Do the right thing!

Consolidated First Half Financial Report as at 30 June 2021

Banking that matters. UniCredit

Contents

Notes
The following conventional symbols have been used in the tables:
- a dash (-) indicates that the item/figure is non-existent;
- two stops (..) or "n.m." when the figures do not reach the minimum considered significant or are not meaningful;
- "n.a." indicates that the figure is not available.

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

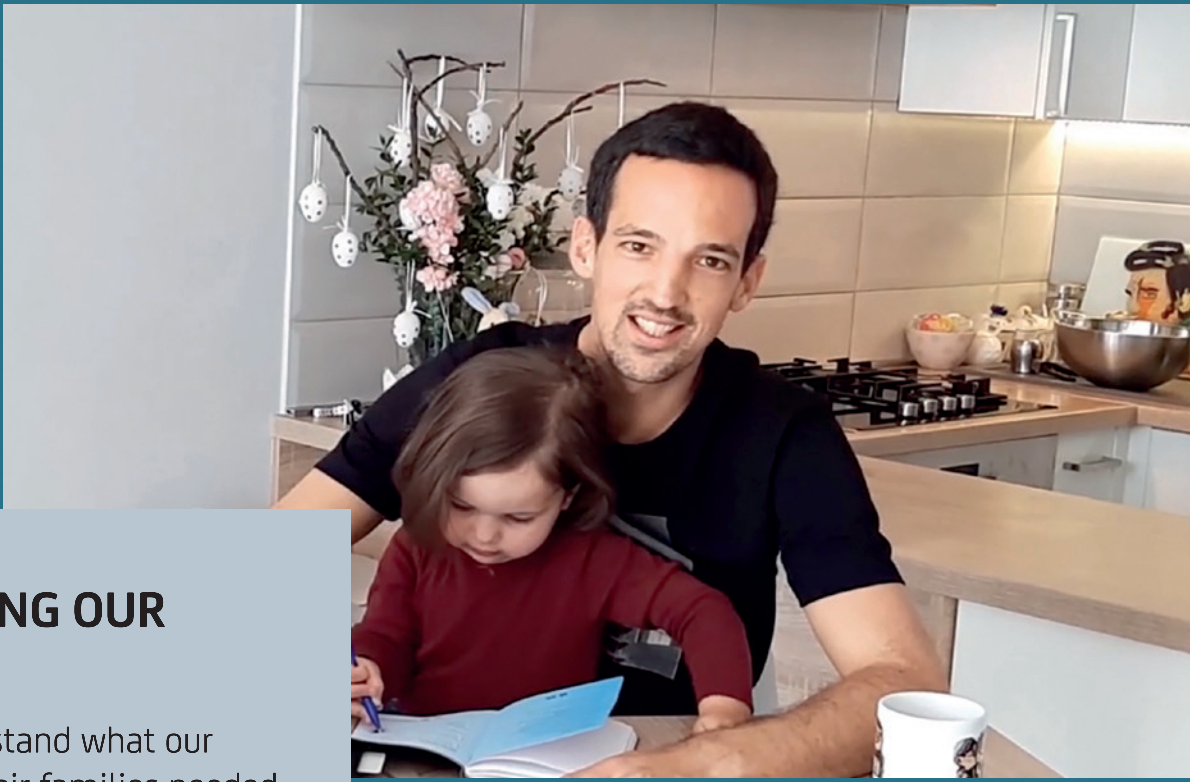
UniCredit S.p.A.
A joint stock company
Registered Office and Head Office: Piazza Gae Aulenti, 3 - Tower A - 20154 Milano
Share capital €21,133,469,082.48 fully paid in
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1
Cod. ABI 02008.1
Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi: 00348170101
Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund
Stamp duty paid virtually, if due - Auth. Agenzia delle Entrate, Ufficio di Roma 1, No.143106/07 of 12.21.2007

Board of Directors, Board of Statutory Auditors and External Auditors as at 30 June 2021

	Board of Directors
Pietro Carlo Padoan	Chairman
Lamberto Andreotti	Deputy Vice Chairman
Andrea Orcel	CEO
Vincenzo Cariello Elena Carletti Jayne-Anne Gadhia Jeffrey Alan Hedberg Beatriz Lara Bartolomé Luca Molinari Maria Pierdicchi Francesca Tondi Renate Wagner Alexander Wolfgring	Directors
Gianpaolo Alessandro	Company Secretary
	Board of Statutory Auditors
Marco Rigotti	Chairman
Antonella Bientinesi Angelo Rocco Bonissoni Benedetta Navarra Guido Paolucci	Standing Auditors
Stefano Porro	**Manager in charge of preparing the financial reports**
Deloitte & Touche S.p.A.	**External Auditors**

Do the right thing!
For our Colleagues

Throughout 2020, we focused on protecting our people: we provided them with millions of PPE items and fast IT upgrades, rolling out new laptops and remote access to around 80,000 UniCredit employees, to make sure they could work safely and effectively.



PROTECTING OUR PEOPLE

To best understand what our people and their families needed in order to face the Covid-19 crisis, UniCredit created a Family Board: the 20-person team meets regularly to define solutions and recommendations in terms of flexibility, wellbeing and other support (i.e. homeschooling/ homework).

Preliminary notes

General aspects

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

The Consolidated first half financial report includes:

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

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

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

Do the right thing!
For our Clients

With over 16 million clients in 13 countries, we worked harder than ever in 2020 to help all our clients face new challenges: from billion euro funding programmes for multinational companies to mentoring new startup businesses, UniCredit is committed to being part of the solution.

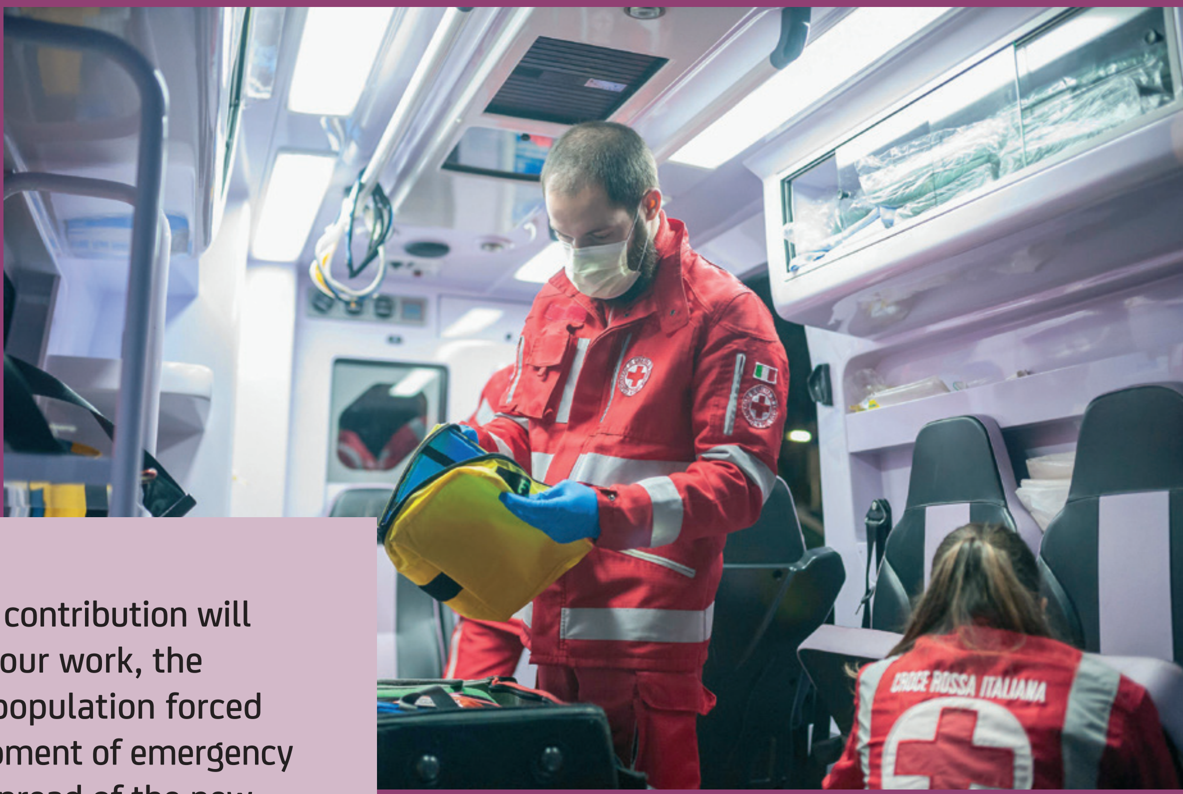
€10 MILLION OF NEW FINANCING FOR A 100-YEAR OLD PASTA PRODUCER

This loan was set up to meet the working capital needs of Gragnano-based Pastificio Di Martino. It was also the first large loan issued under Italy's guaranteed loans programme.

Consolidated first half financial report as at 30 June 2021

Do the right thing!
For our Communities

UniCredit is proud to support communities in all of its countries: we launched formal and informal initiatives, with a wide range of volunteering activities and donations, employees and customers raised and donated millions of euros.



"Your generous contribution will help, through our work, the entire Italian population forced to face this moment of emergency linked to the spread of the new Coronavirus. Thanks to your donation, the Italian Red Cross continues to expand, investing in services, resources and training for volunteers and operators to be alongside those who need it most".

Francesco Rocca
President of the Italian Red Cross

Introduction and Group highlights

Introduction to the Consolidated interim report on operations of UniCredit group

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

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

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

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

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

Group highlights, alternative performance indicators and other measures

Income statement

(€ million)

	H1		
	2021	2020	% CHANGE
Operating income	9,084	8,544	+ 6.3%
of which:			
- net interest	*4,383*	*4,887*	*- 10.3%*
- dividends and other income from equity investments	*237*	*164*	*+ 44.7%*
- net fees and commissions	*3,362*	*2,997*	*+ 12.2%*
Operating costs	(4,874)	(4,933)	- 1.2%
Operating profit (loss)	4,209	3,610	+ 16.6%
Net write-downs on loans and provisions for guarantees and commitments	(527)	(2,198)	- 76.0%
Net operating profit (loss)	3,682	1,412	n.m.
Profit (Loss) before tax	2,578	(2,007)	n.m.
Group net profit (loss)	1,921	(2,286)	n.m.

The figures reported in this table refer to the reclassified income statement. The amounts related to year 2020 differ from the ones published at that time. For further details, it shall be referred to the “Reconciliation principles followed for the reclassified income statement”. Annex 1 includes the reconciliation between the reclassified accounts and the mandatory reporting schedules.

Introduction and Group highlights

Balance sheet

(€ million)

	AMOUNTS AS AT		
	06.30.2021	12.31.2020	% CHANGE
Total assets	950,046	931,456	+ 2.0%
Financial assets held for trading	78,991	72,705	+ 8.6%
Loans and receivables with customers	438,401	450,550	- 2.7%
Financial liabilities held for trading	49,798	47,787	+ 4.2%
Deposits from customers and debt securities issue	601,689	600,964	+ 0.1%
of which:			
- deposits from customers	*505,716*	*498,440*	*+ 1.5%*
- debt securities issue	*95,973*	*102,524*	*- 6.4%*
Group shareholders' equity	61,356	59,507	+ 3.1%

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

Profitability ratios

	H1		
	2021	2020	CHANGE
EPS(*) (€)	1.698	(2.109)	3.807
Cost/Income ratio(**)	53.7%	57.7%	- 4.1%
EVA(***) (€ million)	153	(2,016)	+ 2,169
ROTE(****)	7.5%	-8.9%	+ 16.3%
ROA(*****)	0.4%	-0.5%	+ 0.9%

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

Risk ratios

	AS AT		
	06.30.2021	12.31.2020	% CHANGE
Net bad loans to customers/Loans to customers	0.4%	0.4%	- 0.0%
Net non-performing loans to customers/Loans to customers	2.1%	1.9%	+ 0.2%

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

Introduction and Group highlights

Staff and Branches

	AS AT 06.30.2021	12.31.2020	CHANGE
Employees(*)	80,879	82,107	-1,228
Branches(**)	3,364	3,490	-126
of which:			
- Italy	*2,118*	*2,229*	*-111*
- Other countries	*1,246*	*1,261*	*-15*

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

Transitional capital ratios

	AS AT 06.30.2021(*)	12.31.2020(*)	CHANGE
Total Own Funds (€ million)	67,417	67,464	- 47
Total risk-weighted assets (€ million)	327,714	325,665	+ 2,049
Common Equity Tier 1 Capital Ratio	**16.11%**	**15.96%**	**+ 0.1%**
Total Capital Ratio	**20.57%**	**20.72%**	**- 0.1%**

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

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

Ratings

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

Ratings updated as at 28 July 2021.

Reclassified consolidated accounts

Changes occurred in the scope of consolidation

During the first half of 2021, the following changes have been recorded with reference to the consolidation perimeter:

- the number of fully consolidated companies, including the Parent company and those ones classified as non-current assets and disposal groups based on accounting principle IFRS5, decreased by 42 (4 incoming and 46 exited) from 466 at the end of 2020 to 424 as at 30 June 2021;
- the number of companies consolidated though the equity method, including those ones classified as non-current assets and disposal groups, decreased by 1 (1 exited) from 31 at the end of 2020 to 30 as at 30 June 2021.

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

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

As at 30 June 2021, the main reclassified assets, based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:

- regarding the individual asset and liabilities held for sale and the groups of assets held for sale and associated liabilities which do not satisfy IFRS5 requirements for the classification as discontinued operations:
  - the companies of WealthCap group, the controlled company Uctam Ro S.r.l. and the associated company Risanamento S.p.A.;
  - the non-performing loans included in some sale's initiatives of portfolios;
  - the real estate properties held by certain companies in the Group;
- regarding the data relating to the discontinued operations, the controlled company Immobilien Holding GmbH (Austria).

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

Reconciliation principles followed for the reclassified consolidated balance sheet

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

- the inclusion in "Loans to banks" of item "Financial assets at amortised cost: a) loans and receivables with banks", net of debt securities reclassified in "Other financial assets", and of loans related to item "Financial assets at fair value through profit or loss: c) other financial assets mandatorily at fair value";
- the inclusion in "Loans to customers" of item "Financial assets at amortised cost: b) Loans and receivables with customers", net of debt securities and IFRS16 leasing assets reclassified in "Other financial assets", and of loans in item "Financial assets at fair value through profit or loss: c) other financial assets mandatorily at fair value";
- the aggregation as "Other financial assets" of items (i) "Financial assets at fair value through profit and loss: b) financial assets designated at fair value and c) other financial assets mandatorily at fair value", net of loans reclassified in "Loans to banks and to customers", of (ii) "Financial assets at fair value through other comprehensive income", of (iii) "Equity investments", besides reclassifications of (iv) debt securities from item "Financial assets at amortised cost: a) loans to banks and b) loans to customers" and of (v) IFRS16 assets liabilities from item "Financial assets at amortised cost: b) loans to customers";
- the inclusion in "Other financial liabilities" of leasing liabilities IFRS16 related to item "Financial liabilities at amortised cost: a) deposits from banks and b) deposits from customers";
- grouping under "Hedging instruments", both assets and liabilities, of items "Hedging derivatives" and "Changes in fair value of portfolio hedged items";
- the inclusion of items "Provision for employee severance pay" and "Provisions for risks and charges" under "Other liabilities".

Reclassified consolidated accounts

Reclassified consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020	CHANGE AMOUNT	CHANGE %
Cash and cash balances	122,819	101,707	+ 21,112	+ 20.8%
Financial assets held for trading	78,991	72,705	+ 6,286	+ 8.6%
Loans to banks	113,436	111,814	+ 1,622	+ 1.5%
Loans to customers	438,401	450,550	- 12,148	- 2.7%
Other financial assets	158,590	153,349	+ 5,241	+ 3.4%
Hedging instruments	5,907	7,687	- 1,780	- 23.2%
Property, plant and equipment	9,674	9,939	- 265	- 2.7%
Goodwill	-	-	-	-
Other intangible assets	2,170	2,117	+ 53	+ 2.5%
Tax assets	12,484	13,097	- 613	- 4.7%
Non-current assets and disposal groups classified as held for sale	749	2,017	- 1,268	- 62.9%
Other assets	6,824	6,473	+ 351	+ 5.4%
Total assets	**950,046**	**931,456**	**+ 18,590**	**+ 2.0%**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020	CHANGE AMOUNT	CHANGE %
Deposits from banks	186,742	172,465	+ 14,277	+ 8.3%
Deposits from customers	505,716	498,440	+ 7,277	+ 1.5%
Debt securities issued	95,973	102,524	- 6,552	- 6.4%
Financial liabilities held for trading	49,798	47,787	+ 2,011	+ 4.2%
Other financial liabilities	12,013	12,887	- 874	- 6.8%
Hedging instruments	8,041	11,764	- 3,723	- 31.6%
Tax liabilities	1,151	1,358	- 206	- 15.2%
Liabilities included in disposal groups classified as held for sale	565	761	- 196	- 25.8%
Other liabilities	28,245	23,529	+ 4,715	+ 20.0%
Minorities	447	435	+ 12	+ 2.7%
Group shareholders' equity	61,356	59,507	+ 1,849	+ 3.1%
of which:				
- capital and reserves	*59,435*	*62,292*	*- 2,857*	*- 4.6%*
- net profit (loss)	*1,921*	*(2,785)*	*+ 4,706*	*n.m.*
Total liabilities and shareholders' equity	**950,046**	**931,456**	**+ 18,590**	**+ 2.0%**

Reclassified consolidated accounts

Reclassified consolidated balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 03.31.2021	AMOUNTS AS AT 12.31.2020	09.30.2020	06.30.2020	03.31.2020
Cash and cash balances	122,819	111,079	101,707	37,900	17,342	20,726
Financial assets held for trading	78,991	73,925	72,705	73,165	67,236	69,756
Loans to banks	113,436	113,554	111,814	129,140	126,541	94,525
Loans to customers	438,401	446,691	450,550	466,776	479,253	489,973
Other financial assets	158,590	158,337	153,349	153,407	155,884	151,907
Hedging instruments	5,907	6,607	7,687	8,241	11,445	11,051
Property, plant and equipment	9,674	9,817	9,939	10,148	10,242	10,519
Goodwill	-	-	-	878	878	886
Other intangible assets	2,170	2,116	2,117	1,994	1,957	1,865
Tax assets	12,484	12,831	13,097	13,024	12,978	12,955
Non-current assets and disposal groups classified as held for sale	749	1,003	2,017	2,104	1,984	2,045
Other assets	6,824	6,206	6,473	6,575	6,994	6,542
Total assets	**950,046**	**942,165**	**931,456**	**903,353**	**892,735**	**872,753**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 03.31.2021	AMOUNTS AS AT 12.31.2020	09.30.2020	06.30.2020	03.31.2020
Deposits from banks	186,742	189,419	172,465	163,775	164,843	161,497
Deposits from customers	505,716	497,394	498,440	474,790	468,315	454,956
Debt securities issued	95,973	98,876	102,524	101,588	95,902	95,197
Financial liabilities held for trading	49,798	46,428	47,787	47,812	45,551	46,785
Other financial liabilities	12,013	12,326	12,887	12,963	12,656	11,094
Hedging instruments	8,041	9,056	11,764	12,551	15,029	14,236
Tax liabilities	1,151	1,113	1,358	1,469	1,454	1,509
Liabilities included in disposal groups classified as held for sale	565	651	761	593	615	559
Other liabilities	28,245	25,803	23,529	26,722	27,186	25,669
Minorities	447	440	435	443	437	430
Group shareholders' equity	61,356	60,660	59,507	60,645	60,748	60,820
of which:						
- capital and reserves	*59,435*	*59,772*	*62,292*	*62,252*	*63,034*	*63,526*
- net profit (loss)	*1,921*	*887*	*(2,785)*	*(1,606)*	*(2,286)*	*(2,706)*
Total liabilities and shareholders' equity	**950,046**	**942,165**	**931,456**	**903,353**	**892,735**	**872,753**

Reclassified consolidated accounts

Reconciliation principles followed for the reclassified consolidated income statement

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

- the inclusion in "Dividends and other income from equity investments" of "Profit (Loss) of equity investments valued at equity" and the exclusion of (i) "Dividends from held for trading equity instruments" and (ii) "Dividends from Other financial assets mandatorily at fair value" which are included in "Net trading income";
- the inclusion in the "Net other operating expenses/income" of "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 "Net other expenses/income", "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 provisions";
- the exclusion from "Amortisation, depreciation and impairment losses on intangible and tangible assets" of (i) property owned for investment (ii) inventories assets (IAS2) obtained from recovery procedures of NPE (iii) rights of use of land and buildings used in the business (classified in item "Net income from investments") and (iv) tangible in operating lease assets (classified in item "Net other expenses/income");
- in "Net write-downs on loans and provisions for guarantees and commitments", the inclusion of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income net of debt securities, the gains (losses) on disposal and repurchase of nonperforming financial assets at amortised cost net of debt securities and of the "Net provisions for risks and charges" related to commitments and financial guarantees given;
- the inclusion in "Net income from investments" of write-downs and write-backs on financial assets at amortised cost and at fair value through other comprehensive income - debt securities, gains (losses) on disposal of investments, gains (losses) on tangible and intangible assets measured at fair value as well as gains (losses) on equity investments and on disposal of investments, including impacts from revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method not presented to item "Profit (Loss) from non-current assets held for sale after tax";
- the inclusion among "Net trading income" (i) of the net gains (losses) on trading, (ii) of the net gains (losses) on hedge accounting, (iii) of the net gains/losses on the financial assets/liabilities at fair value through profit or loss, (iv) of the gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income and (v) of the interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions.

Figures of Reclassified consolidated income statement have been restated, starting from June 2021 and with reference to 2020 quarters and first quarter 2021, for the external service costs related to credit cards in Austria from item "Other administrative expenses" to item "Net fees and commissions".

Reclassified consolidated accounts

Reclassified consolidated income statement

(€ million)

	H1		CHANGE		
	2021	2020	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	4,383	4,887	- 504	- 10.3%	- 9.6%
Dividends and other income from equity investments	237	164	+ 73	+ 44.7%	+ 44.7%
Net fees and commissions	3,362	2,997	+ 365	+ 12.2%	+ 12.3%
Net trading income	1,064	530	+ 534	n.m.	n.m.
Net other expenses/income	39	(34)	+ 72	n.m.	n.m.
OPERATING INCOME	**9,084**	**8,544**	**+ 540**	**+ 6.3%**	**+ 6.8%**
Payroll costs	(2,975)	(3,034)	+ 59	- 1.9%	- 1.6%
Other administrative expenses	(1,603)	(1,604)	+ 1	- 0.1%	+ 0.3%
Recovery of expenses	264	253	+ 11	+ 4.5%	+ 4.8%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(561)	(548)	- 12	+ 2.3%	+ 3.0%
Operating costs	**(4,874)**	**(4,933)**	**+ 59**	**- 1.2%**	**- 0.8%**
OPERATING PROFIT (LOSS)	**4,209**	**3,610**	**+ 599**	**+ 16.6%**	**+ 17.0%**
Net write-downs on loans and provisions for guarantees and commitments	(527)	(2,198)	+ 1,671	- 76.0%	- 76.1%
NET OPERATING PROFIT (LOSS)	**3,682**	**1,412**	**+ 2,269**	**n.m.**	**n.m.**
Other charges and provisions	(916)	(713)	- 203	+ 28.5%	+ 28.6%
of which: systemic charges	*(745)*	*(703)*	*- 42*	*+ 5.9%*	*+ 6.1%*
Integration costs	(7)	(1,352)	+ 1,346	- 99.5%	- 99.5%
Net income from investments	(181)	(1,353)	+ 1,173	- 86.7%	- 86.7%
PROFIT (LOSS) BEFORE TAX	**2,578**	**(2,007)**	**+ 4,585**	**n.m.**	**n.m.**
Income tax for the period	(646)	(213)	- 433	n.m.	n.m.
NET PROFIT (LOSS)	**1,933**	**(2,219)**	**+ 4,152**	**n.m.**	**n.m.**
Profit (Loss) from non-current assets held for sale after tax	1	1	+ 1	+ 74.4%	+ 74.4%
PROFIT (LOSS) FOR THE PERIOD	**1,934**	**(2,219)**	**+ 4,152**	**n.m.**	**n.m.**
Minorities	(12)	(10)	- 2	+ 20.0%	+ 21.0%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,922**	**(2,229)**	**+ 4,150**	**n.m.**	**n.m.**
Purchase Price Allocation effect	(1)	(50)	+ 49	- 98.6%	- 98.6%
Goodwill impairment	-	(8)	+ 8	n.m.	n.m.
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,921**	**(2,286)**	**+ 4,207**	**n.m.**	**n.m.**

Note:
(*) Foreign Exchange.

Reclassified consolidated accounts

Reclassified consolidated income statement - Quarterly figures

(€ million)

	2021		2020			
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net interest	2,203	2,180	2,250	2,303	2,393	2,494
Dividends and other income from equity investments	125	112	124	128	62	102
Net fees and commissions	1,674	1,688	1,504	1,467	1,378	1,618
Net trading income	425	639	426	455	357	173
Net other expenses/income	(29)	68	(69)	(1)	(22)	(11)
OPERATING INCOME	**4,398**	**4,686**	**4,236**	**4,352**	**4,168**	**4,376**
Payroll costs	(1,495)	(1,480)	(1,456)	(1,479)	(1,492)	(1,542)
Other administrative expenses	(811)	(792)	(825)	(786)	(795)	(809)
Recovery of expenses	135	129	147	124	128	125
Amortisation, depreciation and impairment losses on intangible and tangible assets	(290)	(270)	(323)	(266)	(284)	(265)
Operating costs	**(2,461)**	**(2,413)**	**(2,456)**	**(2,408)**	**(2,442)**	**(2,491)**
OPERATING PROFIT (LOSS)	**1,937**	**2,272**	**1,780**	**1,945**	**1,726**	**1,885**
Net write-downs on loans and provisions for guarantees and commitments	(360)	(167)	(2,058)	(741)	(937)	(1,261)
NET OPERATING PROFIT (LOSS)	**1,577**	**2,105**	**(278)**	**1,204**	**788**	**624**
Other charges and provisions	(214)	(702)	(91)	(251)	(185)	(528)
of which: systemic charges	*(125)*	*(620)*	*(53)*	*(201)*	*(166)*	*(538)*
Integration costs	(7)	-	(82)	(30)	(6)	(1,347)
Net income from investments	15	(195)	130	(141)	(92)	(1,261)
PROFIT (LOSS) BEFORE TAX	**1,371**	**1,207**	**(322)**	**782**	**505**	**(2,512)**
Income tax for the period	(331)	(314)	(34)	(97)	(73)	(140)
NET PROFIT (LOSS)	**1,040**	**893**	**(356)**	**685**	**432**	**(2,652)**
Profit (Loss) from non-current assets held for sale after tax	-	1	48	-	1	-
PROFIT (LOSS) FOR THE PERIOD	**1,040**	**894**	**(308)**	**685**	**433**	**(2,652)**
Minorities	(5)	(7)	8	(5)	(6)	(5)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,034**	**888**	**(300)**	**680**	**428**	**(2,656)**
Purchase Price Allocation effect	(1)	-	-	-	-	(50)
Goodwill impairment	-	-	(878)	-	(8)	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,034**	**887**	**(1,179)**	**680**	**420**	**(2,706)**

Reclassified consolidated accounts

Reclassified consolidated income statement - Comparison of Q2 2021/Q2 2020

(€ million)

	Q2		CHANGE		
	2021	2020	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	2,203	2,393	- 191	- 8.0%	- 7.6%
Dividends and other income from equity investments	125	62	+ 63	n.m.	n.m.
Net fees and commissions	1,674	1,378	+ 296	+ 21.4%	+ 21.3%
Net trading income	425	357	+ 68	+ 19.1%	+ 18.8%
Net other expenses/income	(29)	(22)	- 7	+ 29.3%	+ 29.6%
OPERATING INCOME	**4,398**	**4,168**	**+ 230**	**+ 5.5%**	**+ 5.6%**
Payroll costs	(1,495)	(1,492)	- 3	+ 0.2%	+ 0.3%
Other administrative expenses	(811)	(795)	- 16	+ 2.0%	+ 2.2%
Recovery of expenses	135	128	+ 7	+ 5.6%	+ 5.7%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(290)	(284)	- 7	+ 2.4%	+ 2.8%
Operating costs	**(2,461)**	**(2,442)**	**- 19**	**+ 0.8%**	**+ 1.0%**
OPERATING PROFIT (LOSS)	**1,937**	**1,726**	**+ 211**	**+ 12.2%**	**+ 12.1%**
Net write-downs on loans and provisions for guarantees and commitments	(360)	(937)	+ 577	- 61.6%	- 62.6%
NET OPERATING PROFIT (LOSS)	**1,577**	**788**	**+ 788**	**n.m.**	**n.m.**
Other charges and provisions	(214)	(185)	- 29	+ 15.6%	+ 14.7%
of which: systemic charges	*(125)*	*(166)*	*+ 41*	*- 24.6%*	*- 25.1%*
Integration costs	(7)	(6)	- 1	+ 15.4%	+ 14.4%
Net income from investments	15	(92)	+ 107	n.m.	n.m.
PROFIT (LOSS) BEFORE TAX	**1,371**	**505**	**+ 866**	**n.m.**	**n.m.**
Income tax for the period	(331)	(73)	- 259	n.m.	n.m.
NET PROFIT (LOSS)	**1,040**	**432**	**+ 607**	**n.m.**	**n.m.**
Profit (Loss) from non-current assets held for sale after tax	-	1	- 1	- 96.6%	- 96.6%
PROFIT (LOSS) FOR THE PERIOD	**1,040**	**433**	**+ 606**	**n.m.**	**n.m.**
Minorities	(5)	(6)	+ 0	- 3.2%	- 2.7%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,034**	**428**	**+ 607**	**n.m.**	**n.m.**
Purchase Price Allocation effect	(1)	-	- 1	n.m.	n.m.
Goodwill impairment	-	(8)	+ 8	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,034**	**420**	**+ 614**	**n.m.**	**n.m.**

Note:
(*) Foreign Exchange.

Summary results by business segments

Key figures by business segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CEE DIVISION	CIB	GROUP CORPORATE CENTRE[1]	NON CORE	CONSOLIDATED GROUP TOTAL
Income statement								
OPERATING INCOME								
H1 2021	3,343	1,195	712	1,724	2,271	(135)	(26)	**9,084**
H1 2020	*3,241*	*1,208*	*653*	*1,809*	*1,772*	*(113)*	*(26)*	***8,544***
OPERATING COSTS								
H1 2021	(1,826)	(843)	(487)	(737)	(781)	(158)	(42)	**(4,874)**
H1 2020	*(1,838)*	*(837)*	*(490)*	*(754)*	*(764)*	*(187)*	*(63)*	***(4,933)***
OPERATING PROFIT								
H1 2021	1,517	353	225	987	1,490	(293)	(68)	**4,209**
H1 2020	*1,403*	*371*	*162*	*1,055*	*1,008*	*(300)*	*(89)*	***3,610***
PROFIT BEFORE TAX								
H1 2021	1,004	196	167	739	1,244	(749)	(23)	**2,578**
H1 2020	*(821)*	*92*	*(56)*	*392*	*348*	*(1,829)*	*(132)*	***(2,007)***
Balance sheet								
CUSTOMERS LOANS[2]								
as at 30 June 2021	136,927	89,693	43,236	64,142	81,466	3,298	717	**419,478**
as at 31 December 2020	*132,311*	*87,638*	*43,308*	*61,879*	*85,814*	*3,068*	*775*	***414,793***
CUSTOMERS DEPOS[2]								
as at 30 June 2021	170,423	102,805	51,225	74,641	54,738	3,011	462	**457,306**
as at 31 December 2020	*172,372*	*102,957*	*52,121*	*71,287*	*58,229*	*2,459*	*518*	***459,944***
TOTAL RISK WEIGHTED ASSETS								
as at 30 June 2021	80,962	35,948	20,297	56,203	88,278	40,790	5,237	**327,714**
as at 31 December 2020	*83,011*	*34,415*	*21,251*	*55,016*	*84,422*	*39,909*	*7,642*	***325,665***
EVA								
H1 2021	269	(6)	106	180	360	(727)	(29)	**153**
H1 2020	*(434)*	*(76)*	*(173)*	*(144)*	*(374)*	*(780)*	*(35)*	***(2,016)***
Cost/income ratio								
H1 2021	54.6%	70.5%	68.4%	42.8%	34.4%	n.m.	n.m.	**53.7%**
H1 2020	*56.7%*	*69.3%*	*75.1%*	*41.7%*	*43.1%*	*n.m.*	*n.m.*	***57.7%***
Employees								
as at 30 June 2021	26,373	8,573	4,614	23,697	3,428	14,006	188	**80,879**
as at 31 December 2020	*26,743*	*9,030*	*4,687*	*23,828*	*3,448*	*14,160*	*211*	***82,107***

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

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

Group and UniCredit share historical data series

Group figures 2011 - 2021

	IAS/IFRS										
	H1 2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Reclassified income statement (€ million)											
Operating income	9,084	17,140	18,839	19,723	19,619	18,801	22,405	22,513	23,973	25,049	25,200
Operating costs	(4,874)	(9,805)	(9,929)	(10,698)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)
Operating profit (loss)	4,209	7,335	8,910	9,025	8,268	6,348	8,787	8,675	9,172	10,070	9,740
Profit (loss) before income tax	2,578	(1,546)	3,065	3,619	4,148	(10,978)	2,671	4,091	(4,888)	317	2,060
Net profit (loss) for the period	1,934	(1,842)	3,559	4,112	5,790	(11,061)	2,239	2,669	(3,920)	1,687	644
Net profit (loss) attributable to the Group	1,921	(2,785)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)
Reclassified balance sheet (€ million)											
Total assets	950,046	931,456	855,647	831,469	836,790	859,533	860,433	844,217	845,838	926,827	926,769
Loans and receivables with customers	438,401	450,550	482,574	471,839	447,727	444,607	473,999	470,569	503,142	547,144	559,553
of which: bad exposures	*1,590*	*1,645*	*2,956*	*5,787*	*9,499*	*10,945*	*19,924*	*19,701*	*18,058*	*19,360*	*18,118*
Deposits from customers and debt securities issued	601,689	600,964	566,871	560,141	561,498	567,855	584,268	560,688	571,024	579,965	561,370
Group shareholders' equity	61,356	59,507	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479
Profitability ratios (%)											
Operating profit (loss)/Total assets	0.44	0.79	1.04	1.09	0.99	0.74	1.02	1.03	1.08	1.09	1.05
Cost/Income ratio	53.7	57.2	52.7	54.2	57.9	66.2	60.8	61.5	61.7	59.8	61.4

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

Share information

	H1 2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Share price(*) (€)											
- maximum	10.858	14.174	13.494	18.212	18.350	25.733	32.824	34.427	28.213	22.440	65.912
- minimum	7.420	6.213	9.190	9.596	12.160	8.785	24.605	25.583	16.227	11.456	21.157
- average	9.064	8.650	11.193	14.635	15.801	13.820	29.509	30.015	22.067	16.520	42.923
- end of period	9.950	7.648	13.020	9.894	15.580	13.701	25.733	26.735	26.961	18.572	21.190
Number of outstanding shares (million)											
- at period end(**)	2,226	2,237	2,233	2,230	2,226	6,180	5,970	5,866	5,792	5,789	1,930
- shares cum dividend	2,216	2,228	2,224	2,220	2,216	6,084	5,873	5,769	5,695	5,693	1,833
of which: savings shares	-	-	-	-	*0.25*	*2.52*	*2.48*	*2.45*	*2.42*	*2.42*	*2.42*
- average	2,238	2,236	2,233	2,229	1,957	6,110	5,927	5,837	5,791	5,473	1,930
Dividend											
- total dividends (€ million)	-	268	-	601	726	-	706	697	570	512	-
- dividend per ordinary share	-	0.120	-	0.270	0.320	-	0.120	0.120	0.100	0.090	-
- dividend per savings share	-	-	-	-	-	-	0.120	1.065	0.100	0.090	-

Notes:
(*) Due to extraordinary corporate operations (such as shares' grouping, demergers, distribution of extraordinary dividends, etc.) share prices might change being no longer comparable from one financial year to another. The historical series of share prices, starting from 2011, have been therefore adjusted to allow a better comparison.
(**) The number of shares, existing at the end of the reference period, is net of treasury shares and included 9,676 million of shares held under a contract of usufruct signed with Mediobanca S.p.A.

