), less AT1 component. Dividend pay-out is accounted for on a cash basis.

**RUF**

Revolving Underwriting Facility.

**RWA - Risk Weighted Assets**

On-balance sheet assets and off-balance sheet assets (derivatives and guarantees) classified and weighted by different coefficients referring to risks, following banking rules issued by local Supervisors (i.e. Banca d'Italia, Bafin, etc.), to calculate solvency ratios.

**Securitisation**

Transfer of a portfolio of assets to an "SPV - Special Purpose Vehicle" (see item) and the issue of securities with various levels of seniority to meet any default by the underlying assets.

Securitisations can be:

- traditional: method of securitisation whereby transfer of the assets is by means of sale of the portfolio to the "SPV - Special Purpose Vehicle" (see item);
- synthetic: method of securitisation whereby the transfer of assets is by means of credit derivatives or similar security enabling the risk of the portfolio to be transferred.

**Sensitivity**

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

**SFA**

Supervisory Formula Approach.

**SL**

Specialised Lending.

**SME**

Small and Medium Enterprises.

**Sponsor**

An entity other than the Originator (see item) which sets up and manages an ABCP conduit or other securitisation scheme where assets are acquired from a third entity for securitisation.

**SPV - Special Purpose Vehicles**

An entity, partnership, limited company or trust, set up to carry out a set object, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets.

SPV's operations are accordingly limited by a set of rules designed for this purpose.

In general SPVs' sponsors (see item) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (see item). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

**Stress Test**

Risk measure complementary to the VaR, that allows a portfolio analysis with stress exercises by the application of simple and complex scenarios.

**Subprime (Residential Mortgages)**

Although Subprime has no univocal definition, this category includes mortgages granted to borrowers who have had repayment difficulties in the past, e.g. delayed installments, insolvency or bankruptcy, or who are more likely to default than the average due to high loan-to-value and installment-to-income ratios.

**SVaR - Stressed VaR**

Stressed VaR is a quantification of exposures to particular extreme losses that can be inflicted to a Bank during market tensions, by modeling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.

**Swap**

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements.

In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, one counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate).

In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

**Tier 1 Capital**

The most reliable and liquid part of a bank's capital, as defined by regulatory rules.

**Tier 1 Capital Ratio**

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA - Risk Weighted Assets" (see item).

**TSR - Total Shareholder Return**

It is the full reward, in terms of capital gain and dividends, that a shareholder gets from holding one share.

**UCI - Undertakings for Collective Investment**

This term includes "UCITS" (see item) and other collective investment Funds (real estate collective investment funds, closed-end investment funds).

**UCITS - Undertakings for Collective Investment in Transferable Securities**

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

**UGRM**

The pool of software applications, IT structure and database used by The Group for the financial risk analysis.

**UL**

Unexpected Losses are the losses exceeding the expected losses.

# Glossary

**Unlikely to Pay**

The classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.

**US GAAP - United States Generally Accepted Accounting Principles**

Accounting principles issued by the FASB (Financial Accounting Statement Board), generally accepted in the USA.

**VaR - Value at Risk**

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

**Vintage**

The year of issue of the collateral underlying bonds created by securitisation. In the case of subprime mortgages this information is an indicator of the riskiness of the bond, since the practice of granting mortgages to subprime borrowers became significant in the US starting in 2005.

**Warehousing**

A stage in the preparation of a securitisation transaction whereby an "SPV - Special Purpose Vehicle" (see item) acquires assets for a certain period of time until it reaches a sufficient quantity to be able to issue an ABS.



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