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

On 15 April 2021 the Shareholders' Meeting approved the dividend policy for the remuneration of the Shareholders in accordance with and within the limits of the recommendation 2020/62 of the European Central Bank on the distribution of dividends during the Covid-19 pandemic which will be repealed starting from 30 September 2021. The maximum distributable amount authorised, calculated on the basis of the accumulated profits for the financial years 2019 and 2020, was €447 million, distributed cash for €268 million, equal to a dividend of €0.12 for each share outstanding and entitled to dividend at payment date for a total amount of €268 million, and through the buyback of ordinary shares ("First Buy-Back Programme 2021) or a maximum amount of €179 million. The share buy-back transaction, initiated on 11 May 2021, has been completed on 23 June 2021 with the purchase of No.17,416,128 treasury shares for a total consideration equal to the amount authorised (€179 million).
Considering the No.4,760 treasury shares already held, with the shares purchased via buy-back 2021 UniCredit owns No.17,420,888 treasury shares, equal to 0.78% of the share capital. The Shareholders' Meeting also approved, granting delegation to the Board of Directors, the cancellation of treasury shares within the terms and according to the procedures established in the resolution; in particular the cancellation may be carried out in one or more transactions and, in any case, by and no later than the first date between: (i) the date of dividend's distribution, if any, for the year ending on 31 December 2021 and (ii) 31 July 2022.
The cancellation will be carried out with no reduction in the nominal share capital: taking into account that the shares have no nominal value; it will be carried out exclusively through a reduction in the number of existing shares and with a consequent increase in their accounting par value.

Group and UniCredit share historical data series

On 30 March 2021 was registered with the Company Register the resolution to increase the share capital for €73,932,132.00 by issuing No.6.288.605 ordinary free shares for the execution of Group Incentive System.

On 27 March 2020 was registered with the Company Register the resolution to increase the share capital for €64,736,988.67 by issuing No.3,884,961 ordinary free shares for the execution of Group Incentive System.
During year 2020, in compliance with the European Central Bank's recommendations issued on 27 March 2020 and 28 July 2020, no dividend and shares buyback with reference to the financial year 2019 were executed.

With reference to the consolidated profit as at 30 June 2021 to be recognised in the consolidated Own Funds, a potential pro-rata dividend equal to €595 million was considered determined on the basis of 2021 dividend policy (referred to the remunerations to be made in 2022); for further details refer to the paragraph "Capital and value management - Capital ratios" of this Consolidated interim report on operations.

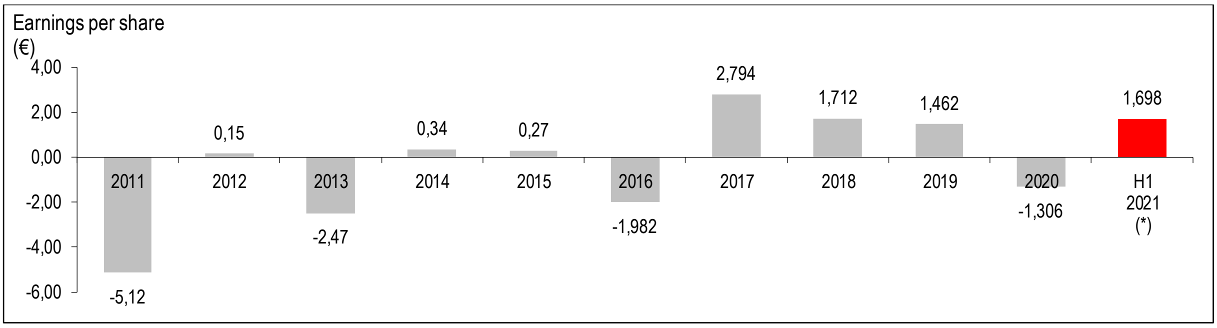
Earnings ratios

	IAS/IFRS										
	H1 2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Shareholders' equity (€ million)	61,356	59,507	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479
Net profit (loss) attribuible to the Group (€ million)	1,921	(2,785)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)
Shareholders' equity per share (€)	27.56	26.60	27.50	25.04	26.65	6.36	8.39	8.42	8.09	10.85	26.67
Price/Book value	0.36	0.29	0.47	0.40	0.58	0.43	0.61	0.63	0.67	0.34	0.16
Earnings per share(*) (€)	1.698	(1.306)	1.462	1.712	2.794	(1.982)	0.27	0.34	(2.47)	0.15	(5.12)
Payout ratio (%)	-	n.m.	-	15.4	13.3	-	41.7	34.7	n.m.	59.2	-
Dividend yield on average price per ordinary share (%)	-	1.39	-	1.84	2.03	-	2.04	2.00	2.27	2.73	-

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

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

Starting from 2009, the net profit for the period used to calculate EPS is reduced for the following amounts related to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes": €131 million for 2009, €156 million for 2010, €172 million for 2011, €46 million for 2012, €105 million for 2013, €35 million for 2014, €100 million for 2015, €128 million for 2016, €32 million for 2017, €93 million for 2018, €124 million for 2019, €122 million for 2020 and €30 million in the first quarter 2021 relating to the last coupon referring to the results of the year 2019.



(*) Annualised figure.

Group results

Macroeconomic situation, banking and financial markets

International situation

At the start of 2021, global activity lost momentum as a result of the rise in Covid-19 infections across the world and the subsequent reinforcement of pandemic containment measures. However, since the final stretch of the first quarter 2021, there has been a gradual strengthening in activity which continued in the second quarter but in a highly uneven way. Advanced economies managed to re-open their economies faster than many emerging economies thanks to an acceleration in the vaccination campaign and to a greater access to vaccines. In many emerging economies, including some of the biggest, such as India, the incidence of the pandemic during the spring intensified, with restrictions being maintained or even tightened.

From a sectorial point of view, manufacturing benefited from better-targeted containment measures that affected primarily in-person services. In addition, consumers, increased their purchases of goods in substitution for services that became unavailable during the third wave of contagion. As result, the rebound in factory activity was so strong to cause supply bottlenecks that were exacerbated by the shortage of key inputs such as commodities and microchips. Signs of higher input cost pressures materialised in the spring, but sizeable spare capacity throughout the world is likely to prevent a significant and sustained pick-up in underlying inflation. With the reopening of national economies in April and May, the most vulnerable services to the spreading of the virus experienced a gradual return to normality, even if remaining below the pre-pandemic levels. Throughout the first half 2021, governments and central bankers continued to maintain highly accommodative fiscal and monetary policy.

China's GDP returned to its pre-pandemic levels already in 2020 and has continued to grow roughly in line with its pre-crisis trend. The Chinese recovery has been driven so far by investment and exports, with the latter benefiting for high global demand for medical equipment and work-from-home related purchases. So far, Chinese consumers, instead, have been reluctant to return to their normal lifestyle. In Japan limited progress on the vaccination front and a new round of restrictions in late spring are likely to defer a firmer recover to the second half 2021. Thanks to a well-coordinated vaccination campaign and a highly expansionary fiscal stance, the US recorded a sustained expansion in economic activity already in the first quarter. The UK economy, instead, was penalised by a still high rate of infections at the beginning of the year.

Following a renewed contraction in GDP in the first quarter 2021 (0.3% qoq), economic activity in the eurozone rebounded in the second quarter. Domestic demand contributed negatively to growth in the first quarter, while net trade provided a small positive contribution. This picture is consistent with business and consumer surveys and high-frequency indicators that point to a sizeable improvement in activity in the second quarter of this year. In particular, the PMIs (Purchasing Managers' Index) indicate that the recovery is broadening, with activity in the services coming back strongly, even if the new Delta variant has already led governments to tighten measures again in the regions where the rate of infections has risen more sharply. From a labor market perspective, employment keeps benefiting from significant policy support that is mitigating the impact of the pandemic. The ratification by national parliaments of the Own Resources Decision in late spring allows for the timely launch of the *NextGenerationEU* package.

In its initial phase, Covid-19 was clearly a disinflationary shock, which caused large changes in relative prices, with sectors such as tourism and travel-related activities being hit hard, while other sectors, notably food products, saw strong (although temporary) price increases. The total impact on inflation was to the downside as demand weakness has prevailed over supply-side bottlenecks. But with the reopening of national economies in the spring and the emergence of supply shortages of different kind, inflationary pressures have intensified in the eurozone, even if they remain more contained than in the US where the massive fiscal stimulus adopted by the Biden administration has contributed to the spike in prices. June's headline CPI (Consumer Price Index) inflation for the eurozone came in at 1.9% yoy.

Throughout the first half 2021, the European Central Bank (ECB) continued to support the recovery with a highly accommodative monetary stance that has remained broadly unchanged. Policy rates were confirmed at their low levels. Moreover, the ECB pledged to continue to conduct net asset purchases under the Pandemic Emergency Purchase Programme ("PEPP") with a total envelope of €1,850 billion until at least the end of March 2022. More importantly, in early July the central bank unveiled the results of its strategy review that was launched early last year and then put on hold due to the pandemic. The ECB decided to change its definition of price stability from an inflation rate of "below but close to 2%" to a symmetric 2%, sticking to the formulation that the price objective should be met "over the medium term". The reference to the medium term provides the ECB with great policy flexibility. More attention will be devoted to the implementation of a green monetary strategy.

Group results

In the US, the recovery is well-underway thanks to unprecedented fiscal support. The Biden administration immediately approved the American Rescue Plan (ARP), totaling USD 1.9 trillion (8.9% of GDP) that included a renewal of unemployment benefits, additional one-off payments to households and an increase in both local and state spending to finance public health efforts and education. Following solid qoq annualised growth of 6.4% in the first quarter 2021, activity in the second quarter likely benefited from strong consumer spending that was fueled by the disbursement of government direct income support to households. Meanwhile, the Biden administration announced two new medium-term fiscal plans, i.e. the American Jobs Plan and the American Families plan. The former is primarily focused on infrastructure investments to be partly financed by higher corporate taxes, while the latter aims to boost the social safety net, and is almost fully financed by higher personal income taxes. On the monetary front, the Fed has not formally committed to tapering its policy support but discussion within the FOMC (Federal Open Market Committee) have started and the central bank is on course to normalise its monetary stance soon, assuming that the pandemic does not deteriorate the macroeconomic outlook again.

Banking and financial markets

The growth of bank loans to the private sector in the eurozone slowed during the first half of 2021, reaching 3.0% yoy in June, from expansion of close to 5.0% yoy at the end 2020. The slowdown in credit to the private sector in the eurozone mainly affected loans to non-financial corporations, with their annual growth rate decreasing from around 7.0% in December 2020 to 2.0% at the end of the first half of 2021. On the other hand, the expansion of loans to households has strengthened, settling around 4.0% yoy, probably driven by the beginning of the economic recovery. In a context of weak investment activity, the deceleration observed in loans to non-financial corporations mainly reflected slower recourse to government-guaranteed credit. The latter was one of the main forms of policy support for businesses during 2020, in the face of the Covid-19 pandemic, but recourse to it gradually decreased in the early months of 2021.

While some divergence emerged towards the end of 2020 in the trend of loans to the private sector, in particular towards enterprises, among the main reference countries of UniCredit group (Austria, Germany and Italy), this divergence became less pronounced during the first half of 2021. In Germany, the growth rate of loans to non-financial corporations fell from more than 4.0% at the end of 2020 to less than 2.0% in June 2021, while in Italy, the growth rate of business loans stood at 4.0% yoy, having slowed from 7.5% yoy in December 2020. This growth dynamic in Italy, in particular, reflects still-relatively-high demand for government-guaranteed credit as well as an initially positive contribution from financing needs for fixed investments. Loans to households were characterised by a strengthening of pace of expansion in the main reference countries of UniCredit group. At the end of the first half of 2021, Germany and Austria reported increases in loans to households of around 5.0% yoy and 6.0% respectively, while in Italy, annual growth of such loans stood around 4.0% yoy, supported by both increases in loans for home purchase and by an initial recovery in consumer credit.

With regard to bank funding at the system level, deposits from households and non-financial corporations showed sustained growth rates during the first half of 2021 and in all reference countries of UniCredit group. The increase in deposits, and in particular in sight deposits, was essentially driven by higher liquidity held by enterprises (to address uncertainty related to the impacts of the pandemic) and by still-high levels of household savings (as a consequence of the pandemic and directives to stay at home to counter second and third waves of infection and for precautionary reasons). However, in all the main reference countries of UniCredit group, a gradual slowdown in the annual growth of deposits was observed, albeit with still-positive monthly inflows, a trend consistent with an initial phase of recovery in business investment and private consumption.

The ECB approved bold measures in 2020 aimed at countering the effects of the pandemic and supporting economic activity. These measures continued to guarantee favorable financial conditions for households and firms during the first half of 2021. As a result, bank interest rates on loans remained in line with, or slightly lower than, where they were at the end of 2020 in all the main reference countries of UniCredit group, while interest rates on sight deposits remained close to zero.

The evolution of the pandemic remained the key driver affecting financial-market performance during the first half of 2021. However, after the deterioration in the performance of financial markets during 2020, improvement in performance prevailed in the first half of 2021, and there was a general return of appetite for risk. The improvement was mainly driven by positive news related to the progress of vaccination campaigns, also in the euro area (after the US and the UK), and by improvement in the economic-growth outlook following the easing of Covid-19 containment measures. This happened in a context in which the ECB and fiscal stimulus remained supportive. As a consequence, the Austrian stock exchange closed after the first half of 2021 with a gain of more than 20% compared to where it was at the end of 2020, while both the Italian and the German stock exchanges recorded improvements of about 13% in June 2021 compared to December 2020.

Group results

CEE (Central and Eastern Europe) countries

CEE economies reopened in late spring after the third Covid-19 wave filled up intensive-care units and forced governments once more to lock down economies. The impact on economic growth varied with the stringency of measures. In Romania, Russia and Turkey, governments forwent tight lockdowns and allowed much more freedom of movement than their peers as people stopped observing the rules. However, other countries were also not immune to pandemic fatigue. Throughout CEE, people were more mobile than restrictions would have suggested, showing that further lockdowns may be less well-observed.

As governments removed restrictions, the rebound is in full swing. Payment data show that in many CEE countries restaurants are close to pre-pandemic levels of sales, although foreign tourists are absent. Retail sales are also increasing fast, as is the number of domestic tourists. This is no surprise, with households willing to spend some of the savings accumulated last year. In addition, financial conditions remained loose. Furlough and part-time employment schemes, as well as loan moratoriums helped households weather the worst of the crisis, with unemployment rates expected to return to pre-pandemic levels in the next 18 months. This is in stark contrast to the aftermath of the global financial crisis, when tight financial conditions, high unemployment, and falling house and equity prices affected consumer spending across the regions for 3-5 years.

Like households, CEE companies increased their net savings in 2020, weathering the pandemic crisis better than they did the global financial crisis of 2008 and 2009. Yet there is a wide disparity in outcomes, in terms of both size and sector of activity. Large companies were in a better financial position going into the pandemic crisis and state support helped them manage the liquidity squeeze during lockdowns. In contrast, many SMEs struggled to stay afloat in 2020. In Russia and Turkey, the credit boom and trade credit helped loans outpace savings.

In terms of sectors, manufacturing and construction recovered after the initial lockdown. By April 2021, manufacturing output was above pre-pandemic levels in all countries but Hungary, where activity has been fluctuating due to supply-chain bottlenecks. A further increase is on the cards as global trade grows rapidly and pent-up demand remains high. In both manufacturing and construction, supply-chain bottlenecks have emerged as one of the biggest impediments to production, affecting mostly the production of durable and investment goods. Since the reopening, services are catching up with the other sectors of the economy, although weak demand remains a bigger problem than elsewhere. Tourism may not return to pre-pandemic levels of activity before 2022 or even later. All sectors are facing rising labor shortages. Temporary jobs are especially difficult to fill as companies compete for available workers not only by offering higher wages, but also better/permanent contracts.

We expect EU-CEE[1] and the western Balkans to grow by around 5% this year, Russia by 3.4% and Turley by 7.5%. While Turkey managed to return to pre-pandemic GDP levels of the second half 2020, Romania and Serbia did so in the first quarter of this year, and Poland in the second. Bosnia-Herzegovina, Hungary, Russia and Slovenia are expected to recoup all pandemic losses in 2021. All other countries could return to pre-Covid-19 levels of activity in the first half 2022.

Inflation has increased in all countries due to base effects from energy prices, higher food prices, the recovery in domestic-demand and supply bottlenecks, and inflationary pressure is likely to continue over the summer as demand recovers. Central banks have turned more hawkish than they were a quarter ago and most of them are planning to tighten monetary policy. Central banks in Russia, Czechia and Hungary increased their policy rates in the second quarter 2021.

1 Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia.

Group results

Main results and performance for the period

Introduction

In the first half of 2021, particularly since second quarter, the macroeconomic context in which the Group functioned was characterised by the first signs of recovery compared with the prior year, supported by the governmental measures sustaining the economy, by the acceleration in the last months of the vaccination campaign and by the progressive slowing-down of the lockdown measures.
The adequate operative answer and the prudential management ensured by the Group during 2020 to face the crisis situation emerging from the Covid-19 pandemic, allowed for the effective pursue of the strategic priorities of the plan "Team 23" communicated in December 2019, of which the 4 main strategic pillars are:

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

However, the change of the macroeconomic scenario as a result of the pandemic, the resulting reprioritisation of some of the strategic guidelines, as well as the nomination of the new Managerial Team, made appropriate the development of a new Strategic Plan, currently in the finalization phase, with the purpose of guaranteeing a profitable and sustainable growth on a medium-long term for the Group.

On 12 May 2021 the new organizational structure and the Managerial Team that has the responsibility to drive the business and to develop the new Strategic plan was announced. The new structure will create a simplified organization enabling the full accountability of each business and banking area, with the customer as a center of all activities, further integrating technology and digitalization as key success factors, with a clear attribution of roles and responsibilities. This will allow the Group to focus on relaunching and strengthening the business, moving from a downsizing phase to one characterised by a disciplined profitability growth and by a healthy and organic capital creation.
Although some intermediate steps were already carried out, the new organization will become fully operational during the second half of the year, allowing the members of the Group Executive Committee to effectively have all the managerial levers needed to drive their respective competence business areas, being fully responsible for the related performance.
Therefore, at 30 June 2021, the performance and the results of the Group were measured and monitored on the basis of the pre-existing business divisions. Consequently, applying IFRS8 accounting principle, the reporting by business sectors of the present Consolidated interim report on operations was drawn up in continuity with the previous reports.

In the first half of the year the Group achieved a net profit of €1,921 million, compared with the €2,286 million loss realised in the same period of 2020.

The net profit of the Group for the semester was negatively impacted by the accounting of some non-recurring items amounting, net of taxes and minority interest, to a negative amount of €64 million; particularly were recorded:

- with negative impact €86 million (€129 million gross) from loan loss provisions and write backs from impairments of debt securities following the update of the internal calculation models derived from the implementation of the European regulation;
- with positive impact €22 million (€28 million gross) related to Real Estate valuation and disposals.

Similarly, the loss of the first semester of 2020 was impacted by the following non-recurring items amounting, net of taxes and minority interest, to a negative of €2.7 billion, related to the following main items:

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

Net of the non-recurring items, in the first half of 2021, the Group recorded an underlying net profit of €1,985 million, compared with €368 million of underlying net profit of the first half of 2020.
This trend was positively impacted by the higher revenues as well as the lower Loan Loss Provisions, which were significantly higher in the first half of 2020 related to the Covid-19 crisis.

Group results

Operating income

In the first half of 2021 Group's revenues were €9,084 million, increasing by 6.3% compared to the first half of 2020 (up by 6.8% at constant exchange rates).
The increase, sustained mainly by higher Commissions and Trading Profit, reflects a gradually improving macroeconomic context, versus a first half of 2020 especially impacted by the financial-economic consequences related to the pandemic and by the consequent lockdown initiatives.

Net interest was equal to €4,383 million, decreasing by 10.3% compared to last year (down by 9.6% at constant exchange rates).
During the first half of 2021 net interest continued to be characterised by a drop of the interest income on lending to customers, especially visible in the CEE divisions countries, in Corporate Investment Banking (CIB) division and in Commercial Banking Italy division. In particular, the customer rates of the later were influenced both by the effect of the spreading of state guaranteed loans that generally involve more favorable customer rates versus the ordinary ones and by an overall rebalancing of portfolio with a decrease of the short-term products characterised by higher profitability. The loan spreads have been negatively affected by the situation, with the decrease of customer loans interest rates being only minimally mitigated by the decrease of deposit interest rates. The measures to adjust the cost of funding for customer sight deposits were particularly effective in the CEE division countries, while in Italy the deposits rates, almost at zero, couldn't be compressed further. In Germany and Austria continues the application of negative deposits rates.

The volumes dynamic, characterised by decreasing customer loans and by a growing liquidity position with sight deposits constantly increasing, weighted even further on the trend of the interest margin.

Customer loans volumes recorded a decrease of €40.9 billion, or down by 8.5%, dropping from €479.3 billion as at 30 June 2020 to €438.4 billion as at 30 June 2021. To this decrease contributed by a negative €29.3 billion, the repurchase agreements dynamic, while the Non-Core component recorded a €0.9 billion reduction; related to the latest, were continued the strategic initiatives aimed to reduce the Non-Performing Exposure (NPE), with the objective of a complete run-off by the end of 2021.
The customer loans excluding the repos component, showed in the first semester of 2021 a contraction of €11.5 billion, or down by 2.7% compared to last year (down by 2.7% at constant exchange rates).
The contraction of the customer loans excluding the repos component mainly involved the Corporate Investment Banking (CIB) division, which recorded a decrease of 13.9% (down by €13.1 billion), especially in Germany, with a first half of 2020 characterised by relevant liquidity needs of the enterprises, induced by the lockdown periods introduced to counterbalance the Covid-19 spread; in Italy, the Commercial Banking division has shown an increase of customer loans of 3.0%, while Non-Core has shown a decrease of further €0.9 billion, or down by 55.9% thanks to portfolio rundown actions, as part of the full run-off strategy mentioned above.

CEE division decreased by 1.3% compared to 2020, or down by 1.6% at constant exchange rates. Particularly noticeable are the decreases in Russia (down by 13.4% or down by 5.6% constant exchange rates) and in Profit Center Milano (down by 21.2%), only partially mitigated by the increase in Czech Republic (up by 8.0% or up by 3.1% constant exchange rates).
The customer loans excluding the repos of Commercial Banking Germany division were altogether stable compared with last year, while Commercial Banking Austria suffered a drop of 2.1%.

Deposits from customers, equal to €506 billion, have been growing by €37 billion, or up by 8.0% (up by 7.8% at constant exchange rates) compared to the first half of 2020.
Deposits from customers net of repos increased by 5.5% (up by 5.5% at constant exchange rates) compared to last year.
In detail, deposits from customers net of repos increased in all Group divisions, with Commercial Banking Italy up by 6.8%, Commercial Banking Germany up by 8.1%, Commercial Banking Austria up by 2.5% and Corporate Investment Banking (CIB) up by 0.7%. CEE division recorded an increase of 4.0% (or up by 3.7% at constant exchange rates), mainly generated by Hungary (up by 29.1% or up by 27.3% at constant exchange rates), Czech Republic (up by 12.0% or up by +6.8% at constant exchange rates), Bulgaria (up by 7.4%) and Croatia (up by 5.3% or up by 4.2% at constant exchange rates) while Russia showed a decrease (down by 21.3% or down by 14.2% at constant exchange rates).

Dividends and other income from equity investments (which include the profits of the companies accounted at equity method) in the first half of 2021 amounted to €237 million, increasing by €73 million, or up by 44.7% (up by 44.7% at constant exchange rates) compared with the first half of 2020. The increase is mainly explained by the higher results of the insurance companies in Italy and by the higher profitability of the Austrian banks in which we have participations (in particular BKS Bank Ag, Oberbank Ag); compared with the first half of 2020 the contribution of Yapi Kredi decreased, also as an effect of the disposal realised in the first quarter of 2020 (compared with June 2020 the remaining share quota remained stable at 20%).

Group results

The net fees and commissions in the first half of 2021 amounted to €3,362 million, increasing by 12.2% (up by 12.3% at constant exchange rates) compared to the same period of the previous year. The positive trend reflects the sustained dynamic of the commercial activity in a macroeconomic context of recovery compared to a first half of 2020 especially impacted by the lockdown periods.
Particularly, the Investment services recorded an increase of €327 million, or up by 29.6% in comparison to the first half of 2020 (up by 29.6% at constant exchange rates), mainly due to the commission of placements for assets under management products, which resulted in a very strong increase compared to the corresponding semester of the prior year, benefitting as well from a more favorable market scenario.
The commissions for transactional services show an increase as well, equal to €34 million (up by 3.3% compared to first half of; up by 3.6% at constant exchange rates), mainly driven by higher Debit and Credit cards commissions, Payments and Property insurance fees.
Slightly better, the Financing services component is increasing by €3 million, up by 0.4% compared to first half of 2020 (up by 0.5% at constant exchange rates), sustained by the Structure Finance and Global Capital Markets activity of the Corporate Investment Banking (CIB) division which balanced the lower commission in other business activities.

In the first half of 2021 also the net trading income showed a strong increase compared to prior year (€534 million), moving from €530 million in the first half of 2020 to €1,064 million in the current semester (up by 100.7%, or up by 99.7% at constant exchange rate). The increase is mainly derived from XVA contribution and from client's activity, particularly thanks to Fixed Income and Currencies Equity & Commodities, negatively impacted in the first half of last year by the market trends in the Covid-19 pandemic crisis peak period. The final result is impacted as well by the positive contribution of treasury activities.

Lastly, in the first half of 2021, the net other expenses/income were positive, in an amount of €39 million, compared with the negative results of €34 million of the first half of 2020. The upward dynamic (€72 million) benefitted from the positive effects derived from the agreement with SIA company in relation to the updating of the overall terms of the outsourcing contract, suppling some of the processing services in Italy, Austria and Germany, related to credit card transactions and to the operation of POS and ATM terminals.

Operating income

(€ million)

	H1		%	2021	% CHANGE
	2021	2020	CHANGE	Q2	ON Q1 2021
Net interest	4,383	4,887	- 10.3%	2,203	+ 1.0%
Dividends and other income from equity	237	164	+ 44.7%	125	+ 12.3%
Net fees and commissions	3,362	2,997	+ 12.2%	1,674	- 0.8%
Net trading income	1,064	530	n.m.	425	- 33.5%
Net other expenses/income	39	(34)	n.m.	(29)	n.m.
Operating income	**9,084**	**8,544**	**+ 6.3%**	**4,398**	**- 6.1%**

Group results

Operating costs

Group's operating costs of the first half of 2021 were equal to €4,874 million, decreasing by 1.2%, or down by €59 million compared to the same period of 2020 (down by 0.8% at constant exchange rates), mainly thanks to the continuation of the staff resizing initiatives, while maintaining at the same time a constant control of the administrative expenses.

In detail, the staff expenses of the first half of 2021 were €2,975 million, decreasing by 1.9% compared with prior year (down by 1.6% at constant exchange rates). This result was achieved mainly thanks to the positive effects generated by the persistent dynamic of employee's reduction, characterised by a drop of 2,806 FTEs (equivalent to a drop of 2,206 FTEs average) compared to 2020, and equal to a decrease of 3.4%. Secondly, the staff expenses of the first half of 2021 benefited as well from the positive impact derived from the pension liabilities buy back operation (Defined Benefit Obligations) launched successfully in Austria.

The other administrative expenses in the first half of 2021 amounted to €1,603 million, stable in comparison to the first half of 2020 (down by 0.1% or down by €1 million). The internal dynamic of the other administrative expenses has shown a substantial decreasing of the extraordinary protection expenses for Codiv-19 which characterised the first half of 2020 (expenses for the acquisition of sanitary protection equipment, building disinfection, interventions on the IT infrastructure and security systems, donations) and of the credit recovery expenses, the later thanks to the non-performing exposures portfolio rundown actions. Such savings balanced the increased IT expenses sustained in relation to new projects and higher communication, marketing and advertising expenses related to support of the business relaunch. Expenses related to personnel continued to benefit from a decreasing trend, both as an effect of further staff reductions and of the protraction of the restrictive policies adopted by the Group during last year to counterbalance the Covid-19 (particularly related to travel expenses).
The expense recoveries in 2021 amounted to €264 million, increasing when compared to the €253 million of last year (up by 4.5%), mainly thanks to higher accounted tax recoveries.

Finally, in the first half of 2021 were accounted write-downs on tangible and intangible assets for €561 million, increasing by €12 million (up by 2.3%), in comparison to the €548 million posted in the first half of 2020. It should be noted that this item is composed for the most part by depreciation.

Operating costs

(€ million)

	H1				
	2021	2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Payroll costs	(2,975)	(3,034)	- 1.9%	(1,495)	+ 1.0%
Other administrative expenses	(1,603)	(1,604)	- 0.1%	(811)	+ 2.4%
Recovery of expenses	264	253	+ 4.5%	135	+ 4.4%
Write downs of tangible and intangible assets	(561)	(548)	+ 2.3%	(290)	+ 7.4%
Operating costs	**(4,874)**	**(4,933)**	**- 1.2%**	**(2,461)**	**+ 2.0%**

Thanks to the sustained revenues recovery and to the continuous expenses control, the Group gross operating profit of €4,209 million showed an increase of 16.6% in comparison to the same period of 2020 (up by 17.0% at constant exchange rates).

Also, the cost income ratio of the first half of 2021 decreased to 53.7%, showing an improvement of 4.1 percentage points compared to last year first half.

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

Net write-downs on loans and provisions for guarantees and commitments of the Group in the first half of 2021 were €527 million, compared to €2,198 million of the first half of 2020 (down by 76.0% or down by 76.1% at constant exchange rates).
Such dynamic is significantly affected by the loan loss provisions on performing loans for €1.2 billion recorded in the first semester of the prior year, related to the Covid-19 crisis and mainly in correlation on one hand with the macro-scenario IFRS9 update and, on the other, to worsening of the "staging" related to deterioration of ratings and probability of default (PD) of the customers.
Also, the first half of 2021 benefited from the IFRS9 macroeconomic scenario update that, considering the improvement of the economic outlook in respect to the December 2020 one, determined write-back equal to 127 million.
Related to the "moratorium" loans portfolio, in Italy the portfolio showed a positive trend in terms of assets quality, however, a part of the Corporate counterparties (ex Art.56 of Law Decree 18/2020) with "moratorium" loans expiring as at 30 June 2021 requested the extension until the end of the year (*opt-in*); with reference to these exposures, with the purpose of considering future deterioration risks, the positions, not yet classified, were prudentially reclassified as a "Stage 2" and the coverage was increased with a consequent negative impact on the loans loss provisions of the first half of 2021 equal to 153 million. The value, gross of accumulated impairment, of the moratoria expiring on 30 June 2021 for the Italian perimeter

Group results

and not subject to extension (opt-in) are €6.158 million. For completeness, it should be noted that as at 30 June 2021 in Germany almost all moratoria granted are expired while in Austria all moratoria granted expired in the first quarter 2021.
Finally, it should be noted that the material changes in IRB Models for PD calculation in coherence with the European guidelines determined higher write-downs for 143 million, while further write-downs for 106 million were due to the application of corrective measures in the IFRS9 model calibration.
For additional details refer to the Condensed interim consolidated financial statements - Explanatory notes - Part E - Information on risks and hedging policies, Section 2 - Risks of the prudential consolidated perimeter, 2.1 Credit risk - Qualitative information - 2.3 Measurement methods for expected losses.

The cost of risk of first semester of 2021 was of 24 basis points, in comparison to the 91 basis points of the first semester of 2020.
In particular, the Commercial Banking Italy division recorded a cost of risk of 66 basis points, improving by 98 basis points compared with the first semester of 2020. The Commercial Banking Germany division recorded 12 basis points, improving by 39 basis points compared with prior year and the Commercial Banking Austria division showed 4 basis points, improving by 33 basis points compared with the first semester of 2020. Corporate Investment Banking (CIB) division shows a negative cost of risk of 6 basis points, thanks to €33 million of net recoveries registered and compared with the 54 basis points from the same period of 2020. Lastly, the CEE division shows a cost of risk of 40 basis points, decreasing by 110 basis points compared with the first semester of 2020.

The Group gross impaired loans at 30 June 2021 increased to €21.5 billion, slightly up by €0.3 billion compared to the €21.2 billion of 31 December 2020.
The gross non-performing loans on total loans ratio moved from 4.55% of December 2020 to 4.74% of June 2021, mainly as an effect of the decrease of total gross loans at group level. Gross bad exposure stock was at €7.1 billion, decreasing by €0.5 billion over December 2020 (or by €7.6 billion), benefitting from the disposals, the write-offs and the recoveries carried out during the semester.
The Group coverage ratio of the gross non-performing loans as at 30 June 2021 was 57.63%, decreasing in comparison to the 59.85% (down by 2.2 percentage points) of December 2020, affected by the lower weight of NPE loans (characterised by a higher coverage rate) on total gross impaired loans.

Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL NON-PERFORMING	PERFORMING	TOTAL LOANS
As at 06.30.2021(*)						
Gross exposure	7,110	13,407	1,021	**21,538**	433,227	**454,765**
as a percentage of total loans	*1.56%*	*2.95%*	*0.22%*	***4.74%***	*95.26%*	
Writedowns	5,521	6,538	354	**12,413**	3,951	**16,364**
as a percentage of gross value	*77.64%*	*48.77%*	*34.69%*	***57.63%***	*0.91%*	
Carrying value	1,590	6,869	667	**9,125**	429,276	**438,401**
as a percentage of total loans	*0.36%*	*1.57%*	*0.15%*	***2.08%***	*97.92%*	
As at 12.31.2020(*)						
Gross exposure	7,613	12,874	759	**21,246**	446,157	**467,403**
as a percentage of total loans	*1.63%*	*2.75%*	*0.16%*	***4.55%***	*95.45%*	
Writedowns	5,967	6,492	256	**12,716**	4,138	**16,853**
as a percentage of gross value	*78.39%*	*50.43%*	*33.70%*	***59.85%***	*0.93%*	
Carrying value	1,645	6,381	503	**8,530**	442,019	**450,550**
as a percentage of total loans	*0.37%*	*1.42%*	*0.11%*	***1.89%***	*98.11%*	

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

Group results

From net operating profit to profit before tax

The improvement of the gross operating profit (€4,209 million in first the half of 2021) and the decrease of the net write-downs on loans (down by €527 million) have resulted in a Group's net operating profit of €3,682 million, increasing by €2,269 million compared to the first half of 2020 (up by 160.7% or up by 160.6% at constant exchange rates).

Group's Other charges and provisions were -€916 million, increasing in comparison to -€713 million of the first half of 2020.

This item includes legal cases and estimated liabilities of various nature totaling -€171 million, in addition to the systemic charges, amounting to -€745 million. The latter include the contributions to the Single Resolution Fund (SRF), the harmonised guarantee schemes charges (Deposits Guarantee Scheme - DGS) and the non-harmonised ones, as well as the Bank Levies.

Integration costs in the first half of 2021 were -€7 million, in comparison to -€1,352 million recorded in the first half of 2020 when were accounted the severance charges for the Italian perimeter personnel related to "Team 23" plan, amounting to -€1,347 million

Net income from investments in first half of 2021 was -€181 million, in comparison to -€1,353 million recorded in the same period of last year. The first half 2021 figure is mainly explained by the negative impact of the evaluation of the residual participation in Yapi ve Kredi Bankasi A.Ş of -€263 million. The 2020 result was impacted however by non-recurring items of -€1,143 million, mainly related to the sale of Yapi ve Kredi Bankasi A.Ş and the consequently cancellation of the Joint Venture agreements, partially mitigated by gains from real estate sale in Germany.

As an effect of the items mentioned above, in the first half of 2021 the Group registered a profit before tax of €2,578 million, compared to a loss of -€2,007 million of the first half of 2020.

Profit before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE-DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX H1 2021	PROFIT BEFORE TAX H1 2020
Commercial Banking Italy	3,343	(1,826)	(442)	1,074	1,004	(821)
Commercial Banking Germany	1,195	(843)	(53)	299	196	92
Commercial Banking Austria	712	(487)	(9)	216	167	(56)
Central Eastern Europe	1,724	(737)	(127)	860	739	392
Corporate & Investment Banking	2,271	(781)	33	1,523	1,244	348
Group Corporate Centre	(135)	(158)	2	(291)	(749)	(1,829)
Non Core	(26)	(42)	69	0	(23)	(132)
Group Total	**9,084**	**(4,874)**	**(527)**	**3,682**	**2,578**	**(2,007)**

Group results

Profit (Loss) attributable to the Group

In the first half of 2021, the Group's income taxes line was recording -€646 million, in comparison to -€213 million of 2020.

Profit from discontinued operations net of taxes in the first half of 2021 was €1 million, aligned to the same period of last year.

The profit for the period of the first half of 2021 was €1,934 million, in comparison to the loss of -€2,219 million of the first half of 2020.

Minorities, conventionally exposed with negative sign, were -€12 million against -€10 million of the prior year.

Purchase price allocation was -€1 million, compared to -€50 million of the first half of 2020. The amount accounted in 2020 is almost entirely (-€49 million) related to non-recurring revenues from the real estate sale in Germany.

At 31 December 2020, goodwill was completely written down, therefore no further impact was accounted for in the first half of the year, compared to the -€8 million recorded in the first half of last year.

Consequently, in the first half of 2021 the net profit attributable to the Group amounted to €1,921 million, compared to the loss of -€2,286 million of the first half of 2020. Net of non-recurring items, the Group achieved a profit underlying of €1,985 million, compared to €368 million of the first half of 2020.

Profit (Loss) attributable to the Group

(€ million)

	H1				
	2021	2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	**9,084**	**8,544**	**+ 6.3%**	**4,398**	**- 6.1%**
Operating costs	(4,874)	(4,933)	- 1.2%	(2,461)	+ 2.0%
Operating profit (loss)	**4,209**	**3,610**	**+ 16.6%**	**1,937**	**- 14.8%**
Net write-downs on loans and provisions for guarantees and commitments	(527)	(2,198)	- 76.0%	(360)	n.m.
Net operating profit (loss)	**3,682**	**1,412**	**n.m.**	**1,577**	**- 25.1%**
Other charges and provisions	(916)	(713)	+ 28.5%	(214)	- 69.5%
Integration costs	(7)	(1,352)	- 99.5%	(7)	n.m.
Net income from investment	(181)	(1,353)	- 86.7%	15	n.m.
Profit (Loss) before tax	**2,578**	**(2,007)**	**n.m.**	**1,371**	**+ 13.6%**
Income tax for the period	(646)	(213)	n.m.	(331)	+ 5.5%
Profit (Loss) from non-current assets held for sale, after tax	1	1	+ 74.4%	-	- 97.8%
Profit (Loss) for the period	**1,934**	**(2,219)**	**n.m.**	**1,040**	**+ 16.2%**
Minorities	(12)	(10)	+ 20.0%	(5)	- 19.9%
Net profit (loss) attributable to the Group before PPA	**1,922**	**(2,229)**	**n.m.**	**1,034**	**+ 16.5%**
Purchase Price Allocation effects	(1)	(50)	- 98.6%	(1)	n.m.
Goodwill impairment	-	(8)	- 100.0%	-	n.m.
Net profit (loss) attributable to the Group	**1,921**	**(2,286)**	**n.m.**	**1,034**	**+ 16.5%**

Group results

Capital and value management

Principles of value creation and capital allocation

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

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

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

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

Following the financial crisis that unfolded in 2007-2008, the European Union implemented a substantial reform of the financial services regulatory framework to enhance the resilience of its financial institutions. This reform was largely based on international standards agreed in 2010 by the Basel Committee on Banking Supervision, known as the Basel III framework. Among its many measures, the reform package included the adoption of Regulation EU 575/2013 of the European Parliament and of the Council and Directive 2013/36/EU of the European Parliament and of the Council, which strengthened the prudential requirements for credit institutions and investment firms.

These rules have been modified by Regulation EU 876/2019 of the European Parliament and of the Council of 20 May 2019 (so-called CRR 2), amending Regulation EU 575/2013 and by Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019 (so-called CRD V), amending Directive 2013/36/EU.

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

This regulation is part of a series of measures taken by the European Commission to mitigate the economic impact of the Covid-19 pandemic across the European Union.

Group results

Own Funds

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

- Tier 1 Capital (T1), made by:
  - Common Equity Tier 1 Capital (CET1) and
  - Additional Tier 1 Capital (AT1);
- Tier 2 Capital (T2).
- The sum of Tier 1 Capital and Tier 2 Capital generates the Total Own Funds (Total Capital).

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

Capital requirements[2] and buffers for UniCredit group

The minimum capital requirements applicable to the Group as of 30 June 2021 in coherence with CRR article 92 are the following (Pillar 1):

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

- In addition to such requirements, for 2021 the Group shall also meet the following additional requirements:
- **1.75%**, as Pillar 2 Requirements in coherence with SREP results;
- **2.50%**, as Capital Conservation buffer (CCB) according to CRDIV article129;
- **1.00%**, as Global Systemically Important Institutions ("G-SII") buffer[3];
- **0.05%**, as Countercyclical Capital buffer[4] (CCyB) according to the CRDIV article 130, to be calculated on a quarterly basis.

As at 30 June 2021, the Group shall meet the following overall capital requirements:

- CET1: **9.03%**
- T1: **10.86%**
- Total Capital: **13.30%**

2 CET1 Systemic risk buffer (aimed at preventing and mitigating long-term, non-cyclical, systemic or macro-prudential risks that are not provided for by the CRR) is not applicable as at 30 June 2021 in Italy.
3 It should be noted that UniCredit group was identified by the Banca d'Italia as an O-SII authorised to operate in Italy, and it has to maintain a CET1 capital buffer; such level is equal to 1.00% in 2021. Nevertheless, it is worth mentioning that according to the CRD IV article 131.14, the higher of the G-SII and the O-SII buffer will apply: hence, UniCredit group is subject to the application of 1.00% G-SII buffer for 2021.
4 Amount rounded to two decimal numbers. With reference to 30 June 2021: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: Czech Republic (0.50%); Hong Kong (1.00%); Norway (1.00%); Slovakia (1.00%); Luxemburg (0.50%); Bulgaria (0,50%) (II) with reference to the exposures towards Italian counterparties, Banca d'Italia has set the rate equal to 0%.

Group results

Here below a scheme of the UniCredit group capital requirements and buffers which also provides evidences of the "Total SREP Capital Requirement" (TSCR) and the "Overall Capital Requirement" (OCR) related to the outcome of the SREP process held in 2020 and applicable for 2021.

The scheme reflects the application of article 104a.4 of CRD V, that allows banks to partially use capital instruments that do not qualify as CET1 capital (e.g., Additional Tier 1 or Tier 2 instruments) to meet the Pillar 2 Requirements (P2R).
As consequence, in line with Pillar 2 Requirements, required in coherence with SREP results and equal to 1.75%, UniCredit group shall meet:
- at least the 0.98% of such requirement through Common Equity Tier 1 Capital in the assumption, verified for the second quarter of 2021, that the amount of AT1 Capital exceeds the regulatory minimum of 1.50% (i.e. being 1.86%);
- at least the 1.31% of such requirement through Tier 1 capital in the assumption, verified for the second quarter of 2021, that the amount of T2 Capital exceeds the regulatory minimum of 2.00% (i.e. being 2.60%).

2021 Capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
A) Pillar 1 Requirements	**4.50%**	**6.00%**	**8.00%**
B) Pillar 2 Requirements	**0.98%**	**1.31%**	**1.75%**
C) TSCR (A+B)	**5.48%**	**7.31%**	**9.75%**
D) Combined capital buffer requirement, of which:	**3.55%**	**3.55%**	**3.55%**
1. Capital Conservation buffer (CCB)	*2.50%*	*2.50%*	*2.50%*
2. Global Systemically Important Institution buffer (G-SII)	*1.00%*	*1.00%*	*1.00%*
3. Institution-specific Countercyclical Capital buffer (CCyB)	*0.05%*	*0.05%*	*0.05%*
E) OCR (C+D)	**9.03%**	**10.86%**	**13.30%**

The following table shows **UniCredit group transitional[5] capital ratios as at 30 June 2021** compared with previous periods:

UNICREDIT GROUP CONSOLIDATED CAPITAL RATIOS TRANSITIONAL	2Q21						
	RATIOS	*Delta Q/Q*	*Delta Y/Y*	1Q21	4Q20	3Q20	2Q20
CET1 Capital ratio	16.11%	*-0.44%*	*1.57%*	16.54%	15.96%	15.15%	14.54%
Tier 1 Capital ratio	17.97%	*-0.83%*	*1.34%*	18.80%	18.22%	17.33%	16.63%
Total Capital ratio	20.57%	*-1.02%*	*1.13%*	21.60%	20.72%	19.86%	19.44%

Transitional Capital ratios of UniCredit S.p.A.

The following table shows the transitional[6] Capital Ratios of UniCredit S.p.A. as of 30 June 2021 compared with previous periods.

UNICREDIT S.p.A. CAPITAL RATIOS TRANSITIONAL	2Q21						
	RATIOS	*Delta Q/Q*	*Delta Y/Y*	1Q21	4Q20	3Q20	2Q20
CET1 Capital ratio	22.68%	*-0.98%*	*1.07%*	23.66%	22.50%	22.71%	21.61%
Tier 1 Capital ratio	25.93%	*-1.73%*	*0.79%*	27.66%	26.37%	26.43%	25.14%
Total Capital ratio	30.27%	*-2.02%*	*0.49%*	32.30%	30.68%	30.68%	29.78%

5 The transitional adjustments as at 30 June 2021 are (i) grandfathering of Additional Tier 1 and Tier 2 instruments and (ii) IFRS9 transitional arrangements starting from 30 June 2020.
6 The transitional adjustments as at 30 June 2021 refer to the grandfathering of Additional Tier 1 and Tier 2 instruments.

Group results

Consolidated profit/loss eligible for Own Funds purposes

The consolidated profit as at 30 June 2021, equal to €1,921 million, is recognised in the Own Funds for €1,326 million, since an amount of €595 million was deducted from the first half 2021 consolidated Own Funds, with reference to the FY 2021 dividend policy.

Indeed, the FY 2021-2023 dividend policy (referred to remunerations from 2022 onwards) envisages a total amount equal to 50% of the underlying net profit, to be executed with a maximum 30% in cash dividend and a minimum 20% via Share Buy Back (SBB); thus being the first half 2021 underlying Group Net Profit equal to €1,985 million, the potential pro-rata remuneration referred to the first half 2021 is equal to €992 million (50% of the underlying Group Net Profit), to be executed through €595 million in cash and €397 million via SBB (respectively equal to 30% and 20% of the underlying Group Net Profit).

Considering that the SBB component is subject to the ECB authorization, to be requested in 2022, the Own Funds deduction in the first half 2021 does not include such amount, but only the cash component (€595 million) at its maximum extent (30%).

The ECB recommendation on dividend distribution (ECB/2020/62, issued on 15 December 2020), referred to the exceptional Covid-19 circumstances, has impacted ordinary distributions on 2020 results. Its validity will be repealed since 30 September 2021 through the ECB/2021/31 recommendation issued on 23 July 2021; therefore, considering that the full year 2021 distribution will occur after 30 September 2021, the limits to the distribution established by the recommendation ECB/2020/62 are not considered for the accrual of the potential dividends on the first half 2021 results.

Transitional consolidated Own Funds

Regarding the transitional adjustments as at 30 June 2021, these are:

- grandfathering of Additional Tier 1 and Tier 2 instruments: the transitional adjustment applicable is 10% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to grandfathering in coherence with CRR article 486 (20% for 2020). In addition, (till 2025) the new grandfathering framework is applicable (till 2025) according to the CRR2 article 494 b, applicable to the Additional T1 and T2 instruments issued before 27 June 2019 that do not comply with the CRR2 articles 52 and 63;
- IFRS9 transitional arrangements: starting from June 2020, UniCredit group has received from the competent Authority the approval to apply the transitional arrangements on IFRS9 as per CRR article 473a. The methodological approach is reported in the paragraph below.

Transitional arrangements related to the application of IFRS9

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

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

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

- the static component of the adjustment to be considered (ref. to elements A2,SA and A2,IRB in article 473a) is the entire amount of LLPs, both referred to performing and impaired assets, considering separately Standard (STD) and IRB exposures, booked in IFRS9 First Time adoption. According to article 473a of the amended CRR2, the transitional adjustment corresponding to the static component is calculated by applying the following percentage factors: 70% for 2020, 50% for 2021, 25% for 2022, 0% starting from 2023;
- the dynamic component of the adjustment includes only LLPs referred to performing assets (i.e. sum of LLPs under IFRS9 Stage1 and Stage2) according to article 473a (3).

  Furthermore, the dynamic component is composed of the following two elements:
  - element 1: the increase of LLP between 1 January 2020 and 1 January 2018; in case of IRB exposures the amount of LLPs is reduced by the regulatory expected losses (EL) at both dates. Such element 1 is subject to the following transitional percentages (i.e. the same applied to the static component): 70% for 2020, 50% for 2021, 25% for 2022, 0% starting from 2023;

- element 2: the increase of LLP accounted after 1 January 2020. In case of IRB exposures, the amount of LLPs is reduced by the regulatory expected losses (EL) at both 1 January 2020 and subsequent reference dates. Such element 2 is subject to the following transitional percentages: 100% for 2020 and 2021, 75% for 2022, 50% for 2023, 25% for 2024, 0% starting from 2025;
- lastly, according to 473a (7) of the amended CRR2, the transitional adjustment applied to CET1 and related to STD exposures (i.e. ABSA) has to be reflected in RWA when calculating the transitional RWA, in order to consider the increase in the exposure value determined in accordance with CRR article 111(1) due to the minor amount of LLPs reducing CET1.

As of second quarter 2021, in quantitative terms, the transitional IFRS9 adjustment has a positive effect on CET1 capital for €1.9 billion, equal to 60 basis points; thus, while the Transitional CET1 ratio is equal to 16.11%, the Fully Loaded CET1 ratio is equal to 15.50%. Moreover, at of the same date, the IFRS9 arrangements has a negative impact on T2 equal to -€0.3 billion originated from the updated amount of the excess of LLP on IRB portfolio computable in T2.

Prudential framework for software assets treatment

As part of the Risk Reduction Measures package, Art.36(1)(b) of the CRR has been amended, introducing an exemption from the deduction of software assets from CET1 capital, primarily aimed to encourage investments in software in the context of the evolution of the banking sector in a more digital environment. Given also measures taken to address Covid-19 crisis, this Regulation has been in force since the day after the publication on the EU Official Journal, occurred on 22 December 2020, and hence applicable from fourth quarter 2020.
Specifically, with reference to each component to be calculated in order to apply the new prudential framework, it is worth mentioning the following interpretations of the Regulation:

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

In quantitative terms, as of 30 June 2021 versus the previous quarter, the Group has (i) a higher deduction on CET1 capital equal to €99 million (deduction equal to €1,253 million as of second quarter 2021, vs €1,155 million as of first quarter 2021); (ii) a decrease in the RWA amount equal to €54 million compared to the first quarter 2021.

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

The Countercyclical Capital buffer (CCyB) according to the CRDIV article 130, has to be calculated on a quarterly basis.
During the 2020, in reaction to the Covid-19 emergency some National Authorities have reviewed the countercyclical capital buffer rate applicable to the states, with the aim of reducing the capital requirement to be held for the countercyclical capital buffer (CCyB).
With reference to the second quarter 2021, the countercyclical rates are unchanged compared to the first quarter 2021, and UniCredit group countercyclical capital reserve, equal to 0.05%, is in line with the first quarter 2021.

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

With reference to 30 June 2021, UniCredit does not exceed the thresholds related to significant investments in CET1 instruments issued by financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, not generating a capital deduction from Common Equity Tier 1 Capital. In particular, the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit in financial sector entities in which UniCredit has a significant investment does not exceed the threshold of 17.65% of the residual amount of Common Equity Tier 1 items after applying the adjustments and deductions in CRR articles 32 to 36 in full.
It is worth mentioning that the amount above mentioned does not consider the effects related to the transitional adjustments referred to IFRS9.

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

As at 30 June 2021, the investment held by UniCredit in the quotes of Atlante Fund and Italian Recovery Fund (ex Atlante Fund II), for approximately €325 million, is primarily referred to investments in securitization notes related to non-performing loans: the regulatory treatment of the Fund's quotes recognised in the UniCredit balance sheet foresees the calculation of Risk Weighted Assets on the basis of each underlying assets of CIUs, in accordance with CRR article 152 (2) and (4b).
With reference to the residual commitments, for €9 million, the regulatory treatment foresees the application of a credit conversion factor equal to 100% ("full risk" according to the Annex I of the CRR) and for the calculation of the related Risk Weighted Assets, it is applied the CRR article 152 (9).

Financial conglomerate

As at 30 June 2021 reporting date, the UniCredit group is allowed to not be subject to the supplementary supervision, although it is recognised as a financial conglomerate by the Joint Committee (ref. communication JC 2020 68).

1. Common Equity Tier 1 Capital - CET1

Common Equity Tier 1 Capital mainly includes the following elements:

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

As at 30 June 2021, CET1 Capital includes ordinary shares issued by UniCredit S.p.A., equal to €20,515 million; among the other elements, such item does not include €609 million related to the ordinary shares underlying the Usufruct contract (Cashes) which are reclassified, as resulting from the phase-out according to CRR1 grandfathering rules, under Additional Tier 1 Capital for €258million and under Tier 2 for €351 million.

2. Additional Tier 1 Capital - AT

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

3. Tier 2 Capital - T2

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

Group results

As at 30 June 2021, the Group Own Funds:

- include, according to CRR article 484(5) among grandfathered instruments, the amount of the instruments issued before 31 December 2011 and subject to the grandfathering provisions according to CRR;
- include the instruments issued before 27 June 2019, subject to grandfathering framework according to CRR2 article 494b.

Template EU CC1 - Composition of regulatory Own Funds

(€ million)

	DESCRIPTION	a AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 03.31.2021
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts (A)	26,611	29,897
	of which: Ordinary shares	*26,611*	*29,897*
	of which: Instrument type 2	-	-
	of which: Instrument type 3	-	-
2	Retained earnings	22,901	23,023
3	Accumulated other comprehensive income (and other reserves) (B)	2,642	(879)
EU-3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	94	97
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend (C)	1,326	622
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**53,573**	**52,760**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(242)	(208)
8	Intangible assets (net of related tax liability) (negative amount)	(1,230)	(1,131)
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) CRR are met) (negative amount) (D)	(913)	(862)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	103	79
12	Negative amounts resulting from the calculation of expected loss amounts	(6)	(15)
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	143	138
15	Defined-benefit pension fund assets (negative amount)	(46)	(46)
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) (E)	(201)	(188)
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(68)	(67)
EU-20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	-
EU-20c	*of which: securitisation positions (negative amount)*	*(67)*	*(67)*
EU-20d	*of which: free deliveries (negative amount)*	*(0)*	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met) (negative amount)	-	-
22	Amount exceeding the 17,65% threshold (negative amount) (F)	-	-
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	-
24	Not applicable		
25	*of which: deferred tax assets arising from temporary differences*	-	-
EU-25a	Losses for the current financial year (negative amount)	-	-
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-
27a	Other regulatory adjustments (G)	1,674	1,642
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(785)**	**(659)**
29	**Common Equity Tier 1 (CET1) capital**	**52,789**	**52,101**

Group results

continued: Template EU CC1 - Composition of regulatory Own Funds

(€ million)

	DESCRIPTION	a AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 03.31.2021
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	4,953	4,953
31	*of which: classified as equity under applicable accounting standards*	*4,953*	*4,953*
32	*of which: classified as liabilities under applicable accounting standards*	-	-
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1 (H)	258	258
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1 (I)	898	1,886
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	21	21
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**6,130**	**7,118**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	(31)	(32)
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-
42a	Other regulatory adjustments to AT1 capital	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(31)**	**(32)**
44	**Additional Tier 1 (AT1) capital**	**6,100**	**7,087**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**58,888**	**59,188**
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts (J)	6,668	6,710
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR (K)	351	351
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2 (L)	1,185	1,273
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	434	428
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Credit risk adjustments	1,052	968
51	**Tier 2 (T2) capital before regulatory adjustments**	**9,689**	**9,730**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(60)	(66)
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(770)	(842)
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount) (M)	-	-
EU-56b	Other regulatory adjustments to T2 capital	(330)	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(1,160)**	**(908)**
58	**Tier 2 (T2) capital**	**8,529**	**8,822**
59	**Total capital (TC = T1 + T2)**	**67,417**	**68,010**
60	**Total Risk exposure amount**	**327,714**	**314,907**

Group results

continued: Template EU CC1 - Composition of regulatory Own Funds

(€ million)

DESCRIPTION		a AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 03.31.2021
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	16.11%	16.54%
62	Tier 1 capital	17.97%	18.80%
63	Total capital	20.57%	21.60%
64	Institution CET1 overall capital requirements (N)	9.03%	9.03%
65	*of which: capital conservation buffer requirement*	*2.50%*	*2.50%*
66	*of which: countercyclical capital buffer requirement*	*0.05%*	*0.05%*
67	*of which: systemic risk buffer requirement*	-	-
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement*	*1.00%*	*1.00%*
EU-67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*	*0.98%*	*0.98%*
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (O)**	**10.62%**	**11.06%**
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,696	2,169
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	4,436	4,386
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met) (P)	3,063	2,957
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) (P)	2,676	2,954
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach (P)	1,052	968
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	258	258
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	402	402
84	Current cap on T2 instruments subject to phase out arrangements	633	633
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Note:
The template above has been prepared, starting from 30 June 2021, on the basis of the new regulatory framework "EBA Data Point Model 3.0" according to the Commission Implementing Regulation EU 451/2021 and the new Pillar III disclosure requirements according to the EU Commission Implementing Regulation 637/2021. As consequence:
- with regard to the comparison period referring to data as of 31 March 2021, the amounts have been restated following the logic required by the abovementioned regulations, in order to allow the comparability of the data;
- with reference to numbering of rows, in order to maximise global comparability of disclosure templates, reflecting CRR2 disclosure requirements and alignment with the Basel standards, the EBA template report the following:
  - in the case of items included in the EU regulation but not in the Basel framework, an additional suffix, a, b, c, etc. Whenever an additional row is required, the row number is prefixed by 'EU';
  - similarly, if the EU templates do not include a row that is included in the Basel templates, the numbering continues but that data point is listed as 'not applicable'.

Group results

Notes to the table "Composition of regulatory Own Funds"

Amounts included in the notes below refer to 30 June 2021 if not otherwise specified. Regarding the transitional adjustments as at 30 June 2021 it is worth mentioning that:

- the transitional adjustment applicable is 10% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR Article 486 (20% for 2020) - ref. item 33 and 47 of the template;
- in addition, from 27 June 2019 it is valid the new grandfathering framework according to the CRR2 Article 494 b), applicable to the Additional T1 and T2 instruments issued before 27 June 2019 that do not comply with the CRR2 Articles 52 and 63;
- it is decided to apply the transitional regime due to the introduction of IFRS9 accounting principle according to Article 473a of EU Regulation 873/2020 that amends EU Regulation 876/2019.

A.

This item does not include €609 million related to the ordinary shares underlying the Usufruct contract (Cashes), reclassified as resulting from the phase-out according to CRR1 grandfathering rules under item "33. Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1" for €258 million and under item "47 Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2 as described in Article 486(4) CRR" for €351 million.

The change compared to 31 March 2021 (negative for €3,286 million) mainly refers to (i) €2,732 million to cover the entire loss from the 2020 financial year of UniCredit S.p.A (ii) €323 million related to the coupons payments (iii) €179 million related to the repurchase of own shares connected to the "Shares Buyback", in coherence with the authorization received from the Competent Authority.

B.

The change compared to 31 March 2021 (positive for €3,521 million) mainly refers to changes: (i) on special revaluation laws (positive for €181 million) (ii) on exchange reserve (positive for €147 million), (iii) on reserves related to equity and debt instruments at fair value (negative for €70 million) and the positive effect for the inclusion into reserves of (iv) the entire loss from the 2020 financial year of UniCredit S.p.A 2020 (€2,732 million) (v) €323 million related to the coupons payments (vi) €179 related to the repurchase of own shares connected to the "Shares Buyback", in coherence with the authorization received from the Competent Authority.

C.

The consolidated profit as at 30 June 2021, equal to €1,921 million, is recognised in the Own Funds for €1,326 million, since an amount of €595 million was deducted from the first half 2021 consolidated Own Funds, with reference to the FY 2021 dividend policy.

Indeed, the FY 2021-2023 dividend policy (referred to remunerations from 2022 onwards) envisages a total amount equal to 50% of the underlying net profit, to be executed with a maximum 30% in cash dividend and a minimum 20% via Share Buy Back (SBB); thus being the first half 2021 underlying Group Net Profit equal to €1,985 million, the potential pro-rata remuneration referred to the first half 2021 is equal to €992 million (50% of the underlying Group Net Profit), to be executed through €595 million in cash and €397 million via SBB (respectively equal to 30% and 20% of the underlying Group Net Profit).

Considering that the SBB component is subject to the ECB authorization, to be requested in 2022, the Own Funds deduction in the first half 2021 does not include such amount, but only the cash component (€595 million) at its maximum extent (30%).

The ECB recommendation on dividend distribution (ECB/2020/62, issued on 15 December 2020), referred to the exceptional Covid-19 circumstances, has impacted ordinary distributions on 2020 results. Its validity will be repealed since 30 September 2021 through the ECB/2021/31 recommendation issued on 23 July 2021; therefore, considering that the full year 2021 distribution will occur after 30 September 2021, the limits to the distribution established by the recommendation ECB/2020/62 are not considered for the accrual of the potential dividends on the first half 2021 results.

The net profit as of 30 June 2021 is included in CET1 capital following the authorization by the competent Authority according to CRR Article 26(2).

D.

The amount included in this item (equal to €913 million) does not consider the effects related to the transitional adjustments due to IFRS9 that are included in item "27a Other regulatory adjustments".

E.

This item includes the amount (equal to €179 million) related to the Share Buyback initiated on 11 May 2021 and completed on 23 June 2021.

Group results

F.
With reference to 30 June 2021, the UniCredit S.p.A. does not exceed the thresholds based to the CRR article 48 “Threshold exemptions from deduction from Common Equity Tier 1 items”. In particular, the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit S.p.A. in financial sector entities in which UniCredit S.p.A. has a significant investment does not exceed the threshold of 17.65% of Common Equity Tier 1 Capital after applying the adjustments and deductions in CRR Articles 32 to 36 in full.

G.
Starting from 30 June 2021, the amount reported in this item (equal to €1,674 million) includes:
- the transitional arrangements referred to the entry into force of IFRS9 accounting principles according to article 473a of EU Regulation 873/2020 published on 27 June 2020 that amends EU Regulation 876/2019 (equal to €1,934 million) that includes the following transitional adjustments: i) static component for €1,138 million (applicable percentage in 2021 equal to 50%); ii) dynamic component for €781 million (applicable percentage in 2021 equal to 100%); iii) deferred tax assets that rely on future profitability and not arise from temporary differences for €16 million.
- the additional deduction of CET1 Capital due to Article 3 of CRR (equal to €144 million) in accordance with ECB guidance to banks on non-performing loans.
- the deduction related to the insufficient coverage for non-performing exposures (equal to €6 million) in accordance with article 36 (m) of CRR
- the adjustment to CET1 Capital due to prudential filter on fair value gains and losses arising from the institution's own credit risk related to derivative liabilities (negative for €111 million).

H.
The amount includes the ordinary shares underlying the Usufruct contract (Cashes) for €258 million (the residual €351 million are included under item 47 “Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2 as described in Article 486(4) CRR”).

I.
Starting from 30 June 2021, the amount reported in this item (equal to €898 million) is connected to the Additional Tier 1 capital instruments that do not comply with the new computability conditions provisioned by the CRR2 Article 52 and, hence, subject to the new grandfathering framework. The change compared to 31 March 2021 is mainly related to the authorization received by the competent authority to early redeem the instrument XS1107890847 (computable amount equal to €991 million), to be executed on 10 September 2021.

J.
The change compared to 31 March 2021 (negative for €42 million) is mainly referred to difference on exchange rate (equal to €43 million).

K.
The amount included in this item (equal to €351 million) is related to the ordinary shares underlying the Usufruct contract (Cashes) reclassified in Tier 2 Capital, as resulting from the phase-out according to CRR1 grandfathering rules.

L.
Starting from 30 June 2021, the amount reported in this item (equal to €1,185 million) is connected to the Tier 2 capital instruments that do not comply with the new computability conditions provisioned by the CRR2 Article 63 and, hence, subject to the new grandfathering framework. The change compared to 31 March 2021 (negative for €88 million) is mainly related to the prudential amortization (equal to €83 million).

M.
Starting from 30 June 2021, the amount reported in this item (negative for €330 million) takes into account the effects of IFRS9 transitional adjustments and it is referred to the calculation of the excess related to the credit risk adjustments in comparison with the expected loss computed in Tier 2 capital.

Group results

N.
Starting from 30 June 2021, the amount includes the Pillar 2 requirement on CET1 equal to 0.98% in coherence with SREP results of 2020 and with the application of Article 104a.4 of CRDV based on which the Pillar 2 requirement can be satisfied also through AT1 and T2 instruments (i.e. at least 75% with T1 capital and at least 56.25% with CET1 capital).

O.
Starting from 30 June 2021, the amount reported in this item is calculated by subtracting from the Common Equity Tier 1 capital ratio at the date (i.e. item 61: 16.11%) the minimum Common Equity Tier 1 requirement (equal to 4.5%) and the Pillar 2 requirement on CET1 (equal to 0.98%) in coherence with SREP results of 2020 and with the application of Article 104a.4 of CRDV based on which the Pillar 2 requirement can be satisfied also through AT1 and T2 instruments. The change compared to 31 March 2021 depends on the following items: (i) increase in Common Equity Tier 1 Capital for €688 million and ii) increase in risk weighted assets for €12,807 million.

P.
Amounts included in items 75, 78 e 79 do not consider the effects related to the transitional adjustments due to IFRS9 that are included in item “27a Other regulatory adjustments”.

Group results

Template EU OV1 - Overview of risk weighted exposure amounts

(€ million)

	DESCRIPTION	RISK WEIGHTED EXPOSURE AMOUNTS (RWEAs) a 06.30.2021	RISK WEIGHTED EXPOSURE AMOUNTS (RWEAs) b 03.31.2021 [(1)]	TOTAL OWN FUNDS REQUIREMENTS c 06.30.2021
1	**Credit risk (excluding CCR)**	**267,712**	**235,736**	**21,417**
2	*Of which the standardised approach*	*99,832*		*7,987*
3	*Of which the foundation IRB (F-IRB) approach*	*12,623*		*1,010*
4	*Of which slotting approach*	*5,130*		*410*
EU 4a	*Of which equities under the simple risk weighted approach*	*1,049*		*84*
5	*Of which the advanced IRB (A-IRB) approach*	*146,360*		*11,709*
6	**Counterparty credit risk - CCR**	**13,190**	**10,889**	**1,055**
7	*Of which the standardised approach*	*2,305*		*184*
8	*Of which internal model method (IMM)*	*9,015*		*721*
EU 8a	*Of which exposures to a CCP*	*207*		*17*
EU 8b	*Of which credit valuation adjustment - CVA*	*1,516*		*121*
9	*Of which other CCR*	*147*		*12*
10	*Not applicable*			
11	*Not applicable*			
12	*Not applicable*			
13	*Not applicable*			
14	*Not applicable*			
15	**Settlement risk**	**56**	**47**	**4**
16	**Securitisation exposures in the non-trading book (after the cap)**	**7,203**	**5,136**	**576**
17	*Of which SEC-IRBA approach*	*1,660*		*133*
18	*Of which SEC-ERBA (including IAA)*	*3,094*		*248*
19	*Of which SEC-SA approach*	*2,449*		*196*
EU 19a	*Of which 1250%/deduction*	-		-
20	**Position, foreign exchange and commodities risks (Market risk)**	**8,144**	**8,581**	**652**
21	*Of which the standardised approach*	*2,562*		*205*
22	*Of which IMA*	*5,583*		*447*
EU 22a	**Large exposures**	**-**		**-**
23	**Operational risk**	**31,408**	**30,843**	**2,513**
EU 23a	*Of which basic indicator approach*	*1,882*		*151*
EU 23b	*Of which standardised approach*	*2,849*		*228*
EU 23c	*Of which advanced measurement approach*	*26,677*		*2,134*
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)**	**17,931**	**17,577**	**1,434**
25	*Not applicable*			
26	*Not applicable*			
27	*Not applicable*			
28	*Not applicable*			
29	**Total**	**327,714**	**314,907**	**26,217**

Note:
1. The different representation between the first quarter 2021 and the second quarter 2021 is due to the entry into force of the new reporting framework "EBA Data Point Model 3.0" according to the Commission Implementing Regulation (EU) 2021/451 and to the new Pillar III disclosure requirements according to the Commission Implementing Regulation (EU) 2021/637; as a consequence, in particular:
- the item 33 "Other calculation elements" of the template EU OV1 published in the UniCredit Group disclosure (Pillar III) document with reference to the 31 March 2021, that included temporary measures on credit and market risk internal models (linked to limitations raised by the Supervisor) is not represented anymore because each component is reported in the corresponding risk category;
- the item 24 "Amounts below the thresholds for deduction (subject to 250% risk weight)" is not considered in the "total amount" because already inlcuded in row 1 "Credit risk (excluding CCR)";
- rows referring to "of which" items are not represented.

Moreover, with reference to numbering of rows, to maximise global comparability of disclosure templates, reflecting CRR2 disclosure requirements and alignment with the Basel standards, the EBA templates report the following:
- in the case of items included in the EU regulation but not in the Basel framework, an additional suffix, a, b, c, etc. Whenever an additional row is required, the row number is prefixed by "EU";
- similarly, if the EU templates do not include a row that is included in the Basel templates, the numbering continues but that data point is listed as "not applicable".

Group results

Capital strengthening

On 30 June 2021 UniCredit S.p.A. placed an issue of equity instruments Additional Tier 1 (so-called Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes) recognised in the "Equity Instruments" item in coherence with settlement date 7 July 2021, for a total amount of €750 million targeted to institutional investors in order to continue strengthening its regulatory capital, taking advantage of the positive market window.
Starting from the third quarter 2021 the issue contributes to improve the Tier 1 ratio and completes the 2021 UniCredit's Funding Plan for these instruments.
The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and may be called by the Issuer on any calendar day during the six-month period commencing on 3 December 2027 and ending on 3 June 2028 and thereafter on any interest payment date, subject to Regulatory approval. Notes pay fixed rate coupons of 4.45% per annum up to June 2028 on a semi-annual basis; if not called, coupon will be reset every 5 years to the aggregate of the then 5-Years Mid-Swap rate plus 460.6 basis points, calculated on an annual basis and then converted to a semi-annual rate in accordance with market conventions. In line with the regulatory requirements, the coupon payments are fully discretionary.

Moreover, with reference to share capital, it should be noted that on 10 February 2021 the Board of Directors of UniCredit S.p.A., by the powers conferred time by time by the Extraordinary Shareholders' Meeting pursuant to the article 2443 of the Italian Civil Code in order to execute the Group Incentive System, resolved a free share capital increase of €73 million by issuing No.6,288,605 ordinary shares to be granted to the employees of UniCredit S.p.A. and of Group's banks and companies. The resolution to increase the share capital was registered with the Company Register on 30 March 2021, following this increase the fully subscribed and paid-up share capital of UniCredit S.p.A. currently amounts to €21,133 million and it is divided into No.2,243,550,408 ordinary shares with no nominal value.

Shareholders' equity attributable to the Group

The Shareholders' equity of the Group, including the net result of the period equal to +€1,921 million, amounted to €61,356 million as at 30 June 2021, compared to €59,507 million as at 31 December 2020.

The following table shows the main changes occurred in the first half of 2021.

Shareholders' equity attributable to the Group

(€ million)

Shareholders' equity as at 31 December 2020	**59,507**
Dividends distributed	(268)
Share buyback	(179)
Change in reserve related coupon on AT1 instruments	(165)
Change in the valuation reserve relating to the financial assets and liabilities at fair value	(114)
Change in the valuation reserve tangible assets(*)	176
Exchange differences reserve(**)	237
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans(***)	339
Other changes	(98)
Net profit (loss) for the period	1,921
Shareholders' equity as at 30 June 2021	**61,356**

Notes:
(*) Mainly referred to the alignment between tax values and higher accounting values of the portion of real estate properties IAS16, for further information refer to Part A - Accounting policies - Section 5 - Other matters.
(**) This effect is mainly due to the impact of Russian Ruble for +€116 million and of Czech Crown for +€78 million.
(***) Mainly referred to the increase in DBO discount rate induced by the reduction in prices of High Quality Corporate Bonds partially offset by plan assets performance.

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

Group results

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

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network limited to Core clients (excluding Corporate clients, supported by Corporate and Investment Banking Division and clients supported by Foreign Branches), Leasing (excluding Non-Core clients), Factoring and UniCredit S.p.A. structures included in local Corporate Centre that support the Italian business network. In relation to individual clients (Mass market, Affluent, Private and Wealth), Commercial Banking Italy' s goal is to offer a full range of products, services and consultancy to fulfill transactional, investments and credit needs, relying on branches and multichannel services provided thanks to new technologies.

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING ITALY	H1 2021	H1 2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	3,343	3,241	+ 3.1%	1,636	- 4.2%
Operating costs	(1,826)	(1,838)	- 0.6%	(919)	+ 1.2%
Net write-downs on loans and provisions for guarantees and commitments	(442)	(1,096)	- 59.6%	(242)	+ 21.1%
Net operating profit	1,074	308	n.m.	475	- 20.8%
Profit before tax	1,004	(821)	n.m.	469	- 12.2%
Customers loans (net Repos and IC)	136,927	132,998	+ 3.0%	136,927	+ 1.7%
Customers depos (net Repos and IC)	170,423	159,581	+ 6.8%	170,423	+ 0.5%
Total RWA Eop	80,962	90,253	- 10.3%	80,962	+ 4.1%
EVA (€ million)	269	(434)	n.m.	110	- 30.5%
Absorbed Capital (€ million)	9,391	11,466	- 18.1%	9,334	- 1.2%
ROAC	+ 15.9%	- 10.5%	+ 26.4 p.p.	+ 15.3%	- 1.2 p.p.
Cost/Income	54.6%	56.7%	- 2.1 p.p.	56.2%	3.0 p.p.
Cost of Risk	66 bps	164 bps	- 98 bps	71 bps	11 bps
Full Time Equivalent (eop)	26,373	27,773	- 5.0%	26,373	- 1.5%

Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of “Privatkundenbank” (Individual Clients segment), “Unternehmerbank” (Corporate segment) and the local Corporate Centre.
Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING GERMANY	H1 2021	H1 2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	1,195	1,208	- 1.1%	593	- 1.6%
Operating costs	(843)	(837)	+ 0.6%	(414)	- 3.4%
Net write-downs on loans and provisions for guarantees and commitments	(53)	(225)	- 76.4%	(63)	n.m.
Net operating profit	299	146	n.m.	115	- 37.3%
Profit before tax	196	92	n.m.	92	- 10.6%
Customers loans (net Repos and IC)	89,693	89,542	+ 0.2%	89,693	+ 1.2%
Customers depos (net Repos and IC)	102,805	95,128	+ 8.1%	102,805	+ 0.6%
Total RWA Eop	35,948	36,503	- 1.5%	35,948	+ 4.7%
EVA (€ million)	(6)	(76)	- 92.3%	9	n.m.
Absorbed Capital (€ million)	4,107	4,400	- 6.7%	4,156	+ 2.4%
ROAC	+ 5.8%	+ 4.4%	+ 1.4 p.p.	+ 5.1%	- 1.4 p.p.
Cost/Income	70.5%	69.3%	n.m.	69.9%	- 1.3 p.p.
Cost of Risk	12 bps	51 bps	- 39 bps	28 bps	33 bps
Full Time Equivalent (eop)	8,573	8,994	- 4.7%	8,573	- 3.2%

Group results

Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of “Privatkundenbank” (Private Customer Bank), “Unternehmerbank” (Corporate Customer Bank, excluding CIB clients) that includes the product factory Leasing and the Local Corporate Centre.
Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING AUSTRIA	H1 2021	H1 2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	712	653	+ 9.1%	343	- 7.3%
Operating costs	(487)	(490)	- 0.7%	(251)	+ 6.3%
Net write-downs on loans and provisions for guarantees and commitments	(9)	(84)	- 89.4%	(47)	n.m.
Net operating profit	216	78	n.m.	45	- 73.6%
Profit before tax	167	(56)	n.m.	64	- 38.0%
Customers loans (net Repos and IC)	43,236	44,164	- 2.1%	43,236	- 1.9%
Customers depos (net Repos and IC)	51,225	49,957	+ 2.5%	51,225	+ 0.4%
Total RWA Eop	20,297	23,372	- 13.2%	20,297	+ 0.1%
EVA (€ million)	106	(173)	n.m.	68	+ 80.0%
Absorbed Capital (€ million)	2,380	2,770	- 14.1%	2,353	- 2.3%
ROAC	+ 13.0%	- 3.4%	+ 16.4 p.p.	+ 11.2%	- 3.4 p.p.
Cost/Income	68.4%	75.1%	- 6.8 p.p.	73.2%	9.3 p.p.
Cost of Risk	4 bps	38 bps	- 33 bps	42 bps	76 bps
Full Time Equivalent (eop)	4,614	4,754	- 2.9%	4,614	- 3.1%

CEE Division

The Group, through the CEE business segment, offers a wide range of products and services to retail, corporate and institutional clients in 1O Central and Eastern Europe countries: Bosnia- Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia.
UniCredit group is able to offer its retail customers in the CEE countries a broad portfolio of products and services similar to those offered to its Italian, German and Austrian customers.

Income statement, key ratios and indicators

(€ million)

CEE DIVISION	H1 2021	H1 2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	1,724	1,809	- 4.7%	873	+ 2.5%
Operating costs	(737)	(754)	- 2.3%	(373)	+ 2.3%
Net write-downs on loans and provisions for guarantees and commitments	(127)	(495)	- 74.5%	(13)	- 88.6%
Net operating profit	860	559	+ 53.9%	487	+ 30.5%
Profit before tax	739	392	+ 88.4%	471	+ 75.7%
Customers loans (net Repos and IC)	64,142	64,974	- 1.3%	64,142	+ 2.1%
Customers depos (net Repos and IC)	74,641	71,756	+ 4.0%	74,641	+ 2.3%
Total RWA Eop	56,203	58,423	- 3.8%	56,203	+ 0.8%
EVA (€ million)	180	(144)	n.m.	175	n.m.
Absorbed Capital (€ million)	6,409	7,582	- 15.5%	6,438	+ 0.9%
ROAC	+ 16.9%	+ 7.7%	+ 9.2 p.p.	+ 22.3%	+ 10.8 p.p.
Cost/Income	42.8%	41.7%	1.0 p.p.	42.7%	- 0.1 p.p.
Cost of Risk	40 bps	149 bps	- 110 bps	8 bps	- 64 bps
Full Time Equivalent (eop)	23,697	24,237	- 2.2%	23,697	- 0.5%

Group results

Corporate & Investment Banking

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

Income statement, key ratios and indicators

(€ million)

CORPORATE & INVESTMENT BANKING	H1 2021	H1 2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	2,271	1,772	+ 28.1%	1,056	- 13.1%
Operating costs	(781)	(764)	+ 2.3%	(386)	- 2.5%
Net write-downs on loans and provisions for guarantees and commitments	33	(400)	n.m.	(34)	n.m.
Net operating profit	1,523	609	n.m.	636	- 28.3%
Profit before tax	1,244	348	n.m.	617	- 1.6%
Customers loans (net Repos and IC)	81,466	94,585	- 13.9%	81,466	- 2.4%
Customers depos (net Repos and IC)	54,738	54,351	+ 0.7%	54,738	- 0.7%
Total RWA Eop	88,278	92,495	- 4.6%	88,278	+ 8.1%
EVA (€ million)	360	(374)	n.m.	188	+ 9.3%
Absorbed Capital (€ million)	9,939	11,292	- 12.0%	10,043	+ 2.1%
ROAC	+ 16.4%	+ 3.1%	+ 13.3 p.p.	+ 16.2%	- 0.4 p.p.
Cost/Income	34.4%	43.1%	- 8.7 p.p.	36.5%	4.0 p.p.
Cost of Risk	- 6 bps	54 bps	- 59 bps	13 bps	36 bps
Full Time Equivalent (eop)	3,428	3,502	- 2.1%	3,428	- 1.0%

Non Core

Non-core segment reports separately assets that the Group considers not strategic and with a poor fit to the Group's risk-adjusted returns framework. The final goal is the full rundown of the overall exposure by 31 December 2021. Specifically, the segment includes selected assets previously included in the segment Commercial Banking Italy (identified on a single deal/client basis), to be managed with a risk mitigation approach and some special vehicles for securitization transactions.

Income statement, key ratios and indicators

(€ million)

NON CORE	H1 2021	H1 2020	% CHANGE	2021 Q2	% CHANGE ON Q1 2021
Operating income	(26)	(26)	+ 0.1%	(9)	- 49.7%
Operating costs	(42)	(63)	- 33.1%	(21)	- 0.2%
Net write-downs on loans and provisions for guarantees and commitments	69	89	- 22.3%	42	+ 52.4%
Net operating profit	0	(1)	n.m.	12	n.m.
Profit before tax	(23)	(132)	- 83.0%	6	n.m.
Customers loans (net Repos and IC)	717	1,626	- 55.9%	717	- 4.4%
Customers depos (net Repos and IC)	462	440	+ 5.0%	462	+ 3.8%
Net Impaired Loans (percentage of total net loans Non-Core)	100.00%	100.00%	-	100.00%	-
Total RWA Eop	5,237	9,187	- 43.0%	5,237	- 14.7%
EVA (€ million)	(29)	(35)	- 16.9%	13	n.m.
Absorbed Capital (€ million)	739	1,208	- 38.8%	668	- 17.5%
ROAC	+ 2.1%	- 13.6%	+ 15.7 p.p.	+ 17.3%	+ 27.9 p.p.
Cost/Income	n.m.	n.m.	n.m.	n.m.	n.m.
Cost of Risk	n.m.	n.m.	n.m.	n.m.	n.m.
Full Time Equivalent (eop)	188	277	- 32.2%	188	- 8.5%

Other information

Group activities development operations and other corporate transactions

Transactions and initiatives involving shareholdings

Acquisition of the entire stake in Cordusio SIM

On 30 April 2021, following the execution of a Call Option on the minority stake held by some private bankers, UniCredit completed the acquisition of the remaining shareholding (2.88%) in Cordusio SIM S.p.A., reaching the 100% ownership.

Disposal of SIA UniCredit Leasing

Following the signing of the binding agreement in December 2019 and the obtainment of the relevant regulatory approvals, on 4 January 2021, UniCredit completed the disposal of SIA UniCredit Leasing and its subsidiary SIA UniCredit Insurance Broker to AS Citadele Banka.
The investment was classified among held for sale (IFRS5) as at 31 December 2020.
The transaction had a low single digit positive impact on the consolidated CET1 ratio. The intragroup funding has been fully reimbursed at closing.

Sale initiatives of non-performing portfolios

Sale of an Individual unsecured non-performing credit portfolio

On 21 June 2021 UniCredit has reached an agreement with MBCredit Solutions S.p.A. ("MBCS") and a securitisation vehicle managed by KRUK SA ("KRUK") in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing unsecured Individual credit portfolio, in Italy.
The portfolio consists entirely of Italian unsecured Individual credits, including Salary Backed Loan, classified as bad loans by 30 November 2020, with a claim value of approximately €220 million.
UniCredit and KRUK have also reached an agreement for the disposal of up to €250 million of Italian unsecured consumer bad loans, originated from first quarter 2021 to the end of the year, following this, in June 2021, receivables were sold with a claim value of approximately €113 million.
The marginal negative economic impact coming from the transactions above was reflected in the second quarter 2021 financial statements.
The agreement is part of UniCredit's on-going strategy to reduce non-performing exposures.
Following the agreements outlined above, the total amount of the sales performed during the first half 2021 involved credit exposures with a gross book value at the transfer date of €270 million and a net book value, at the transfer date, of €35 million.

Other information on Group activities

FINO Project

In relation to the FINO Project (started in 2016 and completed in 2018), as at 30 June 2021, following the redemptions made, the Notes (Asset Backed Securities) owned by UniCredit S.p.A. amount totally €155 million (€111 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 €44 million recorded under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" in connection with the remaining Mezzanine securities and all the Junior Notes). The evaluation of the Notes classified among other assets mandatorily at fair value led in 2021 to a negative impact of €0,1 million, while the Notes classified among financial assets at fair value through other comprehensive income an impairment has been recognised for €4 million, due to the change in estimation of expected cash flows of the underlying securitised loans.

Prisma transaction

In relation to Prisma transaction, finalised in the fourth quarter 2019 and referring to the securitization of a non-performing loan Residential Mortgage Portfolio of €4.1 billion gross book value originated by UniCredit S.p.A. and transferred to the securitisation vehicle PRISMA SPV S.r.l., issuer of the Asset Backed Securities (named also ABS or Note), it should be noted that as at 30 June 2021 UniCredit S.p.A. holds about 90% of Senior Note and 5% of Mezzanine and Junior Notes.
With reference to the Senior securities (supported by GACS - Garanzia Cartolarizzazioni Sofferenze, and which amounted to €1,215 million at 31 December 2019, in addition to the reimbursements received (equal to €268 million), in 2020 the Bank sold to third party investors an amount of nominal €120 million (approximately 10% of the value originally subscribed for €1,210 million), thus holding at the end of June 2021 the amount of

Other information

Notes classified in item "30. Financial asset at fair value through other comprehensive income" for €827 million. Regarding the residual Mezzanine and Junior Notes, they are recognised in item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" for total amount of €3 million, whose evaluation did not reveal any significant impacts on the 2021 income statement.
With reference to the regulatory treatment applied, UniCredit, following the notification to the European Central Bank, represents the related significant risk transfer when reporting the transaction above outlined.

Relais Transaction

In the fourth quarter 2020, as part of its program to accelerate the Non Core portfolio rundown, UniCredit Leasing ("UCL") completed the transfer of €1.6 billion Claim of an Italian non-performing real estate lease portfolio ("NPL Lease Portfolio") to a securitisation vehicle (Relais SPV S.r.l. "RELAIS") and the assets to a LeaseCo, a company envisaged by the Italian Securitisation Law for managing the real estate assets (Relais LeaseCo S.r.l. and together with Relais, the "Securitisation").
In December 2020 UCL purchased all the Asset Backed Securities (Note Senior, Mezzanine e Junior) issued by the SPV, and on 22 December 2020 exercised the put option ("back-stop") following which UCL sold to doValue (the securitization's Servicer) the 95% of the Mezzanine and Junior Notes, rising to accounting derecognition of the receivables.
With reference to the regulatory treatment applied, following the notification to the European Central Bank, starting from February 2021, UniCredit represents the related significant risk transfer when reporting the transaction above outlined.
On 9 March 2021, the Ministry of Economy and Finance granted the GACS guarantee on the Senior note.
On 30 June 2021 the Senior notes are recognised in item "30. Financial asset at fair value through other comprehensive income" for €468 million (€444 million hold by UniCredit S.p.A. due to the purchase by UCL performed on 6 April 2021), the Mezzanine and Junior notes are recognised in item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" for a total amount of €1 million.

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

On 12 January 2021 the parent company UniCredit S.p.A. launched a dual tranche Senior Preferred €1 billion with 5 years maturity and €1 billion with 10 years maturity. The combined amount represents the largest Euro institutional Senior Preferred issuance ever done by UniCredit.

Pietro Carlo Padoan and Andrea Orcel appointed respectively as Chairman and Chief Executive Officer of UniCredit S.p.A.

Following the approval of the list of candidates by the Annual General meeting (AGM) on 15 April 2021, the Board of Directors appointed as Chairman Mr. Pietro Carlo Padoan and Mr. Andrea Orcel as Chief Executive Officer (CEO) of the company with all the powers and authorizations necessary to fulfill his role.
The Board of Directors unanimously already co-opted Professor Pietro Carlo Padoan as a non-executive director after having concluded that he was the best candidate for the position as Chairman of UniCredit for the next term, as well as, last 27 January 2021, unanimously nominated Andrea Orcel as designated Chief Executive Officer (CEO) to replace the outgoing CEO Jean Pierre Mustier.

Launch of the share Buy-Back Programme

On 11 May 2021 UniCredit S.p.A. announced, in execution of the authorisation granted by the Shareholders' Meeting of the Company held on 15 April 2021, that it has defined and approved the measures for the execution of the share buy-back programme for a maximum amount of €178,688,534.90 and for a number of UniCredit ordinary shares not exceeding 30,000,000 (the "First Buy-Back Programme 2021"). As already disclosed to the market on 15 April 2021, the First Buy-Back Programme 2021 has been already authorised by the ECB on 12 April 2021.
For further details on the programme refer to paragraph "Group and UniCredit share historical data series" of this Consolidated interim report on operations.

New organisational structure and reorganisation of the Management Team

On 12 May 2021 UniCredit announced a new organisational structure and a new Management Team to drive the business effectively and deliver its new strategic plan during the second half of 2021.
This new structure creates a simplified organisation that enables greater accountability across all businesses and areas. It ensures clients remain at the heart of everything, further integrating technology and digitalisation as a key driver of future success and provides clarity on key roles and responsibilities.
As already evidenced in the paragraph "Main results and performance for the period" of this Consolidated interim report on operations, although some intermediate steps were already carried out, the new organization will become fully operational during the second half of the year, therefore, as at 30 June 2021, the performance and the results of the Group were measured and monitored on the basis of the pre-existing business divisions.

Other information

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

On 12 May 2021 the Rating Agency Moody's affirmed UniCredit S.p.A.'s long-term deposit and senior debt ratings at “Baa1”. The outlook remains stable.
The BCA/stand-alone rating was affirmed at “baa3”.

Update on MREL requirements

On 14 May 2021 UniCredit S.p.A. informed having received the Single Resolution Board and Banca d'Italia the updated decision on the Minimum Requirement for Own Funds and Eligible Liabilities (MREL): this supersedes the previous one communicated in December 2019, which set the MREL equal to 10.67 percent of Total Liabilities and Own Funds (TLOF) and applicable from 30 June 2022.
From 1 January 2022, UniCredit S.p.A. shall comply, on a consolidated basis, with an intermediate MREL equal to the maximum between 20.73 percent of Risk Weighted Assets (RWA), plus the Combined Buffer Requirement (CBR) applicable at that point in time, and a 5.90 percent of leverage ratio exposures (LRE).
From 1 January 2024, the consolidated MREL will become "fully loaded" and will be set equal to the maximum between 21.40 percent RWA, plus the applicable CBR, and 5.90 percent LRE.
Starting from 1 January 2022, UniCredit S.p.A. will also have to comply with a subordinated MREL, i.e. to be met with subordinated instruments, equal to the maximum between 11.79 percent RWA, plus the applicable CBR, and 5.68 percent LRE. Both these amounts already take into account the "senior allowance", i.e. the possibility to meet part of the subordinated requirement with senior (non-subordinated) instruments.
All these requirements shall be met with consolidated Own Funds plus Eligible Liabilities issued by UniCredit S.p.A. only.

Issue of a USD Dual-Tranche benchmark callable 6NC5 and 11NC10 Preferred Senior Transaction for USD 2 billion

On 26 May 2021 UniCredit S.p.A. has issued USD1,000,000,000 of Fixed to Fixed Rate Senior Preferred Notes, with a 6 year maturity and a call after year 5, and USD1,000,000,000 of Fixed to Fixed Rate Senior Preferred Notes, with a 11 year maturity and a call after year 10, targeted to institutional investors for a total amount of USD 2 billion.
The bonds are TLAC/MREL eligible and contribute to provide liquidity to the USD credit curve.

S&P changed UniCredit S.p.A.'s outlook to “stable” from “negative”

On 24 June 2021 it has been announced that the rating agency S&P Global Ratings ("S&P") has changed UniCredit S.p.A.'s outlook to “stable” (from “negative”).
The “BBB” long- and “A-2” short-term UniCredit S.p.A.’s credit ratings have been affirmed. The instrument ratings have been affirmed as well.

Issue of a Senior Preferred Green Bond for €1 billion

On 28 June 2021 UniCredit S.p.A. has issued its inaugural fix-to-floater Senior Preferred Green Bond for €1.0 billion with an 8-year maturity and a call after year 7, targeted to institutional investors.
The issuance follows a book building process that gathered strong demand of more than €3.25 billion from more than 200 investors globally.
The initial guidance of 120bps over the 7-year mid-swap rate has been tightened by 30bps, achieving a final spread of 90bps, resulting in a fixed coupon of 0.80% paid annually, with an issue/re-offer price of 99.953%.
The bond proceeds are dedicated to fund renewable energy, clean transportation, and green buildings with the aim of supporting the United Nations Sustainable Development Goals (UN SDGs).
The inaugural green bond issuance took place under UniCredit's newly established Sustainability Bond Framework. The framework allows the Group's main issuers UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria to issue green, social, and sustainability bonds, which will be a recurring part of the Group's funding activity going forward.

Issue of €750 million Additional Tier 1 PerpNC 6/2028 Notes (AT1)

On 30 June 2021 UniCredit S.p.A. placed an issue of Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1, with settlement date 7 July 2021, for a total amount of €750 million targeted to institutional investors.
For further details on the issue, refer to paragraphs “Capital strengthening” and “Subsequent events” of this Consolidated interim report on operations.

Other information

Organisational model

Significant organisational changes in the first half of 2021

Organisational structure

As already evidenced in the paragraph “Main results and performance for the period” of this Consolidated interim report on operations, last 12 May UniCredit announced a new organisational structure and a new Management Team to drive the business effectively and deliver its new strategic plan. Although some intermediate steps were already carried out, the new organization will become fully operational during the second half of the year, therefore, as at 30 June 2021, the performance and the results of the Group were measured and monitored on the basis of the pre-existing Group organizational structure which reflects an organisational and business model supporting the aim of being a commercial bank, that ensures autonomy to the Countries/Banks so to guarantee increased proximity to the client and faster decision-making processes, while maintaining a divisional structure for the governance of the Corporate & Investment Banking (CIB) business/products and the business in Western Europe and Central Eastern Europe, as well as overall control over the Chief Operating Office and Finance and Controls functions.

Specifically:

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

Other information

Conversion of deferred tax assets (DTAs) into tax credits

Referring to financial year 2020, UniCredit S.p.A. and UniCredit Leasing S.p.A. registered a loss in their separate financial statements and in the second quarter 2021 they converted respectively €383.7 and €26.4 million of Deferred Tax Assets (DTA) into tax credits (pursuant to Art.2, paragraph 55, of Law Decree No.225/2010).

The Law Decree No.73 of 25 May 2021 (LD 73/2021) extended to 2021 the incentives, introduced in 2020, for Non-Performing Exposures (NPE) disposals provided by Art.44-bis Law Decree No.34/2019. Therefore, also for 2021 the NPE sales completed by 31 December 2021 will allow the transformation in Tax Credits (TC) of Deferred Tax Assets (DTAs) deriving from (i) tax losses and (ii) ACE surpluses, under the same conditions applied to the benefit in 2020. As of 30 June 2021, €1,05 billion of NPE sales were completed, thus €57.7 million of DTAs were recognised into tax credits (i.e. €1.05 billion * 20% * 27.5%), with a correspondent positive impact on the income statement.

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

- the increase in convertible DTAs recognised at the end of the fiscal year and the convertible DTAs existing as at the end of 2007, for IRES tax, and as at the end of 2012 for IRAP tax, taking into account the amounts already converted into tax credits (including those carried out pursuant to Art.44-bis Law Decree No.34/2019 as extended by Law Decree No.73/2021);
- 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 2021 has been paid on 30 June 2021 for an overall amount of €104.3 million relating to the whole Italian Tax Group, of which €99.8 million for UniCredit S.p.A., €4.2 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A. As of 30 June 2021 the 50% of this amount was accounted in the income statement.

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 8 June 2021, and published on the website www.unicreditgroup.eu, in the first half 2021 the Bank’s Presidio Unico received no report of transaction of greater importance ended in the period;

b) in the first half of 2021, no transactions with related parties as defined by article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions and materially affecting the Group’s financial and economic situation;

c) in the first half of 2021, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group’s financial position or results during the reference period.

For more information on related-party transactions refer to Explanatory notes, Part H - Related-party transactions of the Condensed interim consolidated financial statement as at 30 June 2021.

Subsequent events and outlook

Subsequent events[7]

With settlement date 7 July 2021 UniCredit S.p.A. completed the issue of Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1, placed last 30 June 2021.
For further details on the issue, refer to paragraphs “Capital strengthening” and “Other information on Group activities” of this Consolidated interim report on operations.

On 10 July 2021 the Group has acquired, through Zagrebačka Banka, the control over Optima Telekom following the decision by Croatia Competition Authority that has determined the termination of the agreement through which Zagrebačka Banka has transferred it management rights to Hrvatski Telekom. For additional information on such transaction refer to Part A - Accounting policies - Section 4 - Events subsequent to the reference date.

On 13 July 2021 it has been reported that the Rating Agency Moody's has updated its banks methodology. As a result, UniCredit S.p.A.'s long-term deposit and senior debt ratings and Tier 2 rating are unchanged at “Baa1” and “Baa3” respectively.
UniCredit's Senior Non-Preferred Ratings were downgraded to “Baa3” from “Baa2”. The outlook remains “stable”.

On 15 July 2021 UniCredit announced further steps in its business simplification. Following the new organisational structure put in place in May by the Group's CEO Andrea Orcel and the appointment of a new Group Executive Committee ("GEC"), notice is hereby given that, to further improve efficiency, the first line of each business area and region has been designed to reduce layering and complexity whilst retaining clear lines of control and oversight. The new reporting lines provide a clean and clear management structure designed to deliver faster execution and decision-making capabilities and promote operational excellence, providing closer links between management and the clients and communities within which it operates.
The realignment has further increased the diversity of the management team, mirroring the increased female presence at GEC level and introducing greater variety in the nationalities represented. Italy is established as a standalone geography, reflecting the critical importance of this Country to the Group.

On 22 July 2021, following the European Central Bank required authorization, the cross-border merger project for the incorporation of UniCredit Bank Ireland Public Limited Company into UniCredit S.p.A., has been filed for registration with the Companies’ Register held by the Chamber of Commerce of Milan, Monza, Brianza and Lodi and with the Irish Companies' Registration Office.
The project should be completed by 2021 and it is aimed at simplifying the Group’s structure, in order to ensure greater efficiency and to optimise the economic, management and financial structure.

On 28 July 2021 UniCredit announced the early redemption of notes, issued on 10 September 2014 (ISIN XS1107890847) for €1 billion, in accordance with the relevant Terms and Conditions of the notes themselves. UniCredit S.p.A. will exercise its option to early redeem in whole the notes on 10 September 2021 (the first call date). The early redemption of the issue will be at par, together with accrued and unpaid interests. The interests shall cease to accrue on the same first call date.

On 29 July 2021 UniCredit S.p.A. and the Ministry of Economy and Finance ("MEF") of the Republic of Italy, the majority shareholder of Banca Monte dei Paschi di Siena S.p.A. ("MPS"), announced having approved the prerequisites for a potential transaction involving the commercial operations of MPS with a carefully defined perimeter and appropriate risk mitigation. Exclusive discussions will begin to assess the feasibility of a transaction.
The transaction under analysis is subject to the positive outcome of the assessment of the prerequisites as agreed, as well as the legal, economic, tax, accounting and industrial due diligence, the discussions with the MEF and MPS aimed at defining the transaction structure, terms and perimeter, and the subsequent definition of the relevant binding agreements.

7 Up to the date of approval by the Board of Directors’ Meeting of 29 July 2021 which, on the same date, authorised the publication also in accordance with IAS10.

Subsequent events and outlook

Outlook

Global GDP is expected to grow by about 6% in 2021, following a contraction of about 3% in 2020. This is higher than initially projected and mainly reflects stronger near-term growth and improving economic prospects in several advanced economies, including the eurozone, the US and the UK. This improvement has been driven by a faster-than-expected increase in consumer spending as restrictions have been eased.

In the euro area, economic activity is expected to expand in the second quarter of 2021, after a GDP decline of 0.3% compared to the fourth quarter of 2020, with further substantial acceleration expected in the third quarter of 2021. Boosted by the reopening of the economy, services activities are expected to recover while manufacturing activity is likely to remain solid.
In terms of Italian GDP, it is expected the start of an economic recovery in the second quarter of 2021, supported by an increase in services activity (mainly in the accommodation and food-services sectors) and by good performance in the manufacturing and construction sectors. Fixed investment has been recovering quickly, and it is now expected a recovery in private consumption materializing, thanks to the lifting of restrictions, rapid improvement in consumer sentiment and a gradual adjustment in the labour market.

The ECB would need to preserve sizeable monetary stimulus and a smooth transmission of monetary policy in all jurisdictions. Negative rates and sizeable asset purchases by the central bank are likely to continue for a prolonged period of time.

In the second half of the year, the Group will approve the Strategic Plan with the new strategic guidelines established with the purpose of achieving a disciplined profitability growth and a healthy and organic capital creation, in a macroeconomic and social context profoundly changed following the pandemic.

In the following months the Group will fully focus on the new objectives, functioning in a macroeconomic context expected to gradually recover.
The new Managerial Team will immediately focus on relaunching and strengthening the business, always putting in the foreground the customer as a center focus; all this cannot prescind from a further integration of the technology and a simplification of processes.

The value creation for the shareholders will be realized through a sustainable profit growth, coherent with the socio-economic role of the Group, and focused on the areas in which the Group is able to create a real added value.

Milan, 29 July 2021

THE BOARD OF DIRECTORS

CHAIRMAN	CEO
PIETRO CARLO PADOAN	ANDREA ORCEL

Do the right thing!
For Diversity & Inclusion

UniCredit is committed to promoting a positive working environment that embraces our core values: Ethics & Respect.

TAKING ACTION AT THE 2020 D&I WEEK

More than 21,000 colleagues joined our 100 events in 15 countries. With 270 external speakers and 145 hours of workshops, coaching sessions and online discussions, we made sure everyone could join UniCredit's second annual Diversity & Inclusion Week.

Consolidated accounts

Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
10. Cash and cash balances	122,819	101,707
20. Financial assets at fair value through profit or loss:	93,385	87,825
a) financial assets held for trading	78,991	72,705
b) financial assets designated at fair value	241	226
c) other financial assets mandatorily at fair value	14,153	14,894
30. Financial assets at fair value through other comprehensive income	71,195	72,737
40. Financial assets at amortised cost:	620,568	623,501
a) loans and advances to banks	121,068	117,489
b) loans and advances to customers	499,500	506,012
50. Hedging derivatives	3,156	3,802
60. Changes in fair value of portfolio hedged items (+/-)	2,751	3,886
70. Equity investments	4,271	4,354
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	9,674	9,939
100. Intangible assets	2,170	2,117
of which: goodwill	-	-
110. Tax assets:	12,484	13,098
a) current	2,362	1,737
b) deferred	10,122	11,361
120. Non-current assets and disposal groups classified as held for sale	749	2,017
130. Other assets	6,824	6,473
Total assets	**950,046**	**931,456**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
10. Financial liabilities at amortised cost:	790,621	775,747
a) deposits from banks	186,751	172,473
b) deposits from customers	507,897	500,750
c) debt securities in issue	95,973	102,524
20. Financial liabilities held for trading	49,798	47,787
30. Financial liabilities designated at fair value	9,823	10,568
40. Hedging derivatives	4,417	5,699
50. Value adjustment of hedged financial liabilities (+/-)	3,624	6,065
60. Tax liabilities:	1,151	1,358
a) current	560	792
b) deferred	591	566
70. Liabilities associated with assets classified as held for sale	565	761
80. Other liabilities	18,241	12,749
90. Provision for employee severance pay	557	592
100. Provisions for risks and charges:	9,446	10,188
a) commitments and guarantees given	1,372	1,388
b) post-retirement benefit obligations	5,103	5,677
c) other provisions for risks and charges	2,971	3,123
110. Technical reserves	-	-
120. Valuation reserves	(5,589)	(6,159)
130. Redeemable shares	-	-
140. Equity instruments	6,841	6,841
150. Reserves	31,133	31,167
160. Share premium	6,098	9,386
170. Share capital	21,133	21,060
180. Treasury shares (-)	(181)	(3)
190. Minority shareholders' equity (+/-)	447	435
200. Profit (Loss) for the period (+/-)	1,921	(2,785)
Total liabilities and shareholders' equity	**950,046**	**931,456**

Consolidated accounts

Consolidated income statement

(€ million)

ITEMS	AS AT 06.30.2021	AS AT 06.30.2020
10. Interest income and similar revenues	6,148	6,880
of which: interest income calculated with the effective interest method	*4,843*	*5,888*
20. Interest expenses and similar charges	(1,727)	(1,956)
30. Net interest margin	**4,421**	**4,924**
40. Fees and commissions income	3,953	3,587
50. Fees and commissions expenses	(586)	(580)
60. Net fees and commissions	**3,367**	**3,007**
70. Dividend income and similar revenues	200	132
80. Net gains (losses) on trading	948	(364)
90. Net gains (losses) on hedge accounting	42	(18)
100. Gains (Losses) on disposal and repurchase of:	181	247
a) financial assets at amortised cost	59	110
b) financial assets at fair value through other comprehensive income	125	127
c) financial liabilities	(3)	10
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(293)	457
a) financial assets/liabilities designated at fair value	(253)	491
b) other financial assets mandatorily at fair value	(40)	(34)
120. Operating income	**8,866**	**8,385**
130. Net losses/recoveries on credit impairment relating to:	(533)	(2,196)
a) financial assets at amortised cost	(535)	(2,160)
b) financial assets at fair value through other comprehensive income	2	(36)
140. Gains/Losses from contractual changes with no cancellations	(1)	(10)
150. Net profit from financial activities	**8,332**	**6,179**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**8,332**	**6,179**
190. Administrative expenses:	(5,303)	(6,641)
a) staff costs	(2,977)	(4,386)
b) other administrative expenses	(2,326)	(2,255)
200. Net provisions for risks and charges:	(141)	(167)
a) commitments and financial guarantees given	20	(114)
b) other net provisions	(161)	(53)
210. Net value adjustments/write-backs on property, plant and equipment	(383)	(523)
220. Net value adjustments/write-backs on intangible assets	(237)	(202)
230. Other operating expenses/income	291	341
240. Operating costs	**(5,773)**	**(7,192)**
250. Gains (Losses) of equity investments	(2)	(1,521)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	19	(9)
270. Goodwill impairment	-	(8)
280. Gains (Losses) on disposals on investments	1	464
290. Profit (Loss) before tax from continuing operations	**2,577**	**(2,087)**
300. Tax expenses (income) for the period from continuing operations	(645)	(190)
310. Profit (Loss) after tax from continuing operations	**1,932**	**(2,277)**
320. Profit (Loss) after tax from discontinued operations	1	1
330. Profit (Loss) for the period	**1,933**	**(2,276)**
340. Minority profit (loss) for the period	(12)	(10)
350. Parent Company's profit (loss) for the period	**1,921**	**(2,286)**

Earnings per share (€)	0.849	(1.055)
Diluted earnings per share (€)	0.844	(1.049)

Consolidated accounts

Consolidated statement of other comprehensive income

(€ million)

ITEMS	AS AT 06.30.2021	AS AT 06.30.2020
10. Profit (Loss) for the period	**1,933**	**(2,276)**
Other comprehensive income after tax not reclassified to profit or loss	**639**	**104**
20. Equity instruments designated at fair value through other comprehensive income	87	(36)
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	30	108
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	180	(13)
60. Intangible assets	-	-
70. Defined-benefit plans	337	48
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	5	(3)
Other comprehensive income after tax reclassified to profit or loss	**(66)**	**522**
100. Foreign investments hedging	-	-
110. Foreign exchange differences	239	(605)
120. Cash flow hedging	(86)	124
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(231)	(375)
150. Non-current assets and disposal groups classified as held for sale	-	676
160. Part of valuation reserves from investments valued at equity method	12	702
170. Total other comprehensive income after tax	**573**	**626**
180. Other comprehensive income (Item 10+170)	**2,506**	**(1,650)**
190. Minority consolidated other comprehensive income	(14)	2
200. Parent Company's consolidated other comprehensive income	**2,492**	**(1,648)**

Consolidated accounts

Statement of changes in the consolidated shareholders' equity as at 30 June 2021

(€ million)

	BALANCE AS AT 12.31.2020	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2021	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION: RESERVES	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION: DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN THE PERIOD: CHANGES IN RESERVES	CHANGES IN THE PERIOD – 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	CHANGES IN THE PERIOD: OTHER COMPREHENSIVE INCOME FIRST HALF 2021	TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2021	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2021	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2021
Share capital:	21,229	-	21,229	-	-	-	73	-	-	-	-	-	-	-	-	21,302	21,133	169
- ordinary shares	*21,229*	-	*21,229*	-	-	-	*73*	-	-	-	-	-	-	-	-	*21,302*	*21,133*	*169*
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	9,476	-	9,476	(2,732)	-	(557)	-	-	-	-	-	-	-	-	-	6,187	6,098	89
Reserves:	31,334	-	31,334	(48)	-	319	(73)	-	-	(268)	-	-	43	-	-	31,307	31,133	174
- from profits	*23,495*	-	*23,495*	*(48)*	-	*(168)*	*(73)*	-	-	*(268)*	-	-	-	-	-	*22,938*	*22,891*	*47*
- other	*7,839*	-	*7,839*	-	-	*487*	-	-	-	-	-	-	*43*	-	-	*8,369*	*8,242*	*127*
Valuation reserves	(6,157)	-	(6,157)	-	-	(2)	-	-	-	-	-	-	-	-	573	(5,586)	(5,589)	3
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	6,841	-	6,841	-	-	-	-	-	-	-	-	-	-	-	-	6,841	6,841	-
Treasury shares	(3)	-	(3)	-	-	1	-	(179)	-	-	-	-	-	-	-	(181)	(181)	-
Profit (Loss) for the period	(2,778)	-	(2,778)	2,780	(2)	-	-	-	-	-	-	-	-	-	1,933	1,933	1,921	12
Total shareholders' equity	**59,942**	**-**	**59,942**	**-**	**(2)**	**(239)**	**-**	**(179)**	**-**	**(268)**	**-**	**-**	**43**	**-**	**2,506**	**61,803**	**61,356**	**447**
Group shareholders' equity	59,507	-	59,507	-	(2)	(237)	-	(179)	-	(268)	-	-	43	-	2,492	61,356		
Minority shareholders' equity	435	-	435	-	-	(2)	-	-	-	-	-	-	-	-	14	447		

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

The cumulated change of valuation reserves, for +€571 million, included the effect of the variation for:

- +€339 million of defined-benefit plans related to pensions and other post-retirement benefits obligations and provision for employee severance pay;
- +€240 million of exchange differences, mainly related to effect of Russian Ruble for +€116 million and Czech Crown for +€78 million;
- +€175 million of property, plant and equipment related to the properties used in business, ruled by IAS16 "Property, plant and machinery";
- +€18 million of investments valued at net equity;
- -€86 million of cash-flow hedges;
- -€115 million of financial asset and liabilities at fair value.

The change in Group share capital refers to the increase for +€73 million following the resolution of the Board of Directors of 10 February 2021 of UniCredit S.p.A. executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.

Following the resolutions of the Shareholders' Meeting of UniCredit S.p.A. of 15 April 2021 occurred: (i) coverage the entire loss from the 2020 financial year through the use of the Share Premium Reserve (€2,732 million); (ii) increase of the Legal reserve (€55 million) withdrawn from Share Premium Reserve; (iii) coverage of the negative reserves totaling €449 million, partly by use of Share premium reserve to eliminate the negative components related to the payment of AT1 coupons (€322 million) and partly by use of the Statutory reserve to cover the negative reserve arising from the payments, made during 2020, of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€127 million); (iv) the allocation of part of the Share Premium Reserve (€179 million) to specific unavailable reserve in relation to the purchases of treasury shares in execution of Buy-Back program.

Moreover, the change of the other reserves includes the payment of coupons on AT1 equity instruments for -€165 million.

The change in the period in the item "treasury shares" relates to the execution of the share buyback (the "First Buy-Back Programme 2021") approved by the Shareholders' Meeting of 15 April 2021 and aimed at the remuneration of shareholders.

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

Consolidated accounts

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

(€ million)

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

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

The cumulated change of valuation reserves, for +€634 million, included the effect of the variation for:

- +€704 million of investments valued at net equity and +€684 million of non-current assets classified as held for sale, mainly due to the disposal of respectively 11.93% and 9.02% stake of Yapi Ve Kredi Bankasi AS with the consequent recycle mostly to profit or loss of these reserves basically referred to exchange rate differences on Turkish Lira;
- +€124 million of cash-flow hedges;
- +€50 million of defined-benefit plans related to pensions and other post-retirement benefits obligations and provision for employee severance pay;
- -€19 million of property, plant and equipment related to the properties used in business, ruled by IAS16 "Property, plant and machinery";
- -€304 million of financial asset and liabilities at fair value;
- -€605 million of exchange differences, mainly related to effect of Russian Ruble for -€355 million, Czech Crown for -€127 million and Hungarian Forint for -€78 million.

The change in Group share capital refers to the increase for +€65 million following the resolution of the Board of Directors of 5 February 2020 of UniCredit S.p.A. executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.

Following the resolutions of the Shareholders' Meeting of UniCredit S.p.A. of 9 April 2020 occurred: (i) coverage the entire loss from the 2019 financial year through the use of the Share Premium Reserve (€555 million); (ii) coverage of the negative reserves totaling €3,408 million, partly by use of Share premium reserve to eliminate the negative components related to the payment of AT1 coupons (€525 million) and to the first time adoption of the IFRS9 (€2,759 million) and partly by use of the Statutory reserve to cover the negative reserve arising from the payment of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€124 million). Moreover, the change of the other reserves includes the payment of coupons on AT1 equity instruments for -€160 million.

Consolidated accounts

Consolidated cash flow statement (indirect method)

(€ million)

	AS AT	
	06.30.2021	06.30.2020
A. OPERATING ACTIVITIES		
1. Operations:	**5,313**	**1,327**
- profit (loss) for the period (+/-)	1,933	(2,276)
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(79)	(3,065)
- gains (losses) on hedge accounting (-/+)	(42)	18
- net impairment losses/writebacks on impairment for credit risk (+/-)	1,844	3,172
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	602	735
- net provisions for risks and charges and other expenses/income (+/-)	(105)	1,018
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	564	72
- impairment/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	596	1,653
2. Liquidity generated/absorbed by financial assets:	**(4,990)**	**(40,798)**
- financial assets held for trading	(8,125)	(1,711)
- financial assets designated at fair value	(28)	-
- other financial assets mandatorily at fair value	691	336
- financial assets at fair value through other comprehensive income	1,417	2,712
- financial assets at amortised cost	2,867	(43,142)
- other assets	(1,812)	1,007
3. Liquidity generated/absorbed by financial liabilities:	**21,556**	**37,575**
- financial liabilities at amortised cost	13,293	30,685
- financial liabilities held for trading	4,239	4,394
- financial liabilities designated at fair value	(957)	1,217
- other liabilities	4,981	1,279
Net liquidity generated/absorbed by operating activities	**21,879**	**(1,896)**
B. INVESTMENT ACTIVITIES		
Liquidity generated/absorbed by:		
- equity investments	18	418
- collected dividends on equity investments	112	35
- property, plant and equipment	30	927
- intangible assets	(272)	(266)
- purchases/sales of subsidiaries and business units	-	(13)
Net liquidity generated/absorbed by investment activities	**(112)**	**1,101**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	(179)	-
- issue/purchase of equity instruments	-	1,239
- dividend distribution and other	(528)	(284)
- sale/purchase of minority control	-	-
Net liquidity generated/absorbed by funding activities	**(707)**	**955**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**21,060**	**160**

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

Consolidated accounts

Reconciliation

(€ million)

ITEMS	AS AT 06.30.2021	AS AT 06.30.2020
Cash and cash balances at the beginning of the period	**101,707**	**17,305**
Net liquidity generated/absorbed in the period	21,060	160
Cash and cash balances: foreign exchange effect	52	(123)
Cash and cash balances at the end of the period	**122,819**	**17,342**

The item "Cash and cash balances" refers to the definition according to Banca d'Italia (Circular No.262 of 22 December 2005 and subsequent amendments).
That item is mainly related to "Demand deposits with Central Banks" for €114 billion of which UniCredit S.p.A. for €76 billion and UniCredit Bank AG for €34 billion that represent the investment of liquidity in overnight deposits with Banca d'Italia and Bundesbank, in addition to the part that is maintained in the Compulsory Reserves.

Part A - Accounting policies

A.1 - General

Section 1 - Statement of compliance with IFRS

The contents of this Condensed interim consolidated financial statements are in line with IAS34 on interim reporting. In accordance with paragraph 10 of mentioned IAS34, the Group has opted to provide condensed first half Consolidated accounts.
In detail, with regard to the initial recognition, measurement and derecognition of assets and liabilities and the recognition of costs and revenues the rules set out in international accounting standards were applied including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to 30 June 2021, pursuant to EU Regulation No.1606/2002 which was incorporated into Italy's legislation through the Legislative Decree No.38 dated 28 February 2005 and as required by paragraph 154-ter 3 of the Single Finance Act (TUF, Legislative Decree No.58 dated 2/24/1998).

They are an integral part of the Consolidated First Half Financial Report as required by Art.154-ter, paragraph 2, of the Single Finance Act (TUF Legislative Decree No.58 of 24 February 1998).
As required by paragraph 154-ter 2 TUF, this Consolidated First Half Financial Report includes the Condensed interim consolidated financial statements, the Consolidated interim report on operations and the Certification required by paragraph 154-bis 5 TUF.

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

Section 2 - General preparation criteria

As mentioned above, these Condensed interim consolidated financial statements as at 30 UniCredit 2021 have been prepared in accordance with the international accounting standards endorsed by the European Commission.

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

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and the documents prepared by either the IASB (including the IFRS Foundation communication of 27 March 2020 concerning "IFRS9 and Covid-19") or the International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRS;
- Interpretative documents on the application of the IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (the Italian Standard Setter; OIC) and Associazione Bancaria Italiana (Italian Banking Association, that is the trade association of Italian banks; ABI);
- Coordination Table between Banca d'Italia, Consob ed Ivass with regard to the application of IAS/IFRS, in particular the Document n.9, dated 5 January 2021, Accounting Treatment of tax credits connected with the "Cura Italia" and "Rilancio" Law Decrees purchased following the sale without recourse by the direct beneficiaries or previous buyers ("Trattamento contabile dei crediti d'imposta connessi con i Decreti Legge "Cura Italia" e "Rilancio" acquistati a seguito di cessione da parte dei beneficiari diretti o di precedenti acquirenti");
- ESMA (European Securities and Markets Authority), European Banking Authority, European Central Bank and Consob documents on the application of specific IFRS provisions also with specific reference to the presentation of the effects arising from Covid-19 pandemic and their effects on the evaluation processes. In particular, it shall be made reference to the ESMA statements dated 25 March 2020, 20 May 2020 and 28 October 2020, to the European Central Bank statements dated 1 April 2020 and 4 December 2020, to the European Banking Authority statements dated 25 March 2020, 2 April 2020, 2 June 2020 and 2 December 2020, and to Consob "Call for attention" dated 16 February 2021.

These Condensed interim consolidated financial statements comprise the Balance sheet, the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement (compiled using the indirect method), the Explanatory notes and Annexes.
The schemes of the Condensed interim consolidated financial statements as at 30 June 2021 are coherent with the Banca d'Italia templates as prescribed by the Circular No.262 dated 22 December 2005 of Banca d'Italia (and subsequent amendments). They also present comparative figures, as at 31 December 2020 for the Balance sheet, and as at 30 June 2020 for the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity and the Cash flow statement.

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

Risks and uncertainty relating to the use of estimates

Under the IFRS, management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets/liabilities and income and expenses reported in the accounts, as well as the disclosure concerning contingent assets and liabilities. Estimates and related assumptions are based on previous experience and on the available information framework with reference to the current and expected context and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

Part A - Accounting policies

Estimates and assumptions are regularly reviewed. Any change resulting from these reviews is recognised in the period in which the review was carried out, provided the change only concerns that period. If the review concerns both current and future periods, it is recognised accordingly in both current and future periods.
In particular, estimated figures have been used for the recognition and measurement of some of the main items in the Condensed interim consolidated financial statements as at 30 June 2021, as required by the accounting policies, statements and regulations described above.

Since 2020, the market environment has been affected, when compared to the past, by a lower predictivity of the macroeconomic projections arising from a substantial degree of uncertainty about the evolution of the pandemic Covid-19, and the consequent uncertainty of predicting timing and extent of the economic recovery which may occur in future periods. Such uncertainty despite the phasing out of restriction measures and the subsequent expectations of economic recovery, remains in the first half of 2021 as the timing and extent of economic recovery will depend on the effectiveness of vaccination campaigns implemented by governments, the emergence of vaccine-resistant virus variants and the subsequent reintroduction of restriction measures.

In the aforementioned high-level uncertainty context and considering ESMA Public Statement dated 28 October 2020 ("European common enforcement priorities for 2020 Annual Financial Reports"), UniCredit group defined different macroeconomic scenarios, used for the purposes of the evaluation processes of 2020 Financial statements.
In particular, in addition to the "Baseline" scenario, which reflects the expectations considered most likely concerning macroeconomic trends, alternative scenarios have been outlined by assuming different trends in the main macroeconomic parameters (e.g., gross domestic product, interest rates) for the valuation of goodwill[8], deferred tax assets and credit exposures, in this respect:
- with reference to the impairment test of goodwill and deferred tax assets, a worst-case scenario (called "Downturn") was defined, reflecting a downward forecast of the expected profitability of the business;
- with reference to the valuation of credit exposures (IFRS9), two alternative scenarios ("Positive" and "Negative") were outlined, which provide for different assessments regarding the expected trend of the parameters that can influence the valuation of the prospective credit risk.

For the purposes of Condensed interim consolidated financial statements as at 30 June 2021 with regard to the deferred tax assets, the following analyses were performed: (i) analysis, based on the evidence made available by UniCredit Research, of the evolution of the macroeconomic scenario for the period 2021-2023 compared to the scenario underlying the valuation process at 31 December 2020, (ii) comparison between the actual profit before taxes and the budget underlying the test executed in December 2020 and (iii) confirmation of the validity of the additional methodological assumptions (reference tax legislation, perimeter of companies belonging to the Italian tax perimeter) used in the valuation process.
For further information about the analysis performed and the related results, reference is made to the Section 5 – "Other Matters" of the Condensed interim consolidated financial statement, Explanatory Notes, Part A – Accounting policy – A.1 General Part.
It shall be noted that, with reference to the deferred tax assets, the outcome of the measurement is significantly influenced by assumptions on future cash flows, which in turn incorporate assumptions on the evolution of the macroeconomic scenario. Moreover, the sustainability of deferred tax assets is influenced by criteria and assumptions of the statistic model used for future taxable income projections, for the period following that for which the official projections are available, such as the volatility of expected results and the confidence level used.
Therefore, the results of these evaluations might be subject to changes currently not foreseeable, depending on the evolution of the pandemic, the effect of the relief measures adopted and, the effectiveness of vaccination campaigns, also considering the new virus variants, and ultimately the existence and extent of economic recovery. Possible deviations of the actual economic recovery, compared to the assumptions which form the basis of the evaluations, might require a re-determination of the parameters used for valuation purposes, in particular with regard to the future cash flows, and the consequent change in the valuation.

With reference to the credit exposures at 30 June 2021, according to the Group policies, the macroeconomic scenarios used for calculation of credit risk parameters (Probability of Default, Loss Given Default and Exposure at Default) were updated, with the latest evidences available at May 2021, provided by UniCredit Research.

In this context, with specific reference to the credit exposures belonging to the Italian Retail portfolio, some variables underlying the macroeconomic scenario were not updated as of May 2021; the reason behind such approach lies in the fact that the Italian macroeconomic scenario is positively influenced by the measures implemented by the government authorities in order to contain the negative economic effects deriving from the pandemic (e.g. regarding the unemployment rate, it is assumed it is positively influenced by the layoff freezing, that - when removed - might determine a worsening of the economic values).

In addition to the base scenario, a negative scenario and a positive scenario have been developed and applied through specific weighting factors.
In continuity with the estimates made in December 2020, in light of the aforementioned persistent level of uncertainty, the probability of the "negative" scenario was kept at 40% in order to incorporate the risks of adverse changes. The probabilities used for the "base" and "positive" scenarios were kept at 55% and 5% respectively. For further information about the valuation of credit exposures, reference is made to Section 2.1 –

8 Goodwill has been fully impaired on 31 December 2020.

Part A - Accounting policies

"Credit risk", of the Condensed interim consolidated financial statement, Explanatory Notes, Part E - Information on risks and hedging policies, Section 2 – Risks of the prudential consolidation perimeter.
In this context, it is worth to note that the amount of loan loss provisions is determined by considering the classification - current and expected - of credit exposures as non-performing, the sale prices (for those non-performing exposure whose recovery is expected through sale to external counterparties), and credit risk parameters which - in accordance with IFRS9 - incorporates, among other factors, forward looking information and the expected evolution of the macroeconomic scenario.
Therefore, also in this case, the measurement is affected by the already mentioned degree of uncertainty on the evolution of the pandemic, the effectiveness of vaccination campaigns, the effect of the relief measures and, ultimately, the existence and degree of economic recovery.
Indeed, the evolution of these factors might require the classification of additional credit exposures as non-performing in future reporting periods, thus determining the recognition of additional loan loss provisions related to both these exposures as well as performing exposures following the update in credit risk parameters. In this context, it will be relevant - among other factors - the ability of the customers to repay their debt once moratoria measures granted by governments in which the Group operates or provided voluntarily by the Banks of the Group will expire.
In addition, the need to adjust the loan loss provisions might derive from the occurrence of a macroeconomic scenario different from the one estimated for the calculation of the credit risk parameters, or by the prevalence on the market of non-performing exposures of prices different from those used in the measurement. Finally, the evolution of the real estate market could impact on the value of properties received as collateral and may require an adjustment to the loan loss provisions.
With reference to real estate portfolio, which starting from 31 December 2019 is measured at fair value, it is worth to note that in accordance with the Group policy the appraisals were updated at 30 June 2021. Within next reporting periods, the fair value of these assets might be different from the values presented as at 30 June 2021 as a result of the possible evolution of prices of real estate market which will also depend on the evolution of the pandemic. Additional information about the valuation approach of the real estate portfolio and the associated results are provided in Section 5 – "Other Matters" of the Condensed interim consolidated financial statement, Explanatory Notes, Part A - Accounting policy – A.1 General Part.

The following additional Balance sheet items might be significantly affected in their evaluation by risks and uncertainties, even if not directly connected with the slow-down of the economic activity and the associated uncertainty level of the economic recovery:
- fair value of financial instruments not listed in active markets;
- severance pay (in Italy) and other employee's benefits (including defined benefit obligation);
- provisions for risks and charges.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 30 June 2021, they might subject to changes not foreseeable at the moment, as a result of the evolution in the parameters used for the evaluation.

Furthermore, the following factors, in addition to those illustrated above, might influence the future results of the Group and cause outcomes materially different from those deriving from the valuations: (1) general economic and industrial conditions of the regions in which the Group operates or holds significant investments; (2) exposure to various market risks (e.g. foreign exchange risk); (3) political stability in the areas in which the Group operates or holds significant investments; (4) legislative, regulatory and tax changes, including regulatory capital and liquidity requirements, also taking into account Brexit and increased regulation in response to the financial crisis. Other unknown and unforeseeable factors could determine material deviations between actual and expected results.

Statement of going concern

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

The Directors observed that the emergence of Covid-19 pandemic during the financial year 2020 and the associated lock-down measures, still ongoing, have determined, as mentioned above, negative effects that are offset, only in part, by the economic relief measures put in place by the Governments.

The Directors have considered these circumstances in the assessments of significant items recognised in the Condensed interim consolidated financial statements, and on the basis of these assessments, also acknowledging the current and ongoing uncertainty surrounding the economic recovery and the long-term impact of the lock-down measures adopted, believe with reasonable certainty that the Group will continue to operate profitably in the foreseeable future; as a result, in accordance with the provisions of IAS1, the document "Consolidated first half financial report as at 30 June 2021" was prepared on a going concern basis.

Based upon the aforementioned evaluations, the main regulatory ratios have been taken into account at 30 June 2021, in terms of: (i) the exact figures at 30 June 2021 (CET1 Ratio Transitional equal to 16.11%; TLAC Ratio equal to 26.16%; Liquidity Coverage Ratio at 185% based on monthly average on 12 months; (ii) the related buffer versus the minimum requirements at the same reference date (CET1 Ratio Transitional:

Part A - Accounting policies

excess of 708 basis points; TLAC Ratio: excess of 661 basis points; Liquidity Coverage Ratio: excess of more than 85 percentage points); iii) the expected evolution of the same ratios during 2021 (in particular, in 2021, it is expected to maintain a significant margin above the capital requirements, i.e. the so-called CET1 ratio "MDA buffer", well above the range of 200-250 basis points that the Group has set as target in the medium/long term).

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

Section 3 - Consolidation scope and methods

The consolidation criteria and principles used to prepare the Consolidated first half financial report as at 30 June 2021 are described below.

Consolidated accounts

For the preparation of the Consolidated first half financial report as at 30 June 2021 the following sources have been used:
- the parent company UniCredit S.p.A. first half accounts as at 30 June 2021;
- the first half accounts as at 30 June 2021 of the other fully consolidated subsidiaries duly reclassified and adjusted to take account of consolidation needs and, where necessary, to align them to the Group accounting principles;
- the sub-consolidated accounts as at 30 June 2021 of Nuova Compagnia di Partecipazioni group, including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italpetroli S.p.A.) and its direct and indirect subsidiaries.

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

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

Subsidiaries

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

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

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

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

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

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

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

Part A - Accounting policies

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

A subsidiary's income and expenses are included in the consolidation from the date the Parent acquires the control. On disposal of a subsidiary, its income and expenses are consolidated up to the date of the disposal, i.e. until the Parent ceases to control the subsidiary. The difference between the consideration received of the subsidiary and the carrying amount of its net assets at the same date is recognised in the income statement under item "280. Gains (Losses) on disposal of investments" for fully consolidated companies.
The portion attributable to non-controlling interests is presented in the balance sheet under item "190. Minorities", separately from the liabilities and net equity attributable to the Group. In the income statement, the portion attributable to minorities is also presented separately under item "340. Minorities".
With respect to companies included in the consolidation scope for the first time, the fair value of the cost paid to obtain control of this equity interest is measured at the acquisition date.
The difference between the consideration received of an interest held in a subsidiary and the carrying amount of the net assets is recognised in the net equity, if the sale does not entail loss of control.

Joint arrangements
A joint arrangement is a contractual agreement under the terms of which two or more counterparties arrange to jointly control an entity.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.
According to the standard IFRS11 - Joint Arrangements, such agreements must be classified as Joint Operations or Joint Ventures according to the contractual rights and obligations held by the Group.
A Joint Operation is a joint arrangement in which the parties have rights on the assets and obligations with respect to the liabilities of the arrangement.
A Joint Venture is a joint arrangement in which the parties have rights on the net assets of the arrangement.
The Group has assessed the nature of the joint arrangements and has determined that its jointly controlled equity investments are of the Joint Venture type. These equity investments are recognised using the equity method.
Carrying amount of the Joint Ventures is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of value in use (VIU) and fair value (FV) less cost to sell).

Associates
An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.Significant influence is presumed when the investor:
- holds, directly or indirectly, at least 20% of the share capital of another entity, or
- is able, also through shareholders' agreements, to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in the policy-making process, including participation in decisions about dividends or other distributions;
  - the existence of significant transactions;
  - interchange of managerial personnel;
  - provision of key technical information.

It is to be pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.
Investments in associates are recognised using the equity method. Carrying amount of Associates is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of VIU and FV less cost to sell).

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

If the investor's share of an investee's losses is equal to or greater than its carrying amount, no further losses are recognised, unless the investor has incurred specific obligations or made payments on behalf of the associate.
Gains and losses on transactions with associates or joint arrangements are eliminated according to the percentage interest in the said company.
Any changes in the revaluation reserves of associates or joint arrangements, which are recorded as a contra item to changes in value of the phenomena relevant to this purpose, are reported separately in the Statement of other comprehensive income.
The following table shows the companies included in the scope of consolidation.

Part A - Accounting policies

Investments in subsidiaries and valued at equity

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
	A. LINE BY LINE METHOD						
1	**UNICREDIT SPA** Issued capital EUR 21,133,469,082.48	**MILAN**	**MILAN**		**PARENT COMPANY**		
2	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	100.00	98.11
3	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	98.11
4	ALLEGRO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
5	ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
6	ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
7	ALMS LEASING GMBH. Issued capital EUR 36,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
8	ALPHA RENT DOO BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
9	ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
10	ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
11	ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
12	ANTHEMIS EVO LLP	LONDON	LONDON	4	UNICREDIT SPA	..	(3)
13	AO UNICREDIT BANK Issued capital RUB 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT SPA	100.00	
14	ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
15	ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
16	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
17	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
18	AUSTRIA LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.40	
	Issued capital EUR 36,336				GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.40	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
19	BA BETRIEBSOBJEKTE GMBH Issued capital EUR 5,630,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
20	BA CA SECUND LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
21	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 363,364	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
22	BA GEBAEUDEVERMIETUNGSGMBH	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH	89.00	
	Issued capital EUR 36,336				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
					PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
23	BA GVG-HOLDING GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
24	BA-CA ANDANTE LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
25	BA-CA LEASING DREI GARAGEN GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
26	BA-CA LEASING MAR IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
27	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. Issued capital EUR 127,177	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
28	BA-CA PRESTO LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
29	BA/CA-LEASING BETEILIGUNGEN GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 454,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
30	BACA CENA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
31	BACA HYDRA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
32	BACA KOMMUNALLEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
33	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	98.80	
	Issued capital EUR 18,287				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
34	BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
35	BAH-OMEGA ZRT.'V.A.' Issued capital HUF 70,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
36	BAHBETA INGATLANHASZNOSITO KFT. Issued capital HUF 30,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
37	BAL CARINA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
38	BAL HESTIA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
39	BAL HORUS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
40	BAL HYPNOS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
41	BAL LETO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
42	BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
43	BAL SOBEK IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	99.80	
44	BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
45	BANK AUSTRIA FINANZSERVICE GMBH Issued capital EUR 490,542	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
46	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
47	BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
48	BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
49	BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
50	BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
51	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	
52	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
53	BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
54	BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
55	BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
56	BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	1.00	
	Issued capital EUR 0				CALG IMMOBILIEN LEASING GMBH	99.00	
57	BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG Issued capital EUR 51,150	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
58	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
59	BF NINE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
60	BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
61	BORGO DI PEROLLA SRL Issued capital EUR 2,043,952	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	
62	BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
63	CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
64	CA-LEASING SENIOREN PARK GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
65	CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
66	CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
67	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
68	CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
69	CALG 443 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,336				CALG IMMOBILIEN LEASING GMBH	1.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
70	CALG 445 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.60	
	Issued capital EUR 18,168				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.40	
71	CALG 451 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
72	CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
73	CALG ANLAGEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
74	CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
	Issued capital EUR 2,326,378						
75	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
76	CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
77	CALG GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
78	CALG IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 254,355				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
79	CALG MINAL GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
80	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: BIPCA CORDUSIO RMBS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
81	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: CAPITAL MORTGAGE 2007 - 1)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
82	CARD COMPLETE SERVICE BANK AG	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
	Issued capital EUR 6,000,000						
83	CASTELLANI LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 1,800,000				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
84	CHARADE LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
85	CHEFREN LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						
86	CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

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					OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
87	COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
88	COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 103,400	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
89	CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
90	CONTRA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				JAUSERN-LEASING GESELLSCHAFT M.B.H.	25.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
91	CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
92	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
93	CORDUSIO SIM SPA Issued capital EUR 76,282,051	MILAN	MILAN	1	UNICREDIT SPA	100.00	
94	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
95	CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
96	DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
97	DEBO LEASING SRL	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A.	0.01	
	Issued capital RON 724,400				UNICREDIT LEASING CORPORATION IFN S.A.	99.99	
98	DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG	100.00	
99	DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG	100.00	
100	DIRANA LIEGENSCHAFTSVERWERTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
101	DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	90.00	
102	DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
103	EBS FINANCE S.R.L.	MILAN	MILAN	4	UNICREDIT SPA	..	(3)
104	ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
105	ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
106	ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
107	ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
108	ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
109	ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
110	ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
111	ELEKTRA PURCHASE NO. 39 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
112	ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
113	ELEKTRA PURCHASE NO. 44 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
114	ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
115	ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
116	ELEKTRA PURCHASE NO. 55 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
117	ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
118	ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
119	ELEKTRA PURCHASE NO. 64 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
120	ELEKTRA PURCHASE NO. 69 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
121	ELEKTRA PURCHASE NO. 71 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
122	ELEKTRA PURCHASE NO. 74 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
123	ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
124	EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
125	EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
126	EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
127	EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
128	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
129	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
	Issued capital HUF 100,000,000						
130	EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)
131	EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
132	EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
133	F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
134	F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
135	FACTORBANK AKTIENGESELLSCHAFT	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 3,000,000						
136	FINN ARSENAL LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.60	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.20	
137	FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG	BUDAPEST	BUDAPEST	1	BAHBETA INGATLANHASZNOSITO KFT.	75.00	
	Issued capital HUF 3,000,000						
138	FMZ SIGMA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
139	FOLIA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
140	FONDIARIA LASA SPA	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
	Issued capital EUR 3,102,000						
141	FUGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
	Issued capital EUR 36,336						
142	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 27,434				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
143	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGS-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	
144	GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
145	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	
146	GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	..	(3)
147	GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAF Issued capital EUR 51,500	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
148	GRUNDSTUECKSVERWALTUNG 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	
149	H.F.S. IMMOBILIENFONDS GMBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
150	H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING) Issued capital EUR 97,755,806	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
151	H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG Issued capital EUR 85,430,630	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	99.41	
152	H.F.S. LEASINGFONDS GMBH Issued capital EUR 26,000	EBERSBERG	GRUENWALD	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
153	H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 10 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
154	H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 11 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
155	H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 12 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
156	H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 8 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
157	H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 9 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
158	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	
159	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	
160	HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
161	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	
162	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	
163	HVB CAPITAL LLC Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
164	HVB CAPITAL LLC II Issued capital USD 14	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
165	HVB CAPITAL LLC III Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
166	HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
167	HVB FUNDING TRUST II Issued capital USD 2,487	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
168	HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
169	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG Issued capital EUR 10,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
170	HVB IMMOBILIEN AG Issued capital EUR 520,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
171	HVB LEASING CZECH REPUBLIC S.R.O. Issued capital CZK 49,632,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
172	HVB PROJEKT GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 24,543,000				UNICREDIT BANK AG	6.00	
173	HVB TECTA GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 1,534,000				UNICREDIT BANK AG	6.00	
174	HVB VERWA 4 GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
175	HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
176	HVZ GMBH & CO. OBJEKT KG Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
177	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	
178	ICE CREEK POOL NO.1 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
179	ICE CREEK POOL NO.2 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
180	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	ROME	ROME	4	UNICREDIT SPA	..	(3)
181	IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
182	IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
183	IMPRESA TWO SRL (CARTOLARIZZAZIONE: IMPRESA TWO)	CONEGLIANO	CONEGLIANO	4	UNICREDIT SPA	..	(3)
184	INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
185	ISB UNIVERSALE BAU GMBH Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
186	JAUSERN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
187	KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	99.80	0.00
188	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
189	LAGERMAX LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
190	LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
191	LARGO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
					VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
192	LEASFINANZ ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	
193	LEASFINANZ BANK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
194	LEASFINANZ GMBH Issued capital EUR 218,019	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
195	LEGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
196	LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
197	LINO HOTEL-LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
198	LIPARK LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
199	LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
200	LOCAT CROATIA DOO Issued capital HRK 39,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
201	M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO.OG.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96	
	Issued capital EUR 3,707				UNICREDIT LUNA LEASING GMBH	98.04	
202	MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
203	MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
204	MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG Issued capital EUR 5,112,919	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
205	MM OMEGA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
206	MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
207	MOEGRA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
208	MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
209	MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP [1]	OWNERSHIP RELATIONSHIP: HELD BY	HOLDING %	VOTING RIGHTS % [2]
210	NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
211	NF OBJEKT FFM GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 25,000						
212	NF OBJEKTE BERLIN GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 25,000						
213	NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
	Issued capital EUR 36,337						
214	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	ROME	ROME	1	UNICREDIT SPA	100.00	
	Issued capital EUR 200,000						
215	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
216	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
	Issued capital EUR 36,336						
217	OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 26,000				UNICREDIT BANK AG	6.00	
218	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	94.78	93.87
	Issued capital EUR 5,125,701				WEALTHCAP LEASING GMBH	5.22	5.14
219	OOO UNICREDIT GARANT	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	
	Issued capital RUB 106,998,000						
220	OOO UNICREDIT LEASING	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
	Issued capital RUB 149,160,248						
221	ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	[3]
222	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 10,149,150						
223	OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
	Issued capital EUR 51,129				T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
224	PAI (BERMUDA) LIMITED	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
	Issued capital USD 12,000						
225	PAI MANAGEMENT LTD	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
	Issued capital EUR 1,032,000						
226	PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
	Issued capital EUR 2,180,185						
227	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 36,336						
228	PELOPS LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
229	PENSIONSKASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	[3]
230	PIANA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
231	PIRTA VERWALTUNGS GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
	Issued capital EUR 2,067,138						
232	POLLUX IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
233	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	
234	POSATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
235	PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
236	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
237	QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
238	QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
239	QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
240	RANA-LIEGENSCHAFTSVERWERTUNG GMBH Issued capital EUR 72,700	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
241	REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
242	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
243	REAL-RENT LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 73,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
244	REGEV REALITAETENVERWERTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 726,728				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
245	ROLIN GRUNDSTUCKSPLANUNGS-UND-VERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 30,677	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
246	ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
247	ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
248	ROSENKAVALIER 2020 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
249	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
250	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	97.78	
	Issued capital EUR 2,300,850				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	2.22	
251	SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA	99.60	
252	SCHOELLERBANK AKTIENGESELLSCHAFT	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.01	
	Issued capital EUR 20,000,000				UNICREDIT BANK AUSTRIA AG	99.99	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
253	SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
254	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	
255	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	
256	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	
257	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	
258	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	
259	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	
260	SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
261	SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 12,537,500	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
262	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	99.80	
263	SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
264	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	
265	STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
266	SUCCESS 2015 B.V.	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(3)
267	T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	100.00	
268	T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	87.50	
269	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
270	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	
271	TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
272	TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
273	TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG Issued capital EUR 6,979,476	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
274	TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1 Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
275	UCLA AM WINTERHAFEN 11 IMMOBILIENLEASING GMBH & CO OG	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	50.00	
	Issued capital EUR 0				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	50.00	
276	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
	Issued capital EUR 10,000				BA-CA ANDANTE LEASING GMBH	10.00	
277	UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
278	UCTAM BH D.O.O. Issued capital BAM 2,000	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
279	UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
280	UCTAM CZECH REPUBLIC SRO Issued capital CZK 45,500,000	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
281	UCTAM D.O.O. BEOGRAD Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
282	UCTAM HUNGARY KFT	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
	Issued capital HUF 10,300,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
283	UCTAM RETAIL HUNGARY KFT.	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
	Issued capital HUF 10,000,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
284	UCTAM RO S.R.L. Issued capital RON 3,181,080	BUCHAREST	BUCHAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
285	UCTAM RU LIMITED LIABILITY COMPANY	MOSCOW	MOSCOW	1	UCTAM BALTICS SIA	..	
	Issued capital RUB 4,000,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
286	UCTAM SVK S.R.O.	BRATISLAVA	BRATISLAVA	1	UCTAM BALTICS SIA	15.00	0.01
	Issued capital EUR 5,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99
287	UCTAM UPRAVLJANJE D.O.O. Issued capital EUR 7,500	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
288	UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
289	UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
290	UNICREDIT AURORA LEASING GMBH Issued capital EUR 219,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
291	UNICREDIT BANK A.D. BANJA LUKA Issued capital BAM 97,055,000	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	99.42	
292	UNICREDIT BANK AG Issued capital EUR 2,407,151,016	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
293	UNICREDIT BANK AUSTRIA AG Issued capital EUR 1,681,033,521	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
294	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 8,754,617,898	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
295	UNICREDIT BANK D.D. Issued capital BAM 119,195,000	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
296	UNICREDIT BANK HUNGARY ZRT. Issued capital HUF 24,118,220,000	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
297	UNICREDIT BANK IRELAND PLC Issued capital EUR 1,343,118,650	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
298	UNICREDIT BANK S.A. Issued capital RON 1,177,748,253	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.63	
299	UNICREDIT BANK SERBIA JSC Issued capital RSD 23,607,620,000	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
300	UNICREDIT BANKA SLOVENIJA D.D. Issued capital EUR 20,383,698	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
301	UNICREDIT BETEILIGUNGS GMBH Issued capital EUR 1,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
302	UNICREDIT BPC MORTAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
303	UNICREDIT BPC MORTGAGE S.R.L. Issued capital EUR 12,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
304	UNICREDIT BROKER S.R.O. Issued capital EUR 8,266	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
305	UNICREDIT BULBANK AD Issued capital BGN 285,776,674	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
306	UNICREDIT CAPITAL MARKETS LLC Issued capital USD 100,100	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
307	UNICREDIT CENTER AM KAISERWASSER GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
308	UNICREDIT CONSUMER FINANCING EAD Issued capital BGN 2,800,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
309	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	
310	UNICREDIT DIRECT SERVICES GMBH Issued capital EUR 767,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
311	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	
312	UNICREDIT FACTORING EAD Issued capital BGN 1,000,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
313	UNICREDIT FACTORING SPA Issued capital EUR 414,348,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
314	UNICREDIT FLEET MANAGEMENT EOOD Issued capital BGN 100,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
315	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
316	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
317	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	
318	UNICREDIT GUSTRA LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT PEGASUS LEASING GMBH	90.00	
319	UNICREDIT HAMRED LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT PEGASUS LEASING GMBH	90.00	
320	UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
321	UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	BUCHAREST	1	UNICREDIT LEASING CORPORATION IFN S.A.	100.00	
322	UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
323	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA Issued capital EUR 13,406,600	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
324	UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
325	UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,000	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
326	UNICREDIT LEASED ASSET MANAGEMENT SPA Issued capital EUR 1,000,000	MILAN	MILAN	1	UNICREDIT LEASING SPA	100.00	
327	UNICREDIT LEASING (AUSTRIA) GMBH Issued capital EUR 17,296,134	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
					PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.02	
					UNICREDIT BANK AUSTRIA AG	89.98	
328	UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
329	UNICREDIT LEASING AVIATION GMBH Issued capital EUR 1,600,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
330	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	
331	UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
332	UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
333	UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
334	UNICREDIT LEASING FINANCE GMBH Issued capital EUR 17,580,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
335	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	
336	UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
337	UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
338	UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
339	UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
340	UNICREDIT LEASING SPA Issued capital EUR 1,106,877,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
341	UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
342	UNICREDIT LEASING TECHNIKUM GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
343	UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
344	UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
345	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	
346	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	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
347	UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
348	UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
349	UNICREDIT OK1 LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 35,000				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
350	UNICREDIT PEGASUS LEASING GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
351	UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
352	UNICREDIT POLARIS LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
353	UNICREDIT SERVICES GMBH Issued capital EUR 1,200,000	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
354	UNICREDIT SERVICES S.C.P.A.	MILAN	MILAN	1	CORDUSIO SIM SPA	..	
	Issued capital EUR 194,159,415				CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
					UNICREDIT BANK AG	..	
					UNICREDIT FACTORING SPA	..	
					UNICREDIT SPA	100.00	
355	UNICREDIT STERNECK LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 35,000				UNICREDIT PEGASUS LEASING GMBH	90.00	
356	UNICREDIT SUBITO CASA SPA Issued capital EUR 500,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
357	UNICREDIT TECHRENT LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
358	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
359	UNICREDIT U.S. FINANCE LLC Issued capital USD 130	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	
360	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
361	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	..	
	Issued capital EUR 32,715,000				UNICREDIT BANK AUSTRIA AG	100.00	
362	V.M.G. VERMIETUNGSGESELLSCHAFT MBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
363	VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
364	VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG Issued capital EUR 48,728,161	MUNICH	MUNICH	1	HVB IMMOBILIEN AG -	89.28	89.23
365	VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
366	WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
367	WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
368	WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
369	WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
370	WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
371	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
372	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
373	WEALTHCAP IMMOBILIEN 43 KOMPLEMENTAER GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
374	WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
375	WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH Issued capital EUR 25,565	MUNICH	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
376	WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
377	WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
378	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	
379	WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
380	WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
381	WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
382	WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
383	WEALTHCAP MANAGEMENT SERVICES GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
384	WEALTHCAP OBJEKT DRESDEN GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	33.33
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
385	WEALTHCAP OBJEKT STUTTGART III GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
					WEALTHCAP IMMOBILIEN 43 KOMPLEMENTAER GMBH	..	33.33
					WEALTHCAP REAL ESTATE MANAGEMENT GMBH	89.90	33.33
386	WEALTHCAP OBJEKT-VORRAT 25 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
					WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
387	WEALTHCAP PEIA KOMPLEMENTAR GMBH Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
388	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	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
389	WEALTHCAP REAL ESTATE MANAGEMENT GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
390	WEALTHCAP SPEZIAL WOHNEN 1 KOMPLEMENTAR GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
391	WEALTHCAP SPEZIAL- AIF-SV BUERO 8	GRUENWALD	GRUENWALD	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
392	WEALTHCAP VORRATS-2 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	100.00	
393	WEALTHCAP WOHNEN 1B GMBH &CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
	Issued capital EUR 10,000				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
					WEALTHCAP SPEZIAL WOHNEN 1 KOMPLEMENTAR GMBH	..	33.33
394	WEICKER S. A R.L. Issued capital EUR 20,658,840	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
395	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
396	Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
397	Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
398	Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
399	Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
400	Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
401	Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
402	Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
403	Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
404	Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
405	Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
406	Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
407	Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
408	Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
409	Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
410	Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
411	Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
412	Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
413	Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
414	Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 36,500				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
415	Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
416	Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 73,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
417	Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
418	Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT PEGASUS LEASING GMBH	99.80	
419	ZABA PARTNER D.O.O. ZA BROKERSKE POSLOVE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
420	ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 300,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
421	ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48	
422	ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	100.00	
423	ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
424	ZB INVEST D.O.O. ZA UPRAVLJANJE INVESTICIJSKIM FONDOVIMA Issued capital HRK 4,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP(1)	NATURE OF RELATIONSHIP(4)	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS %(2)
	VALUED AT EQUITY METHOD							
	A.2 INVESTMENTS IN JOINT VENTURES							
1	FIDES LEASING GMBH Issued capital EUR 36.000	VIENNA	VIENNA	7	2	CALG ANLAGEN LEASING GMBH	50.00	
2	HETA BA LEASING SUED GMBH Issued capital EUR 36.500	KLAGENFURT	KLAGENFURT	7	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00	
3	PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36.336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00	
	A.3 COMPANIES UNDER SIGNIFICANT INFLUENCE							
4	ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM I DOBROVOLJNIM MIROVINSKIM FONDOVIMA Issued capital HRK 105.000.000	ZAGREB	ZAGREB	8	2	ZAGREBACKA BANKA D.D.	49.00	
5	ASSET BANCARI II Issued capital EUR 25.050.203	MILAN	MILAN	8	2	UNICREDIT SPA	21.55	
6	AVIVA SPA Issued capital EUR 247.000.000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
7	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
8	BARN BV Issued capital EUR 237.890.000	AMSTERDAM	AMSTERDAM	8	2	AO UNICREDIT BANK	40.00	
9	BKS BANK AG Issued capital EUR 85.886.000	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.15	
						UNICREDIT BANK AUSTRIA AG	6.63	
10	CAMFIN S.P.A. Issued capital EUR 1.080.000	MILAN	MILAN	8	5	UNICREDIT SPA	12.70	19.84
11	CASH SERVICE COMPANY AD Issued capital BGN 12.500.000	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	25.00	
12	CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100.500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
13	CNP UNICREDIT VITA S.P.A. Issued capital EUR 381.698.529	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
14	COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 352.940	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	36.59	
15	COMTRADE GROUP B.V. Issued capital EUR 4.522.000	ROTTERDAM	AMSTERDAM	8	5	UNICREDIT BANK AG	21.05	
16	CREDITRAS ASSICURAZIONI SPA Issued capital EUR 52.000.000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
17	CREDITRAS VITA SPA Issued capital EUR 112.200.000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
18	DA VINCI S.R.L. Issued capital EUR 100.000	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	37.50	
19	INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5.200.000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
20	MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5.000.000	ZAGREB	ZAGREB	8	2	ZAGREB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	75.00	25.00
21	NOTARTREUHANDBANK AG Issued capital EUR 8.030.000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
22	OBERBANK AG Issued capital EUR 105.505.000	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.76	
						UNICREDIT BANK AUSTRIA AG	3.41	
23	OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130.000.000	VIENNA	VIENNA	8	1	CABET-HOLDING GMBH	24.75	
						SCHOELLERBANK AKTIENGESELLSCHAFT	8.26	
						UNICREDIT BANK AUSTRIA AG	16.14	
24	OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 100.000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
25	PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285.000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	24.00	

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26	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
27	RISANAMENTO SPA Issued capital EUR 197.951.784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	
28	UNI GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18.168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
29	WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15.550.309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
30	YAPI VE KREDI BANKASI AS Issued capital TRY 8.398.165.828	ISTANBUL	ISTANBUL	8	1	UNICREDIT SPA	20.00	

Notes to the table showing the investments in subsidiaries and valued at equity:
(1) Type of relationship:
1= majority of voting rights at ordinary shareholders' meeting;
2= dominant influence at ordinary shareholders' meeting;
3= agreements with other shareholders;
4= other types of control;
5= centralised management pursuant to paragraph 1 of Art.39 of "Legislative decree 136/2015";
6= centralised management pursuant to paragraph 2 of Art.39 of "Legislative decree 136/2015";
7= joint control;
8= associated companies.
(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.
(3) Companies consolidated line by line under IFRS10 as a result of the simultaneous availability of power to govern the relevant activities and exposures to variability of related returns.
(4) 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 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 42 entities compared with 31 December 2020 (4 inclusions and 46 exclusions as a result of disposals, changes of the consolidation method and mergers), from 466 as at 31 December 2020 to 424 as at 30 June 2021.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, decreased by 1 entity compared with 31 December 2020, from 31 (as at 31 December 2020) to 30 (as at 30 June 2021) due to 1 disposal.

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

With reference to 30 June 2021, it can be noted that 220 controlled entities (of which 28 belonging to the banking group) were not consolidated, of which 219 for materiality threshold and/or liquidation procedures, while the remaining company relates to one restructuring procedure whose risks are measured coherently as part of the credit exposures. Based on available information, it is believed that their consolidation would not have impacted significantly the Group net equity.

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

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

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**466**
B. Increased by	**4**
B.1 Newly established companies	1
B.2 Change of the consolidation method	2
B.3 Entities consolidated for the first time in the year	1
C. Reduced by	**46**
C.1 Disposal/Liquidation	7
C.2 Change of the consolidation method	36
C.3 Absorption by other Group entities	3
D. Closing balance	**424**

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

Increases

Newly established companies

COMPANY NAME	MAIN OFFICE
EBS FINANCE S.R.L.	MILAN

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
WEALTHCAP WOHNEN 1B GMBH &CO. KG	MUNICH
WEALTHCAP SPEZIAL WOHNEN 1 KOMPLEMENTAR GMBH	MUNICH

Entities consolidated for the first time in the year

COMPANY NAME	MAIN OFFICE
UCLA AM WINTERHAFEN 11 IMMOBILIENLEASING GMBH & CO OG	VIENNA

Part A - Accounting policies

Reductions

Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
SIA UNICREDIT LEASING	RIGA
LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	CONEGLIANO
IMMOBILIEN RATING GMBH IN LIQU.	VIENNA
ELEKTRA PURCHASE NO. 718 DAC	DUBLIN
SIA UNICREDIT INSURANCE BROKER	RIGA
ELEKTRA PURCHASE NO. 41 DAC	DUBLIN
LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA

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

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	MUNICH
REAL INVEST IMMOBILIEN GMBH	VIENNA
BAH-KAPPA KFT. V.A.	BUDAPEST
BA-CA FINANCE (CAYMAN) II LIMITED	GEORGE TOWN
ALPINE CAYMAN ISLANDS LTD.	GEORGE TOWN
HVB HONG KONG LIMITED	HONG KONG
BUITENGAATS HOLDING B.V.	EEMSHAVEN
UNICREDIT PARTNER D.O.O. BEOGRAD	BELGRADE
HVB SECUR GMBH	MUNICH
INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH
KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	VIENNA
OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG	MUNICH
SELFOSS BETEILIGUNGSGESELLSCHAFT MBH	GRUENWALD
SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L.	MUNICH
SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH	MUNICH
TREUCONSULT BETEILIGUNGSGESELLSCHAFT	VIENNA
VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH	MUNICH
UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH IN LIQUIDATION	VIENNA
ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG	GRUENWALD
WEALTHCAP OBJEKT MAINZ GMBH & CO. KG	MUNICH
HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH	VIENNA
BA-CA FINANCE (CAYMAN) LIMITED	GEORGE TOWN
UNICREDIT BIZTOSITASKOEZVETITO KFT	BUDAPEST
BA ALPINE HOLDINGS, INC.	WILMINGTON
UNICREDIT GLOBAL LEASING EXPORT GMBH	VIENNA
BA-CA WIEN MITTE HOLDING GMBH	VIENNA
AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD	BELGRADE
UNICREDIT OPERATIV LIZING KFT	BUDAPEST
ATLANTERRA IMMOBILIENVERWALTUNGS GMBH	MUNICH
BIL LEASING-FONDS GMBH & CO VELUM KG	GRUENWALD
DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH	VIENNA
DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG	MUNICH
DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG	MUNICH
FOOD & MORE GMBH	MUNICH
GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	MUNICH
WEALTHCAP OBJEKT ESSEN II GMBH & CO. KG	EEMSHAVEN

It should be noted that during the half year the main quantitative limit for the full consolidation of subsidiaries was aligned, both for IAS/IFRS and regulatory purposes, with the provisions of article 19 paragraph 1 of EU Regulation 575/2013 relating to prudential requirements for credit institutions (CRR), increasing the total amount of assets and off-balance sheet items of the undertaking concerned to the smaller of the following two amounts: a) €10 million; b) 1% of the total amount of assets and off-balance sheet items of the Parent company. Following this alignment, the subsidiaries listed in the table above have been deconsolidated, since the total amount of assets and off-balance sheet items of each of them is smaller than the lower of the aforementioned limits. In addition to the presence of further quantitative limits, any exception to this approach derives from the qualitative assessments of the nature of the assets and liabilities, on and off-balance sheet, held by the entities.

Part A - Accounting policies

Absorption by other Group entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE	COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
BACA LEASING ALFA S.R.O.	PRAGUE	UNICREDIT LEASING CZ, A.S.	PRAGUE
PRO WOHNBAU GMBH	VIENNA	IMMOBILIEN HOLDING GMBH	VIENNA
POMINVEST DD	SPLIT	ZAGREBACKA BANKA D.D.	ZAGREB

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

COMPANY NAME	MAIN OFFICE	COMPANY NAME	MAIN OFFICE
BAH-OMEGA ZRT.'V.A.' (ex. BAH-OMEGA ZRT.)	BUDAPEST	UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH IN LIQUIDATION (ex. UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH)	VIENNA
ALPHA RENT DOO BEOGRAD (ex. UNICREDIT RENT D.O.O. BEOGRAD)	BELGRADE		

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

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**31**
B. Increased by	**-**
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
C. Reduced by	**1**
C.1 Disposal/Liquidation	1
C.2 Change of the consolidation method	-
C.3 Absorption by other entities	-
C.4 Other changes	-
D. Closing balance	**30**

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
CAPITAL DEV S.P.A.	ROME

The reduction refers to one disposal transaction.

As at 30 June 2021 the following were carried at cost:
- 9 equity investments (all held either directly or through consolidated subsidiaries) in associates;
- 2 equity investments (all held either directly or through consolidated subsidiaries) in jointly-controlled companies.

Section 4 - Events subsequent to the reference date
With settlement date 7 July 2021 UniCredit S.p.A. completed the issue of Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1, placed last 30 June 2021.
For further details on the issue, refer to paragraphs “Capital strengthening” and “Other information on Group activities” of the Consolidated interim report on operations.

As at 30 June 2021 the Group holds, through Zagrebačka Banka, a 36.9% equity investment in Optima Telekom, a telecommunication company in Croatia. Such equity investment is classified as other financial assets mandatorily at fair value, by virtue of an agreement signed in 2014, according to which Zagrebačka Banka transferred its management rights to Hrvatski Telekom, which obtained the control of Optima Telekom.
On 10 July 2021, consequently to the Croatian Competition Agency's decision, the above mentioned agreement was terminated. Upon termination, the transfer of the management to Hrvatski Telekom was terminated as well.

Part A - Accounting policies

Consequentially, Zagrebačka Banka is entitled to exercise its rights from 36.9% shareholding. Despite not having the full voting majority, the dispersion of other shareholders allows Zagrebačka Banka to have the de-facto control over Optima Telekom.
In this regard, it should be noted that a sale process of this equity investment is in place, as Zagrebačka Banka received binding offer already approved by the Bank's Management Board and a Sale and Purchase Agreement has been signed with the potential buyer. Closing of the transaction is conditional to receiving authorizations by the competent local authorities.
The sale process is expected to be completed in upcoming months, and therefore the assets and liabilities resulting from consolidation of the company will be presented as held for sale.

On 13 July 2021 it has been reported that the Rating Agency Moody's has updated its banks methodology. As a result, UniCredit S.p.A.'s long-term deposit and senior debt ratings and Tier 2 rating are unchanged at "Baa1" and "Baa3" respectively.
UniCredit's Senior Non-Preferred Ratings were downgraded to "Baa3" from "Baa2". The outlook remains "stable".

On 15 July 2021 UniCredit announced further steps in its business simplification. Following the new organisational structure put in place in May by the Group's CEO Andrea Orcel and the appointment of a new Group Executive Committee ("GEC"), notice is hereby given that, to further improve efficiency, the first line of each business area and region has been designed to reduce layering and complexity whilst retaining clear lines of control and oversight. The new reporting lines provide a clean and clear management structure designed to deliver faster execution and decision-making capabilities and promote operational excellence, providing closer links between management and the clients and communities within which it operates.
The realignment has further increased the diversity of the management team, mirroring the increased female presence at GEC level and introducing greater variety in the nationalities represented. Italy is established as a standalone geography, reflecting the critical importance of this Country to the Group.

On 22 July 2021, following the European Central Bank required authorization, the cross-border merger project for the incorporation of UniCredit Bank Ireland Public Limited Company into UniCredit S.p.A., has been filed for registration with the Companies' Register held by the Chamber of Commerce of Milan, Monza, Brianza and Lodi and with the Irish Companies' Registration Office.
The project should be completed by 2021 and it is aimed at simplifying the Group's structure, in order to ensure greater efficiency and to optimise the economic, management and financial structure.

On 28 July 2021 UniCredit announced the early redemption of notes, issued on 10 September 2014 (ISIN XS1107890847) for €1 billion, in accordance with the relevant Terms and Conditions of the notes themselves. UniCredit S.p.A. will exercise its option to early redeem in whole the notes on 10 September 2021 (the first call date). The early redemption of the issue will be at par, together with accrued and unpaid interests. The interests shall cease to accrue on the same first call date.

On 29 July 2021 UniCredit S.p.A. and the Ministry of Economy and Finance ("MEF") of the Republic of Italy, the majority shareholder of Banca Monte dei Paschi di Siena S.p.A. ("MPS"), announced having approved the prerequisites for a potential transaction involving the commercial operations of MPS with a carefully defined perimeter and appropriate risk mitigation. Exclusive discussions will begin to assess the feasibility of a transaction.
The transaction under analysis is subject to the positive outcome of the assessment of the prerequisites as agreed, as well as the legal, economic, tax, accounting and industrial due diligence, the discussions with the MEF and MPS aimed at defining the transaction structure, terms and perimeter, and the subsequent definition of the relevant binding agreements.

Section 5 - Other matters

In 2021 the following standards, amendments or interpretations came into force:
- Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 Interest Rate Benchmark Reform - Phase 2 (EU Regulation 2021/25);
- Amendments to IFRS4 Insurance Contracts - deferral of IFRS9 (EU Regulation 2020/2097).

As at 30 June 2021, the document "Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020" (EU Regulation 2021/1080) applicable to reporting starting from 1 January 2022 has been endorsed by the European Commission.

As at 30 June 2021 the IASB issued the following accounting standards whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:
- IFRS17 Insurance Contracts (May 2017) including Amendments to IFRS17 (June 2020);
- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (January 2020 and July 2020 respectively);
- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (February 2021);

Part A - Accounting policies

- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (February 2021);
- Amendments to IFRS16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (March 2021);
- Amendments to IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021).

The whole document is filed in the competent offices and entities as required by law.
The document "Consolidated first half financial report as at 30 June 2021" has been approved on 29 July 2021 by the Board of Directors and is subject to review engagement by Deloitte & Touche S.p.A.

IBOR transition

Following the concerns raised about the integrity and reliability of major financial market benchmarks the Financial Stability Board (FSB) started a comprehensive reference rates reform. In order to assess the relevant risks associated with the benchmark reforms and taking appropriate actions to ensure an adequate transition to alternative or reformed benchmark rates ahead of the deadline of the end of 2021 specified in the revised EU Benchmark Regulation (BMR), UniCredit group launched in October 2018 a Group wide project in order to manage the IBORs discontinuation with a multiyear roadmap defined based on both Group exposure (mainly focused on Euro) and transition timeline.

It is worth to mention that the European Working Groups on Euro Risk-Free Rates issued its recommendations on Euribor fallbacks and cessation triggers while other international working groups and bodies (e.g., International Swaps and Derivatives Association - ISDA; ICE Benchmark Administration - IBA; London Clearing House - LCH) issued recommendations, focused on LIBOR discontinuation, that will be taken into account while envisaging market practices to consider on transition.

At the same time Benchmark Regulation has been amended in order to allow the EU Commission to provide for statutory replacement rates (to be defined after a public consultation and applicable to contracts lacking a suitable fallback provision in case of the cessation of the benchmark rate agreed by the parties), while the other mainly involved international market authorities (e.g., Financial Conduct Authority and Bank of England in the UK, New York State Department of Financial Services in the US) are defining possible amendments to the applicable laws in order to support a smooth transition.

Such discussions and consultation outcomes, while aimed to bring further stability in the market and reduce conduct risk, still represent source of possible uncertainty, with reference to the timing and/or fallback rules applied to outstanding stock of assets, liability and derivatives linked to other IBOR agreements (yet to be transformed or transitioned).

On 5 March 2021, the Financial Conduct Authority (FCA) in its capacity as LIBOR administrator announced that LIBOR settings process will not be available (ceased to be provided or no longer representative) according with the below discontinuation path:
- immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss Franc and Japanese Yen settings, and the 1-week and 2-month US Dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US Dollar settings.

ISDA echoed on the same day, stating that the FCA announcement constituted a trigger event under the ISDA 2020 IBOR Fallbacks Protocol. As a result, the fallback spread adjustment on relevant derivatives (also applicable on cash instrument considering the recommendations of major national working group), is fixed starting from the same day for all Euro, Sterling, Swiss Franc, US Dollar and Japanese Yen LIBOR settings.

In order to closely follow the developments on IBORs and to proper manage the transition and the discontinuation impacts, UniCredit group is continuously monitoring the market, also attending the European working groups, the industry working groups and participating to the relevant public consultations.

Valuation of the Group real estate portfolio

Starting from 31 December 2019, the Group changed its accounting policy for the measurement of real estate properties moving from a cost model to a fair value model for properties held for investment and revaluation model for properties used in business.
This change, approved on 2 December 2019 by the UniCredit S.p.A. Board of Directors, was deemed to result in reliable and more relevant information for financial statements' users taking into account:
- the expected disposal by 2025 of real estate assets held for investment (IAS40), as fair value model presents a higher capability to approximate the expected disposal price, accounting for the related effects timely in advance;
- the possibility to better represent the equity of the Group, with regard to real estate assets used in business (IAS16), as revaluation model represents the net equity updated in light of current market conditions.

As at 30 June 2021 fair value of both properties held for investment and properties used in business was re-determined through external appraisals relating to 100% of the properties held by the Group (full or desktop appraisals, according to the Group policy, also depending on the significance of

properties, the real estate assets type, if held for investment or used in business, and/or the elapsed time since the last full external appraisal).
As at 30 June 2021, a positive balance sheet effect of €51 million gross of tax has been recognised, as detailed below:
- for real estate assets used in business (booked in item "90. Property, plant and equipment"), the recognition of an increase in the specific valuation reserve for an amount of €32 million gross of tax effect. In addition to this increase, gain for €5 million were recognised in the income statement gross of the tax effect;
- for real estate assets held for investment (booked in item "90. Property, plant and equipment"), the recognition of an income statement results equal to €14 million gross of the tax effect.

Update of the sustainability test for Deferred Tax Assets for the carry-forward of unused tax losses regarding the Italian Tax perimeter
The possibility to recognise DTAs Tax Losses to be Carried Forward (TLCF), to be utilised against available future taxable profit, implies an estimation of future economic results, which relies on the execution of a sustainability test.
Starting from December 2019, UniCredit updated the calculation of the sustainability test methodology considering appropriate a 10 years' time horizon for recognition of DTAs TLCF given (i) the absence in Italy of legal time-limits, and (ii) a reasonable time limitation given that lengthening of forecast horizon increases the uncertainty.

Considered the uncertainty deriving from the lengthiness of the 10 years' time horizon, and in line with ESMA opinion[9], the sustainability test envisages:
- a deterministic approach for the years for which official projections are available;
- a statistical approach for the years beyond official projections.

Furthermore, in line with IAS12, as well as taking into consideration the ESMA document, a confidence interval was selected which reflects a probability higher than 50% in relation to the expected taxable profits.

Regarding the sustainability test as of 30 June 2021, it was primarily assumed that DTA not yet recognised would have not been accounted for considering the new officially projections to be approved within the new multiyear plan, expected to be issued in the second part of the year. Indeed:
- while the presence of signs of deterioration would have let to write-down, that would have been accounted for, if any,
- the evidence of the checks executed led to a positive outcome given the: (i) improved macroeconomic scenario as of May 2021 vs December 2020 one, (ii) actual profit before taxes higher than the budget.

In addition to the above outlined checks, the test was run by:
- confirming, among the input, that no changes occurred since 31 December 2020 regarding the UniCredit Italian Tax Perimeters, as well the applicable tax rules relevant for test purposes;
- updating the coefficient used to estimate the variability of the results in the light of the latest evidence published by the European Central Bank on 24 June 2021; in more details, being the new coefficient lower than the input used as of 31 December 2020, a coherently lower variability cash flows projections would result, with a positive effect on the potential DTA sustainability.

On such basis, and considering the assumptions reported above (i.e. not recognising additional DTAs given the new officially projections to be approved within the new multiyear plan), the results of the DTA sustainability test as of 31 December 2020 were also confirmed as of 30 June 2021.
Finally, it should be noted that the amount of DTA not recognised in financial statements as at 30 June 2021, with reference to the UniCredit group, is equal to €4,189 million.

Tax Credits recognition linked to Non-Performing Exposures disposals
The Law Decree No.73 of 25 May 2021 (D.L.73/2021[10]) extended to the year 2021 the incentives for Non-Performing Exposures ("NPE" thereinafter) disposals introduced in 2020 by Art.55 "Cura Italia" Decree (D.L.17 March 2020 No.18) and subsequently converted in Law No.27 of 24 April 2020. Therefore, also for 2021 the NPE sales executed by 31 December 2021 allow the transformation into Tax Credits of those deferred tax assets (DTAs) deriving from (i) tax losses, and (ii) allowance for corporate equity (ACE) surpluses. The tax credits resulting from the transformation can be, without expiration and constraints, offset with tax or social charges debits, sold or requested for reimbursement.

In line with 2020, the D.L.73/2021 envisages that tax losses and ACE surpluses relevant for DTAs transformation are considered for a maximum amount not exceeding 20% of the nominal value of receivables disposed (fixed at €2 billion as cap); thus, the maximum recognizable amount of tax

9 EU Securities Markets regulator; "ESMA Public Statement. Consideration on recognition of deferred tax assets arising from the carry-forward of unused tax losses", issued on 15 July 2019, which summarises systematically the criteria to be followed by the financial statements preparers to make their judgment and it has become a fundamental reference for the application of IAS12 on the matter. The document states that: "the longer the estimates/forecasts extend into the future, the less reliable they are, and their weight should be assessed accordingly".
10 The Law Decree No.73 of 2021 (Decreto Sostegni bis) was published on 25 May 2021 in the Italian Official Gazette, providing urgent measures regarding the Covid-19 emergency.

Part A - Accounting policies

credits is equal to €110 million[11]. After the effective transformation, these tax credits will also be considered into the tax base of the 1.5% DTAs fee, to be paid from 2022 to 2031 tax periods.
During the first half 2021, UniCredit S.p.A. completed disposals compliant with the D.L.73/2021 requirements, for a nominal value[12] of €1.05 billion; therefore, as of 30 June 2021 UniCredit S.p.A. is entitled, in line with IAS12[13], to recognise current tax assets for €58 million by reference to off-balance DTAs deriving from previous years tax losses, with a corresponding positive P&L effect.

Agreement between UniCredit and SIA

In 2016, in the context of the contribution of UniCredit's card processing business to a newco ("P4cards S.r.l." or "P4C") purchased by SIA, UniCredit Services ("UCS") signed a 10-year outsourcing agreement (i.e. until 2026) with P4C and SIA for the provision of card-processing services in Italy, Germany and Austria ("Master Services Agreement" or the "MSA").
On 5 October 2020, UniCredit and SIA announced, through a press release, that they entered into exclusive negotiations about the existing current outsourcing agreement, and its renewal until 2036. The parties further announced their aim to close the transaction binding documents in early 2021.

On 12 February 2021, as a follow up, UniCredit and SIA announced the successful revision of the overall terms of their existing business relationships. The key terms, accounting wise, of the new agreement are the following:
- agreement to equitably settle their existing discussions on certain circumstances occurred under the existing MSA that in UCS view were inconsistent with its expectations under such MSA ("Settlement Agreement");
- possibility by SIA to unilaterally renew the MSA until 31 December 2036 upon condition that SIA is performing its obligations in full compliance with the MSA ("Renewal interest");
- introduction of a profit-sharing mechanism to be paid to UCS on yearly basis as a reduction of charges subject to the achievement of certain level of yearly actual fees paid to SIA.

In light of the above, in February 2021 SIA paid to UCS an amount of €228 million, of which €48 million related to the Settlement Agreement and €180 million related to the Renewal interest.

With reference to the Settlement agreement, it settles circumstances occurred in the previous periods and does not remunerate actions or performance to be carried out after the signature; as a result, the related amount of €48 million was recognised during first half 2021 as Other Income.

With reference to Renewal interest, the contract envisages the advance payment of €180 million by SIA to UniCredit group, in exchange for the possibility by SIA to decide unilaterally, on a yearly basis until 2025, whether extending the contract for the period 2027-2036. In case SIA decides to waive the renewal, the Group shall reimburse SIA for a portion of the €180 million, decreasing in the period 2021-2024 according to the contractual provisions. Therefore, the amount of €180 million, recognised under the item Other Liabilities, is booked through Profit & Loss as Other Income in the periods 2021-2024 for the portion, defined by the contract, that shall not be reimbursed to SIA in case it waives its renewal right.
During the first half 2021 the Group has recognised among Other income the amount of €39 million referred to the year 2021.

The profit-sharing mechanism has been introduced starting from 1 January 2021, and it envisages a reduction of the commission expenses paid by the Group to SIA for an amount calculated on the basis of the positive difference between: (i) the actual yearly revenues generated, and (ii) certain yearly revenues defined by the contract.
Accounting-wise, the profit-sharing related amount will be recognised in Income statement, as a reduction of fee expenses, when the Group will be entitled to receive the relevant amount as a result of the conditions defined by the contract being met. As at 30 June 2021, the contractual conditions have not yet been reached, therefore no reduction of the Commission expenses has been recognised.

TLTRO

On 6 January 2021, ESMA published a document which, referring to the changes introduced by the ECB during 2020 due to the Covid-19 emergency with particular reference to the interest rates applicable to the third series of targeted longer term refinancing operations (TLTRO III), recommends an adequate level of transparency regarding the accounting treatment applied for the purposes of preparing the financial statements.
Then, on 16 February 2021, ESMA informed the Market that a letter[14] requiring an official position by IFRS Interpretation Committee (IFRIC) about the TLTRO III accounting treatment was issued on 9 February 2021; specifically, ESMA invited the IFRIC to clarify the applicable requirements considering questions related to: (i) accounting for the transactions according to requirements of IFRS9 or IAS20; (ii) the method to calculate the effective interest rate at initial recognition and, in particular, the circumstance that this rate has to incorporate the expectations of obtaining future

11 The maximum amount of tax credits recognizable in 2021 is equal to €110 million, given by: 27,5% (IRES tax rate) applied to €400 million (20% of €2 billion).
12 Lacking official interpretation as nominal value has been considered the Gross Book Value without penalty interest of the transactions, being more conservative versus the value of the Claim (the difference is due to the accounting write-off considered in the Gross Book Value and not in the Claim). For the possible inclusion of penalty interest into the nominal value, an official interpretation is awaited by Agenzia delle Entrate.
13 IAS12.46 states that current tax assets and liabilities are recognised using the laws enacted or substantially enacted by the reporting reference date, therefore, as at 30 June 2021 the TC related to the NPE disposals executed in the first half 2021 have to be recognised due to the fact that at the date the DL 73/2021 is in force and its conversion in law is expected by 24 July 2021.
14 Link: https://www.esma.europa.eu/press-news/esma-news/esma-submits-ifrs-9-and-ias-20-related-questions-ifrs-interpretations-committee.

Part A - Accounting policies

benefits in terms of lower cost of funding following the expected achievement of the "eligibility" criteria required by the regulations; and (iii) accounting treatment of changes in estimates of payments due to revised assessment of meeting the eligibility criteria upon application of IFRS9.
In June 2021, IFRIC reported the following remarks regarding the questions raised by ESMA; specifically: (i) the topics about the application of IFRS9 vs IAS20 accounting standards embedded topics different from being accounting matters (e.g. determining whether the ECB meets the definition of government); (ii) regarding the effective interest rate and the consequence of the modification in interest rate, IFRIC reported that the topics will be discussed during the "Post-Implementation Review of the classification and measurement requirements in IFRS9" by IASB, starting from fourth quarter 2021.

Therefore, the accounting treatment adopted by the Group, as described below, may be still subject in the future to different interpretations by the competent bodies.

According to UniCredit group approach, the TLTRO liabilities are recognised as banking book funding instruments to be subsequently measured at amortised cost according to IFRS9.4.2.1.
The prospect for the borrowing bank to be charged of a variable negative interest on "long term refinancing operations", additional to the average Deposit Facility Rate ("DFR") or Main Refinancing Operation ("MRO") rate, is linked to the achievement of specific threshold on cumulative net lending toward eligible counterparties[15].
In particular, financial conditions incorporated into TLTROs are reflecting ECB monetary policy initiatives to prospectively reduce market "cost of funding" for banking institutions by using "non-conventional" tools and reflected in money market operations.
As a result, accounting analysis rejected such an interest would have been assimilated to either (i) a government grants (being ECB TLTRO a "limited access & banking specific" market by its own), or (ii) an embedded derivative.
Therefore, such contractual term must be seen as contractual clause included into a one-coupon floating-rate[16] financial liability (the refinancing operation), and to be considered part of the calculation of the liability's interests according to IFRS9.

Under the said accounting principle, the interests shall be calculated by using the "effective interest method", that allocates interests over the application period of the "effective interest rate". The latter is defined as the rate that discounts estimated future cash flows through the expected life of the financial instruments to the net carrying amount.
Accordingly, having introduced a new/prospective "performance-related" remuneration within the ECB, TLTRO "market" specific financial features are handled similarly to changes in market-index for floating-rate liabilities.
Therefore, referencing EIR rules for "markets-driven" variable remunerations, changes in "market index" (e.g., base rate and spread) are reflected by adjusting instruments' carrying amount calculated by reference to the evolution of the "TLTRO index" and limited to the accrued (to-date) portion[17].

As a result, TLTRO III effective interest rate ranges: (i) between -0.33% and -0.83% for the €94.3 billion allotment cashed-in during June 2020 (3years funding[18]); (ii) between -0.50% and -1.00% for the €12.7 billion allotment cashed-in during March 2021 (to be repaid by June 2022); such effects are coherent with the benchmark achievements for cumulative net lending as at March 2021 and December 2021, as well as current MRO and DFR levels.

With reference to the first half 2021, an interest income contribution equal to +€429 million (o/w +€175 million from CNL spread additional to "DFR"), has been recognised for the total outstanding €107 billion TLTRO funding reflecting expected cumulative net lending threshold achievements, as supported by: (i) outstanding cumulative net lending production, and (ii) expected business developments incorporated into Fiscal Year 2021 budget plan, also corroborated by statistical model used for calculating the probability related to the achievement of the relevant "minimum thresholds".

Tax credits connected with the "Cura Italia" and "Rilancio" Law Decrees purchased following the sale without recourse by the direct beneficiaries or previous buyers

The Law Decrees 18/2020 (so-called "Cura Italia") and 34/2020 (so-called "Rilancio"), converted into law No.27 and No.77 of 2020, introduced into the Italian legal system some tax incentive measures related to both investment expenses (e.g., Eco and Sismabonus) and current expenses (e.g., rents for non-residential premises).
These incentives that apply to households or businesses, are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (convertible, on option, into tax credits).
The holders of these credits, not refundable by the State, can use them to offset taxes and contributions or they can further transfer them (in whole or in part) to third parties.

15 Loans to non-financial corporations & Loans to households, excluding loans for house purchase.
16 Either for the base rate (Avg DFR or Avg MRO) and the spread (up to -50bps with a minimum of -1% for a portion of the liability's expected duration).
17 Similarly, to other "market indexed" variable rate notes.
18 Early termination will result in lower (i.e., more negative) EIR with additional NII effect.

Part A - Accounting policies

Since the third quarter of 2020 UniCredit S.p.A. launched commercial initiatives aimed at:

- providing "bridge" loans subject to the presentation of appropriate documentation proving the intervention and the future generation of tax credit, to support the financial needs related to the cost of the interventions;
- simultaneously underwriting commitments related to the purchase of the future tax credit with the associated obligation of the assigning customer to use the amount collected from the transfer of the tax credit to reimburse the granted "bridge" loan;
- directly purchasing tax credits from assignors who do not require any "bridge" loan.

Starting from the second quarter of 2021 indirect purchases of Tax Credit has been exploited through fully consolidated Italian Securitization SPVs, incorporated under Law 130/99, to manage CIB clients network financing needs.
The specific features of these tax credits are such that these assets are not in the scope of international accounting standards IAS/IFRS.
Therefore, the paragraph of IAS8[19] is applied, requiring the management to define an accounting policy suitable for providing relevant and reliable information.
In accordance with the paper published by the OIC on 17 May 2020[20] and the Document No.9 jointly published by Banca d'Italia, CONSOB, IVASS on 5 January 2021[21], it is believed that an accounting model based on IFRS9 is the accounting model more suitable for providing relevant and reliable information.

As a result of the above, on initial recognition tax credits are booked among assets in item "130. Other assets" for a value equal to the purchase price, assumed equal to a Level 3 fair value of the fair value hierarchy according to IFRS13.
For subsequent measurement, the provisions of IFRS9 relating to the "Held to collect portfolio" are applied for both direct and indirect (through Italian Securitization SPVs) purchases. As a result, these tax credits are measured at amortised costs recognising in the Income statement in item "10. Interest income and similar revenues" the portion -accrued in the period- related to the difference between the value at initial recognition and the value that is expected to be utilised through the offsetting with tax liabilities. The latter value is subject to periodical re-assessment with recognition into income statement, item "10. Interest income and similar revenues" of any write-downs.
As at 30 June 2021, no write-downs have been recognised and the tax credit presented in "Other assets" amounts to €98 million.
The commitments connected with the purchase of the future tax credit are recognised, for a value equal to the price that will be paid when the commitment will be used by the customer, among "Other commitments" (€132 million as at 30 June 2021), and were evaluated in relation to their effectively offset value resulting in no need for write-downs, that, if existing, are recognised in Income statement under item "200. Net provisions for risks and charges".
For the sake of completeness, it should be noted that the "bridge" loan (€72 million as at 30 June 2021) is a financial instrument measured at amortised cost, according to the ordinary provisions of IFRS9.

Real Estate properties: tax alignment

The Legislative Decree No.104 of 14 August 2020 (D.L.104/2020) allows the alignment between:

- the tax values of real estate properties (both held for investment and used in business); and
- the higher accounting values,

providing a substitute tax rate of 3% to be paid in a maximum of three annual instalments with the possibility of offsetting with pre-existing available tax credits.
The amount to be aligned shall be determined with reference to the accounting values resulting from 2019 separate financial statement, but within the limits of the amount still present in the 2020 separate financial statement.
On 30 June 2021 the fiscal alignment of the real estate properties was executed with reference to a portion of the real estate properties of UniCredit S.p.A., defined also taking into account the "recapture" mechanism[22].
According to the scope, the fiscal value of No.735 properties used in business was aligned, for a total amount of alignment equal to €537 million.
The alignment led to release the Deferred Tax Liabilities (DTLs) for €176 million.
In accordance with IAS12[23] the DTLs release was booked through:

- net equity reserve for €168 million, for the differences due to the adoption of IAS16 revaluation model for properties used in business;
- income statement for €8 million, for the differences due to events having originally impacted P&L.

Finally, following the D.L.104/2020 provisions, a restriction of the tax suspension was placed on a net equity reserve for the amount corresponding to the higher overall fiscal values aligned (net of the substitute tax).

19 IAS8 paragraph 10.
20 "Cessione del credito d'imposta" - Law 17 July 2020 No.77.
21 Accounting treatment of tax credits associated with the "Cura Italia" and "Rilancio" Law Decrees purchased following the sale by direct beneficiaries or previous buyers.
22 In case an aligned real estate property will be disposed by 31 December 2023, the related tax gains/losses must be restated with reference to the fiscal value of the asset before alignment, in such a case, a tax credit equal to the substitute tax previously paid for the alignment will be recognised.
23 Par. 61A. Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:(a) in other comprehensive income, shall be recognised in other comprehensive income; (b) directly in equity, shall be recognised directly in equity.

Part A - Accounting policies

A.2 - Main items of the accounts

With regard to the classification and measurement criteria of the main items, refer to Part A.2 of the Notes to the consolidated accounts of the Consolidated financial statements as at 31 December 2020.

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

There were no transfers between portfolios of financial assets in the first half 2021.

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 (using quoted prices for similar liabilities or equity instruments held by other parties as assets);
- cost approach (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 (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 (IPV);
- fair value adjustments (FVA).

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.

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

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

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

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[24]. In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account: the number of executable bid/ask quotes, their relative sizes and spreads. Such indicator is tracked over a 20 business days time window in order to obtain a stable monthly indicator.

Instruments not traded in active markets are marked to model based on implied credit spread curves derived from the former Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3 respectively; Level 3 is applied in case credit spread curves used are significantly unobservable. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.
In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

Structured financial products
The Group determines the fair value of structured financial products not quoted on active markets using the appropriate derivative valuation methodology given the nature of the embedded structure (when this is not to be separated). Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

Asset Backed Securities
UniCredit valuation process relies on internal policies centred on two pillars:
- extension and implementation across all the Group's legal entities of an Independent Price Verification ("IPV") process suited to the changed market conditions for Structured credit bonds;
- integration of current Fair Value Adjustments Policy.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets.
The process relies first on *consensus data provider* as reliable collector of market quotes.
As a second step, prices are assessed by benchmarking each security to a pool of similar securities with available market quotes. An alternative approach consists in evaluating the instrument through the use of quantitative pricing models, which are applicable every time that information regarding market participants assumptions on model parameters are reasonably made available without excessive costs or efforts.

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

24 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

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

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

Real estate funds
Real estate funds are mapped to Level 1 when quoted prices are available on an active market; when this condition does not hold, real estate funds are disclosed as Level 3 and they are evaluated through an adequate credit adjustment of the NAV based on the specific features of each fund.

Other funds
The Group holds investments also in mutual funds, hedge funds and private equity funds.
Funds are usually assigned to Level 1 when a quoted price is available on an active market.
Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues relating to position write-off, these funds are measured on the basis of internal analysis that consider further information included those provided by management companies.

Property, plant and equipment measured at fair value
The Group owns real estate assets for which changed, starting from 31 December 2019, its measurement accounting policy moving from a cost model to a fair value model for properties held for investment and revaluation model for properties used in business.
For both type of assets the fair value/revaluation model is determined on the basis of a valuation by an independent appraiser who holds a recognised and relevant professional qualification which perform its valuation by directly visiting the property and in consideration of market analysis (i.e. full appraisal) or, always considering the market analysis, on the basis of an indirect knowledge of the assets through the information made available by the owner and relating to the localisation, consistency, destination (i.e. desktop appraisal).
The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. In particular, given the current portfolio composition, most of the positions are at Level 3.

Fair Value Adjustments ("FVA")
Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. Therefore FVA are aimed at insuring that the fair value reflects the actual exit price of a certain position.
Below a list of adjustments:
- Credit/Debit Valuation Adjustment ("CVA/DVA");
- Funding Cost and Benefit Value Adjustment ("FCA/FBA");
- model risk;
- close-out costs;
- other adjustments.

Credit/Debit Valuation Adjustment (CVA/DVA)
Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively.

UniCredit CVA/DVA methodology is based on the following inputs:
- EAD derived by simulation techniques. Simulated exposures also take into account Specific Wrong-Way Risk that arises from transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD implied by current market default rates, obtained from Credit Default Swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and implied by current market default rates, obtained from credit default swaps.

As of 30 June 2021, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €137,8 million negative; the part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €142,5 million negative.

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Funding Cost and Benefit Adjustment ("FCA/FBA")
Funding Valuation Adjustment ("FundVA") is the sum of a Funding Cost Adjustment ("FCA") and of a Funding Benefit Adjustment ("FBA") that indeed account for the expected future funding costs/benefits for derivatives that are not fully collateralised. Most material contributors are in-the-money trades with uncollateralised counterparties.

UniCredit FVA methodology is based on the following inputs:
- positive and Negative exposure profiles derived leveraging on a risk-neutral spin-off of the counterparty credit risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- a funding spread curve that is representative of the average funding spread of peer financial groups.

Model risk
Financial models are used for the valuation of the financial instruments if the direct market quotes are not deemed reliable. In general the model risk is represented by the possibility that a financial instrument's evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

Close-out cost
It measures the implicit cost of closing a trading position. The position can be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition a close-out adjustment of the NAV is applied when there are some penalties relating to position write-off in an investment fund.

Other adjustments
Other fair value adjustments, which are not included in the previous categories, could be taken into consideration to align the evaluation to the current exit price, also according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis
Financial instrument not carried at fair value, for example retail loans and deposit, and credit facilities extended to corporate clients are not managed on a fair value basis.
For these instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS13.

Cash and cash balances
Cash and cash balances are not carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk.

Financial assets at amortised cost
For the assets that are composed by securities, fair value is determined according to what reported in section "Assets and liabilities measured at fair value on a recurring basis - Fixed income securities".
On the other hands, fair value for performing loans to banks and customers is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

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

Financial liabilities at amortised cost
Fair value for debt securities in issue is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves.

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On the other hand, fair value for other financial liabilities is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's senior and subordinated risk curves.

Description of the valuation techniques

Specific valuation techniques are used to value positions for which a market price is not directly observable from market sources. The Group uses well known valuation techniques for determining fair values of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and 3 assets and liabilities are described below.

Option Pricing Model

Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

Discounted cash flow

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "discounted value". The fair value of the contract is given by the sum of the present values of future cash flows.

Hazard Rate Model

The valuation of CDS instruments (Credit Default Swap) requires the knowledge of the entity's survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk free curve and the expected recovery rate. The hazard rate is part of the described process and it indicates the instantaneous probability of default at different future instants.

Market Approach

A valuation technique that uses prices generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

Gordon Growth Model

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

Dividend Discount Model

A model used to determine the value of a stock based on expectations on its future dividend flow.
Given a series of forecasts on dividends payable in future exercises and an hypothesis on the subsequent annual growth of dividends at a constant rate, the model estimates the fair value of a stock as the sum of the current value of all future dividends.

Adjusted NAV

Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measure. Usually for funds classified as Level 3, NAV represents a risk free valuation, therefore in this case the NAV is adjusted so as to consider the issuer's default risk.

Description of the inputs used to measure the fair value of items categorised in Level 2 and 3

Hereby a description of the main significant inputs used to measure the fair value of items categorised in Level 2 and 3 of the fair value hierarchy.

Part A - Accounting policies

Volatility
Volatility is the measure of the variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.
There are different types of volatility:
- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices.

Correlation
Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measure. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measure. Therefore changes in correlation levels can have a major impact, favourable or unfavourable, on the fair value of an instrument, depending on the type of correlation.
Correlation is a pricing input for a derivative product where the payoff is driven by multiple underlying risks. The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks.

Dividends
The derivation of a forward price for an individual stock or index is important both for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings and, to a lesser extent, the relevant funding rates applicable to the stock in question.
The dividend yield and timing represent the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price.

Interest rate curve
The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency, which turns interest rates in zero-coupon.
Less liquid currencies interest curve refer to the rates in currencies for which a market liquidity doesn't exist in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

Inflation swap rate
The determination of forward levels for inflation indexes is based on swap quote over inflation indexes. Swap over inflation may present a low liquidity level whether there is no liquid market in terms of rigidity, deepness and resistance. The illiquidity of those inputs has an indirect impact on the valuation of a debt instrument linked to inflation (inflation-linked note) or in case of a derivative over inflation.

Credit spreads
Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name.
The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate (typically either U.S. Treasury or LIBOR/EURIBOR other ARR) and is generally expressed in terms of basis points.
The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

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

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

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Prepayment Rate ("PR")
The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security.
In general, as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending on the nature of the security and the direction of the change in the weighted average life.

Probability of Default ("PD")
The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor does not only depend on the risk characteristics of that particular obligor but also the economic environment and the degree to which it affects the obligor.

Early conversion
The early conversion is the estimate of the probability that the liability would be converted into equity earlier than the terms stated.

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

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

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

A.4.2 Valuations processes and sensitivities
The Group verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as *discounted cash flow* and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.
When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and *benchmarking*. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the *bid/ask* spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

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

A.4.3 Fair value hierarchy
IFRS13 establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all the significant valuation inputs used.
A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.
In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:
- Level 1: the fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- Level 2: the fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- Level 3: the fair value for instruments classified within this level is determined according to the valuation models which prevalently use significant unobservable input on active markets.

Part A - Accounting policies

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 fair values levels (both between Level 1 and Level 2 and in/out Level 3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.
Quantitative and qualitative details about transfers between fair values levels occurred in the period is presented in paragraph A.4.5 - Fair value hierarchy.

A.4.4 Other information

The Group uses the IFRS13 exception for fair value measurements on a net basis with reference to financial assets and liabilities with offsetting positions of market risk or counterparty credit risk.

Part A - Accounting policies

Quantitative information

A.4.5 Fair value hierarchy

The following tables show the portfolios breakdown in terms of financial assets and liabilities valued at fair value.

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

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 06.30.2021			AMOUNTS AS AT 12.31.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	38,651	50,415	4,319	29,746	54,187	3,892
a) Financial assets held for trading	32,438	45,388	1,165	23,824	47,578	1,303
b) Financial assets designated at fair value	241	-	-	226	-	-
c) Other financial assets mandatorily at fair value	5,972	5,027	3,154	5,696	6,609	2,589
2. Financial assets at fair value through other comprehensive income	55,869	14,374	952	57,483	14,311	943
3. Hedging derivatives	70	3,083	3	114	3,683	5
4. Property, plant and equipment	-	-	5,918	-	-	5,961
5. Intangible assets	-	-	-	-	-	-
Total	**94,590**	**67,872**	**11,192**	**87,343**	**72,181**	**10,801**
1. Financial liabilities held for trading	14,638	34,236	924	10,790	36,096	901
2. Financial liabilities designated at fair value	-	9,191	632	-	9,820	748
3. Hedging derivatives	82	4,335	-	126	5,573	-
Total	**14,720**	**47,762**	**1,556**	**10,916**	**51,489**	**1,649**

Item “1. c) Other financial assets mandatorily at fair value” at Level 3 as at 30 June 2021 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €325 million) and in “Schema Volontario” (carrying value €2 million).
Since no market valuations or prices of comparable securities are available for “Schema Volontario”, at 30 June 2021 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 Report on operations of the “Schema Volontario” itself of December 2020, while concerning Atlante and Italian Recovery Fund, former Atlante II, the Fair Value has been determined adopting an internal model in which credit risk changes of single ABS in which Atlante fund is invested are considered.
Refer to Part B - Section 2.5 - Other financial assets mandatorily at fair value income for further information of the Explanatory notes of this document.

Transfers between level of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some Group entities.

Besides the transfers relating to financial assets and liabilities carried at Level 3 detailed in the sections below during the year the following transfers occurred:

- from Level 1 to Level 2 owing to a worsening of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for €257 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for €74 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designed at fair value) for €52 million.
- from Level 2 to Level 1 owing to an improvement of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV (Independent Price Verification) process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for €1,226 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for €902 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designed at fair value) for €4 million.

Part A - Accounting policies

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

(€ million)

	CHANGES IN FIRST HALF 2021							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**3,898**	**1,303**	**-**	**2,595**	**943**	**5**	**5,961**	**-**
2. Increases	**1,542**	**664**	**-**	**878**	**131**	**-**	**203**	**-**
2.1 Purchases	1,144	377	-	767	36	-	22	-
2.2 Profits recognised in	325	259	-	66	66	-	151	-
2.2.1 Income statement	325	259	-	66	1	-	51	-
- of which unrealised gains	*161*	*113*	-	*48*	-	-	*51*	-
2.2.2 Equity	X	X	X	X	65	-	100	-
2.3 Transfers from other levels	22	1	-	21	-	-	-	-
2.4 Other increases	51	27	-	24	29	-	30	-
3. Decreases	**1,121**	**802**	**-**	**319**	**122**	**2**	**246**	**-**
3.1 Sales	619	575	-	44	5	-	33	-
3.2 Redemptions	116	-	-	116	13	-	-	-
3.3 Losses recognised in	212	141	-	71	28	-	157	-
3.3.1 Income statement	212	141	-	71	1	-	88	-
- of which unrealised losses	*141*	*82*	-	*59*	-	-	*31*	-
3.3.2 Equity	X	X	X	X	27	-	69	-
3.4 Transfers to other levels	115	70	-	45	70	-	40	-
3.5 Other decreases	59	16	-	43	6	2	16	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**4,319**	**1,165**	**-**	**3,154**	**952**	**3**	**5,918**	**-**

Items "2.2.1 Profits recognised in Income statement" and "3.3.1 Losses recognised in Income statement" in financial assets are included in the income statement in the following items:

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

The sub-item "2.2.2 Profits recognised in Equity" and the sub-item "3.3.2 Losses recognised in Equity" on fair value on financial assets at fair value through other comprehensive income are accounted in item "120. Valuation reserves" of shareholder's equity until the financial assets is not sold, instant in which cumulative gains and losses are reported: i) if referred to debt securities in income statement under item "100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income" and ii) if referred to equity instruments in the shareholder's equity under item "150. Reserves"; the exception regards the case of impairment and gains and losses on exchange rates on monetary assets (debt securities) which are reported respectively under item "130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income" and item "80. Net gains (losses) on trading".

Transfers between levels of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some Group entities and mostly refer to exposure held by subsidiaries UniCredit Bank AG and UniCredit Bank Austria AG.

Part A - Accounting policies

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

(€ million)

	CHANGES IN FIRST HALF 2021		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**902**	**748**	**-**
2. Increases	**571**	**362**	**-**
2.1 Issuance	247	195	-
2.2 Losses recognised in	235	51	-
2.2.1 Income statement	235	41	-
- of which unrealised losses	*112*	*29*	-
2.2.2 Equity	X	10	-
2.3 Transfers from other levels	49	112	-
2.4 Other increases	40	4	-
3. Decreases	**549**	**478**	**-**
3.1 Redemptions	241	32	-
3.2 Purchases	-	156	-
3.3 Profits recognised in	91	28	-
3.3.1 Income statement	91	17	-
- of which unrealised gains	*42*	*15*	-
3.3.2 Equity	X	11	-
3.4 Transfers to other levels	211	235	-
3.5 Other decreases	6	27	-
of which: business combinations	-	-	-
4. Closing balances	**924**	**632**	**-**

The items "2.2.1 Losses recognised in Income statement" and "3.3.1 Profits recognised in Income statement" in financial liabilities are included in the income statement in the following items:
- Item 80: Net gains (losses) on trading;
- Item 90: Net gains (losses) on hedge accounting;
- Item 110: Net gains (losses) on other financial assets/liabilities at fair value through profit or loss.

Transfers between levels of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some Group's entities and mostly refer to exposure held by UniCredit S.p.A. and its subsidiary UniCredit Bank AG.

Part B - Consolidated balance sheet - Assets

Assets

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

2.1 Financial assets held for trading: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2021			AMOUNTS AS AT 12.31.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**14,891**	**1,347**	**576**	**8,691**	**1,473**	**693**
1.1 Structured securities	4	948	-	23	978	-
1.2 Other debt securities	14,887	399	576	8,668	495	693
2. Equity instruments	**8,096**	**6**	**-**	**6,545**	**4**	**-**
3. Units in investment funds	**1,916**	**953**	**67**	**1,462**	**736**	**29**
4. Loans	**2,011**	**10,026**	**-**	**3,066**	**4,844**	**-**
4.1 Reverse Repos	-	2,563	-	-	1,887	-
4.2 Other	2,011	7,463	-	3,066	2,957	-
Total (A)	**26,914**	**12,332**	**643**	**19,764**	**7,057**	**722**
B. Derivative instruments						
1. Financial derivatives	**5,512**	**32,932**	**520**	**4,036**	**40,467**	**577**
1.1 Trading	5,512	32,674	520	4,036	40,422	577
1.2 Linked to fair value option	-	20	-	-	19	-
1.3 Other	-	238	-	-	26	-
2. Credit derivatives	**12**	**124**	**2**	**24**	**54**	**4**
2.1 Trading	12	124	2	24	54	4
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**5,524**	**33,056**	**522**	**4,060**	**40,521**	**581**
Total (A+B)	**32,438**	**45,388**	**1,165**	**23,824**	**47,578**	**1,303**
Total Level 1, Level 2 and Level 3			**78,991**			**72,705**

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

The financial assets and liabilities relating to OTC Derivatives and Reverse repos managed through Central Counterparty Clearing Houses (CCPs) are offset when (i) the clearing systems of CCPs guarantee the elimination or reduce to immaterial the credit and liquidity risks of these contracts and (ii) the entity intends to settle these contracts on a net basis, in accordance with IAS32 - Offsetting, in order to improve the presentation of the liquidity profile and counterparty risk connected with them.
The offset effect as at 30 June 2021, already included in the net presentation of these transactions, totaled €30,748 million increased in comparison to €38,163 million as at 31 December 2020 due to the evolution of the reference market conditions.

2.3 Financial assets designated at fair value: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2021			AMOUNTS AS AT 12.31.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**241**	**-**	**-**	**226**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	241	-	-	226	-	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**241**	**-**	**-**	**226**	**-**	**-**
Total Level 1, Level 2 and Level 3			**241**			**226**

Part B - Consolidated balance sheet - Assets

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2021 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 12.31.2020 LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**5,846**	**3,541**	**189**	**5,612**	**5,042**	**187**
1.1 Structured securities	-	-	1	-	-	-
1.2 Other debt securities	5,846	3,541	188	5,612	5,042	187
2. Equity instruments	**105**	**88**	**652**	**57**	**80**	**647**
3. Units in investment funds	**21**	**37**	**1,295**	**27**	**39**	**1,267**
4. Loans	**-**	**1,361**	**1,018**	**-**	**1,448**	**488**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,361	1,018	-	1,448	488
Total	**5,972**	**5,027**	**3,154**	**5,696**	**6,609**	**2,589**
Total Level 1, Level 2 and Level 3			**14,153**			**14,894**

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 (i) in FINO Project's Mezzanine and Junior Notes with a value of €44 million, (ii) Mezzanine and Junior bonds of Prisma securitisation for €3 million and (iii) Mezzanine and Junior bonds of Relais for €1 million.

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

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 €325 million.

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

Information about the units of Atlante Fund and Italian Recovery Fund

Atlante is a closed-end alternative investment fund (FIA) ruled by Italian law reserved to professional investors and managed by DeA Capital Alternative Funds SGR S.p.A. ("DeA"). The size of the fund was equal to €4,249 million, of which UniCredit S.p.A. invested for about 19.9%.
The investment policy of Atlante foresees that the fund may be invested (i) in banks with regulatory capital ratios lower than the minimum level set down in the SREP process and, thus, realise, upon request of the supervisory authority, actions of capital strengthening through capital increases and (ii) in Non-Performing Loans (NPLs) of a plurality of Italian banks.
With reference to Atlante fund, as at 30 June 2021 UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value with a carrying value of €156 million. The year-to-date overall cash investments are equal to €844 against which impairments for €684 million and positive fair value changes for €16 million were carried out. Received reimbursement amount to €20 million. In addition, UniCredit S.p.A. has a residual commitment to invest in the fund for an amount less than €2 million.
On August 2016, it was launched the Atlante II fund, redenominated Italian Recovery Fund since 27 October 2017, a closed-end investment alternative fund reserved to professional investors, also managed by DeA, which, unlike the Atlante fund, may invest only in NPL and instruments linked to NPL transactions (such as warrants) in order to reduce the risk in line with the parameters used by the largest world institutional investors.
With reference to Italian Recovery Fund, as at 30 June 2021 UniCredit S.p.A. holds shares with a carrying value of €170 million, classified as financial assets mandatory at fair value. The year-to-date overall cash investments are equal to €187 against which positive fair value changes for €9 million were carried out. Received reimbursement amount to €26 million. In addition, UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €8 million.
As at 30 June 2021 the book value (fair value) of these funds has been determined adopting an internal model in which credit risk changes of single ABS in which Atlante fund is invested are considered. This fair value valuation resulted in a lower value of €17 million in the half-year, accounted in the profit and loss.
Under a regulatory perspective, the treatment of the quotes held by UniCredit S.p.A. in the Atlante Fund and Italian Recovery Fund foresees the application of article 128 of the CRR (Items associated with particular high risk). With reference to the residual commitments, the regulatory treatment foresees the application of a Credit Conversion Factor equal to 100% ("full risk" according to the Annex I of CRR), for the calculation of the related Risk Weighted Assets.

Part B - Consolidated balance sheet - Assets

Information about the investments in the “Schema Volontario” (Voluntary Scheme)

In November 2015 UniCredit S.p.A. has joined the "Schema Volontario" (hereafter “SV”), a private entity introduced by Fondo Interbancario di Tutela dei Depositi (“FITD”), with appropriate modification of its statute.
SV is an instrument for the resolution of bank crises through supporting measures in favour of its member banks, if specific conditions laid down by the legislation occur. SV has an independent funding and the participating banks are committed to supply the relevant resources upon demand, when resources are needed to fund interventions. The initial participating size of the SV has been set up to €700 million (of which €110 million referred to UniCredit S.p.A.).
Here follow the main transactions carried out by SV.

Cassa di Risparmio di Cesena (CariCesena)

In June 2016 the SV approved an action supporting CariCesena, in relation to a capital increase approved by the bank itself on 8 June 2016 for €280 million of which €44 million referred to UniCredit S.p.A. On 30 September 2016 this commitment was converted into a monetary payment which has led to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as “available for sale" for €44 million for UniCredit S.p.A. (in line with the monetary payment). The update of the evaluation of the instruments as at 31 December 2016, according to an internal evaluation model based on multiples of a banking basket integrated with estimates on Cassa di Risparmio di Cesena’s credit portfolio and the related equity/capital needs, brought to the full impairment of the position.

CariCesena, Cassa di Risparmio di Rimini (Carim) e Cassa di Risparmio di San Miniato (Carismi)

In September 2017, in order to face Crédit Agricole CariParma intervention in favour of CariCesena, Carim and Carismi, based on a capital increase of €464 million and on the subscription of bonds from NPL securitisation of these banks for €170 million, the Fund increased its capital endowment for €95 million (to an overall amount of €795 million), increasing the residual commitment referred to UniCredit S.p.A. to €81 million. Hence, in the same month UniCredit S.p.A. paid €9 million in respect of the part of the intervention relating to the capital increase of Carim and Carismi, and in December 2017, UniCredit S.p.A. paid the remaining €72 million (of which €45 million referred to the capital increase of the banks and €27 million referred to the subscription of securitisations). Following these events, UniCredit group’s residual commitment towards SV was substantially nil.
All the payments referred to the capital increase of the banks brought to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as “available for sale” and amounting to €54 million for UniCredit S.p.A., entirely cancelled in 2017 financial statements due to the sale of the banks to Crédit Agricole CariParma at a symbolic price.
Regarding the portion of investment referred to the subscription of SV of Junior and Mezzanine quotes of the securitisation, the initial value (€27 million for UniCredit S.p.A.) was rectified in 2017 to reflect fair value valuation declared by the SV (€4 million for UniCredit S.p.A.) resulting from the analysis conducted by the advisors in charge of the underlying credits evaluation, conducted according to a Discounted Cash Flow model based on recovery plans elaborated by SPV’s special servicer.
Following the update of the assessment received from the SV (supported by the analysis of the appointed advisor), as at 30 June 2021 UniCredit S.p.A. recognised an accumulated impairment of €2.6 million (€0.1 million during 2021). Thus, 30 June 2021, UniCredit S.p.A. carrying value of investments related to securitisation is equal to nearly €1.8 million.

Banca Carige

On 30 November 2018, the Shareholders' Meeting of the SV decided to intervene in favour of Banca Carige S.p.A. by subscribing a Tier 2 subordinated loan (for a maximum amount of €320 million) issued by Banca Carige S.p.A. and addressed to the conversion into capital to the extent necessary to allow an expected capital increase of €400 million.
On the same date, within the framework of the agreement stipulated with SV, Banca Carige S.p.A. placed bonds for €320 million, of which €318.2 million subscribed directly through the SV itself. The bonds were issued at par (100% of the nominal value), with a fixed rate coupon of 13% and a maturity of 10 years (maturity 30 November 2028).
Considering the failure to provide by 22 December 2018 the delegation to the Board of Directors by the Extraordinary Shareholders' Meeting of Banca Carige S.p.A. to increase by payment the share capital for a maximum total amount of €400 million, with retroactive effect interests on the principal amount of outstanding bonds from time to time mature at a nominal fixed rate of 16% starting from the date of issue.
With reference to the intervention in favour of Banca Carige S.p.A., UniCredit S.p.A. contribution to the SV at the recognition date amounts to €53 million, and it has been identified as a financial instrument classified, on the basis of the existing accounting standard IFRS9, under item "20.c) Financial assets mandatorily at fair value through profit or loss”.
As at 31 December 2018, following the evaluation process of the investment, UniCredit S.p.A. recognised impairments for €16 million, thus bringing the carrying value of the instrument to €37 million.
As at 31 December 2019 UniCredit S.p.A. has evaluated instrument’s fair value according to internal models (Market Multiples and Multi-Scenario Analysis) for €13 million, also considering the occurred reimbursement of interests for €9 million.
Update of evaluation at 31 December 2020 has determined a fair value of €5.1 million. In the same way, fair value at 30 June 2021 is €0.2 million resulting in an impairment of €4.9 million recognised into the half-year profit and loss.

Part B - Consolidated balance sheet - Assets

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

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2021			AMOUNTS AS AT 12.31.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**55,845**	**13,661**	**173**	**57,463**	**13,439**	**236**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	55,845	13,661	173	57,463	13,439	236
2. Equity instruments	**24**	**713**	**779**	**20**	**872**	**707**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**55,869**	**14,374**	**952**	**57,483**	**14,311**	**943**
Total Level 1, Level 2 and Level 3			**71,195**			**72,737**

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

The Item "1. Debt Securities" includes investments (i) FINO Project's in instrument Senior and in part in instrument Mezzanine notes presented among level 3 with a value of €111 million and (ii) in Senior bonds of Prisma securitisation for €827 million and (iii) in Senior bonds of Relais for €468 million both presented among Level 2 instruments.

The Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among Level 2 instruments), with a value of €640 million and (ii) ABH Holding SA investments (presented among Level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsotbank to Alfa Group, with a value of €273 million.

Information about the shareholding in Banca d'Italia

Since the end of 2015, UniCredit S.p.A. started the disposal of its stake in Banca d'Italia at a price corresponding to its carrying value. Until 30 June 2021, UniCredit S.p.A. completed the disposal of about 13.6% of the share capital of Banca d'Italia for over €1,018 million, of which about €165 million in the first semester of 2021 (equal to about 2.2%), thus reducing its shareholding to 8.5% (carrying value equal to about €640 million).
The disposal process started after a capital increase carried out by Banca d'Italia in 2013 when, in order to facilitate the redistribution of shares, a threshold of 3% was introduced in respect of holding shares: after an interim period not exceeding 36 months, no economic rights were applicable to shares exceeding the above threshold.
During the last years, the shareholders with excess shares started the disposal process, finalising sales for more than 40% of Banca d'Italia total capital. The carrying value as at 30 June 2021 is in line with the figure at the end of the previous year and the valuation performed by the committee of experts on behalf of Banca d'Italia at the time of the capital increase. The carrying value is supported by the price consideration of the transactions that took place since 2015. The relevant measurement was therefore confirmed as level 2 in the fair value classification.
With regard to regulatory treatment as at 30 June 2021, the value of the investment, measured at fair value, is weighted at 100% (in accordance with article 133 "Exposures in Equity Instruments" of the CRR).

Part B - Consolidated balance sheet - Assets

Section 4 - Financial assets at amortised cost - Item 40

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2021 BOOK VALUE			AMOUNTS AS AT 12.31.2020 BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
A. Loans and advances to Central Banks	**71,993**	**-**	**-**	**67,801**	**-**	**-**
1. Time deposits	2,559	-	-	1,913	-	-
2. Compulsory reserves	53,271	-	-	60,197	-	-
3. Reverse repos	14,771	-	-	4,465	-	-
4. Other	1,392	-	-	1,226	-	-
B. Loans and advances to banks	**49,075**	**-**	**-**	**49,688**	**-**	**-**
1. Loans	41,387	-	-	43,955	-	-
1.1 Current accounts and demand deposits	11,966	-	-	13,626	-	-
1.2 Time deposits	6,301	-	-	5,392	-	-
1.3 Other loans	23,120	-	-	24,937	-	-
- Reverse repos	18,682	-	-	20,616	-	-
- Lease Loans	4	-	-	4	-	-
- Other	4,434	-	-	4,317	-	-
2. Debt securities	7,688	-	-	5,733	-	-
2.1 Structured	-	-	-	1	-	-
2.2 Other	7,688	-	-	5,732	-	-
Total	**121,068**	**-**	**-**	**117,489**	**-**	**-**

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2021 BOOK VALUE			AMOUNTS AS AT 12.31.2020 BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Loans	**427,039**	**9,100**	**37**	**440,238**	**8,497**	**47**
1.1 Current accounts	25,234	774	1	24,901	757	2
1.2 Reverse repos	18,923	-	-	35,757	-	-
1.3 Mortgages	178,735	3,402	3	175,466	2,852	3
1.4 Credit cards and personal loans, including wage assignment	16,067	353	1	16,054	335	1
1.5 Lease loans	15,203	807	-	15,962	789	-
1.6 Factoring	11,038	171	-	12,103	133	-
1.7 Other loans	161,839	3,593	32	159,995	3,631	41
2. Debt securities	**63,336**	**25**	**-**	**57,242**	**35**	**-**
2.1 Structured securities	34	-	-	35	-	-
2.2 Other debt securities	63,302	25	-	57,207	35	-
Total	**490,375**	**9,125**	**37**	**497,480**	**8,532**	**47**

The column “of which: purchased or originated credit impaired financial assets” includes impaired loans purchased as part of transactions other than business combinations.

Part B - Consolidated balance sheet - Assets

Sub-items “1.2. Reverse repos" and “1.7 Other loans” do not include the type of securities lending transactions collateralised by securities or not collateralised.
Sub-item “1.7 Other loans” includes among the significant items €4,766 million of trade receivables as at 30 June 2021.

4.4a Financial assets at amortised cost subject to Covid-19 measures: gross value and total accumulated impairments

(€ million)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS		
	STAGE 1						
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
EBA-compliant moratoria loans and advances	3,990	-	9,739	759	41	516	314
Other loans and advances with forbearance measures	8	-	696	1,025	-	37	234
Newly originated loans and advances	18,724	-	4,782	195	27	35	52
Total 06.30.2021	**22,722**	**-**	**15,217**	**1,979**	**68**	**588**	**600**
Total 12.31.2020	**21,548**	**-**	**16,965**	**1,341**	**70**	**676**	**459**

It should be noted that with reference to the Italian perimeter, moratorias ex Art.56 eligible for the extension, amount to €12 billion of which €9 billion referred to UniCredit S.p.A. and €3 billion referred to UniCredit Leasing S.p.A.

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 may include goodwill and, among “other intangible assets”, brands, customer relationships and software.
As at 30 June 2021 intangible assets amounted to €2,170 million, slightly increased in comparison to €2,117 million as at 31 December 2020.

10.1 Intangible assets: breakdown by asset type

(€ million)

	AMOUNTS AS AT 06.30.2021		AMOUNTS AS AT 12.31.2020	
ASSETS/VALUES	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**-**	**X**	**-**
A.1.1 Attributable to the Group	X	-	X	-
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**2,170**	**-**	**2,117**	**-**
A.2.1 Assets carried at cost	2,170	-	2,117	-
a) Intangible assets generated internally	1,701	-	1,644	-
b) Other assets	469	-	473	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**2,170**	**-**	**2,117**	**-**
Total finite and indefinite life		**2,170**		**2,117**

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

Part B - Consolidated balance sheet - Assets

10.2 Intangible assets: annual changes

(€ million)

	CHANGES IN FIRST HALF 2021					
		OTHER INTANGIBLE ASSETS				
		GENERATED INTERNALLY		OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross opening balance	**15,708**	**4,649**	**-**	**5,100**	**902**	**26,359**
A.1 Total net reduction in value	(15,708)	(3,005)	-	(4,627)	(902)	(24,242)
A.2 Net opening balance	**-**	**1,644**	**-**	**473**	**-**	**2,117**
B. Increases	**-**	**234**	**-**	**78**	**-**	**312**
B.1 Purchases	-	10	-	48	-	58
B.2 Increases in intangible assets generated internally	X	215	-	-	-	215
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	5	-	8	-	13
B.6 Other changes	-	4	-	22	-	26
of which: business combinations	-	-	-	-	-	-
C. Reduction	**-**	**177**	**-**	**82**	**-**	**259**
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	165	-	72	-	237
- Amortisation	X	164	-	69	-	233
- Write-downs	-	1	-	3	-	4
+ In equity	X	-	-	-	-	-
+ Through profit or loss	-	1	-	3	-	4
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	-	1	-	4	-	5
C.6 Other changes	-	11	-	6	-	17
of which: business combinations	-	-	-	-	-	-
D. Net closing balance	**-**	**1,701**	**-**	**469**	**-**	**2,170**
D.1 Total net write-down	(15,722)	(3,174)	-	(4,715)	(902)	(24,513)
E. Gross closing balance	**15,722**	**4,875**	**-**	**5,184**	**902**	**26,683**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

It shall be noted that the annual changes in gross closing balance and total net write-down, compared to the values as at 31 December 2020, are due to goodwill of legal entities which reporting currency is different to Euro, completely impaired in the previous periods.

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

Non-current assets or groups of assets and directly connected liabilities, which constitute a set of cash flow generating assets, the sale of which is highly likely, are recognised under these items. They are measured at the lower value between the book value and the fair value less costs to sell according to IFRS5.
In the balance sheet as at 30 June 2021, compared with 31 December 2020, the joint venture Capital Dev S.p.A. and the companies of Sia UniCredit Leasing group have been sold. Furthermore, the following has been attributed to the non-current assets and asset disposal groups pursuant to IFRS5: the controlled company Uctam Ro S.r.l. and the non-performing loans related to sale initiatives of portfolios. In the first half of the year the assets and liabilities of DC Bank AG group companies were reclassified from Held for Sale back to the proper items.
As regards the data for asset relating to discontinued operations, and associated liabilities, the figure as at 30 June 2021 refers to the controlled company Immobilien Holding Gmbh.

Part B - Consolidated balance sheet - Assets

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

(€ million)

	AMOUNTS AS AT	
	06.30.2021	12.31.2020
A. Assets held for sale		
A.1 Financial assets	463	1,499
A.2 Equity investments	16	16
A.3 Property, plant and equipment	215	427
of which: obtained by the enforcement of collateral	*29*	*34*
A.4 Intangible assets	4	12
A.5 Other non-current assets	49	58
Total (A)	**747**	**2,012**
of which: carried at cost	*73*	*233*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	*44*	*912*
of which: designated at fair value - level 3	*630*	*867*
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	2	5
Total (B)	**2**	**5**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*2*	*5*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	420	503
C.2 Securities	-	-
C.3 Other liabilities	134	245
Total (C)	**554**	**748**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	*95*
of which: designated at fair value - level 3	*554*	*653*
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	11	13
Total (D)	**11**	**13**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*11*	*13*

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 refer to Part A - Accounting policies - A.4 Information on fair value.

Part B - Consolidated balance sheet - Liabilities

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
1. Deposits from central banks	**111,861**	**98,388**
2. Deposits from banks	**74,890**	**74,085**
2.1 Current accounts and demand deposits	12,710	11,336
2.2 Time deposits	13,986	14,701
2.3 Loans	45,183	46,787
2.3.1 Repos	28,461	30,076
2.3.2 Other	16,722	16,711
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	9	8
2.6 Other deposits	3,002	1,253
Total	**186,751**	**172,473**

Sub-item “1. Deposits from central banks” includes the principal of funding from Targeted Longer-Term Refinancing Operations III (TLTRO - III). For additional information on TLTRO refer to “Section 5 - Other Matters” of the Condensed interim consolidated financial statement, Explanatory notes, Part A - Accounting policy - A.1 General part.

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

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
1. Current accounts and demand deposits	398,937	395,632
2. Time deposits	51,110	57,347
3. Loans	50,958	41,085
3.1 Repos	48,410	38,496
3.2 Other	2,548	2,589
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease deposits	2,181	2,310
6. Other deposits	4,711	4,376
Total	**507,897**	**500,750**

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

Part B - Consolidated balance sheet - Liabilities

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
A. Debt securities		
1. Bonds	87,681	86,604
1.1 Structured	1,050	1,147
1.2 Other	86,631	85,457
2. Other securities	8,292	15,920
2.1 Structured	62	61
2.2 Other	8,230	15,859
Total	**95,973**	**102,524**

The sum of sub-items "1.1 Bonds - Structured" and "2.1 Other securities - Structured" amounts to €1,112 million and account for 1.2% of total debt securities.

The fair value of derivatives embedded in structured securities and subject to bifurcation, presented in item 20 of Assets and item 20 of Liabilities and included in Trading derivatives - Others, amounted to a net balance of €18 million negative.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2021					AMOUNTS AS AT 12.31.2020				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	760	497	939	38	1,473	250	333	339	14	686
2. Deposits from customers	3,961	7,447	4,004	108	11,550	2,259	5,738	2,321	103	8,163
3. Debt securities	3,481	2	3,092	266	3,357	2,905	-	2,797	298	3,092
3.1 Bonds	1,501	-	1,386	98	1,482	1,595	-	1,314	139	1,452
3.1.1 Structured	1,501	-	1,386	98	X	1,595	-	1,314	139	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,980	2	1,706	168	1,875	1,310	-	1,483	159	1,640
3.2.1 Structured	1,980	2	1,706	168	X	1,310	-	1,483	159	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**8,202**	**7,946**	**8,035**	**412**	**16,380**	**5,414**	**6,071**	**5,457**	**415**	**11,941**
B. Derivatives instruments										
1. Financial derivatives	X	6,654	26,068	408	X	X	4,670	30,557	326	X
1.1 Trading derivatives	X	6,654	25,711	390	X	X	4,670	30,367	305	X
1.2 Linked to fair value option	X	-	112	-	X	X	-	85	-	X
1.3 Other	X	-	245	18	X	X	-	105	21	X
2. Credit derivatives	X	38	133	104	X	X	49	82	160	X
2.1 Trading derivatives	X	38	126	104	X	X	49	74	160	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	7	-	X	X	-	8	-	X
Total (B)	**X**	**6,692**	**26,201**	**512**	**X**	**X**	**4,719**	**30,639**	**486**	**X**
Total (A+B)	**X**	**14,638**	**34,236**	**924**	**X**	**X**	**10,790**	**36,096**	**901**	**X**
Total Level 1, Level 2 and Level 3				**49,798**					**47,787**	

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

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

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

Part B - Consolidated balance sheet - Liabilities

The offset effect as at 30 June 2021, already included in the net presentation of these transactions, totaled €37,936 million decreased in comparison to €44,902 million as at 31 December 2020 due to the evolution of reference market conditions.

The sub-items "1. Deposits from banks" and "2. Deposits from customers" include short selling totaling €8,264 million as at 30 June 2021 (€6,281 million as at 31 December 2020), in respect of which no nominal amount was attributed.

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

3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

	AMOUNTS AS AT 06.30.2021					AMOUNTS AS AT 12.31.2020				
		FAIR VALUE					FAIR VALUE			
TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE*	NOMINAL VALUE	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE*
1. Deposits from banks	**5**	**-**	**4**	**1**	**5**	**5**	**-**	**4**	**1**	**4**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	5	-	4	1	X	5	-	4	1	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Deposits from customers	**707**	**-**	**687**	**59**	**740**	**654**	**-**	**657**	**54**	**711**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	707	-	687	59	X	654	-	657	54	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**9,161**	**-**	**8,500**	**572**	**8,878**	**9,623**	**-**	**9,159**	**693**	**9,611**
3.1 Structured	7,982	-	7,442	534	X	9,070	-	8,746	631	X
3.2 Other	1,179	-	1,058	38	X	553	-	413	62	X
Total	**9,873**	**-**	**9,191**	**632**	**9,623**	**10,282**	**-**	**9,820**	**748**	**10,326**
Total Level 1, Level 2 and Level 3				**9,823**					**10,568**	

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

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

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

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

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

See Section 12 of Assets.

Part B - Consolidated balance sheet - Liabilities

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
1. Provisions for credit risk on commitments and financial guarantees given	1,231	1,263
2. Provisions for other commitments and other guarantees given	141	125
3. Pensions and other post-retirement benefit obligations	5,103	5,677
4. Other provisions for risks and charges	2,971	3,123
4.1 Legal and tax disputes	768	749
4.2 Staff expenses	790	943
4.3 Other	1,413	1,431
Total	**9,446**	**10,188**

As at 30 June 2021 Provision for risks and charges amounted to €9,446 million, of which about €1,372 million relating to total impairment losses on off-balance sheet exposures, €5,103 million relating to pensions and other post-retirement benefit obligations and €2,971 million relating to other provisions for risks and charges.

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

- legal and tax disputes: cases in which the Group is a defendant, and post-insolvency clawback petitions (more information on litigation is set out in Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Legal risks and D. Risks arising from tax disputes);
- staff expenses including also the expenses relating to the implementation of the Strategic Plan;
- other: provisions for risks and charges not attributable to the above items, whose details are illustrated in the table 10.6 below.

Part B - Consolidated balance sheet - Liabilities

10.5 Pensions and other post-retirement defined-benefit obligations

There are several defined-benefit plans within the Group, i.e., plans whose benefit is linked to salary and employee length of service both in Italy and abroad. The Austrian, German and Italian plans account for over 90% of the Group's pension obligations.
About the 49% of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, the "Direct Pension Plan" (i.e. an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG" all created by UniCredit Bank AG ("UCB AG"), and (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and UniCredit S.p.A.
The Group's defined-benefit plans are mainly closed to new recruits where most new recruits join defined-contribution plans instead and the related contributions are charged to the income statement.
According to IAS19, obligations arising from defined-benefit plans are determined using the "Projected Unit Credit" method, while segregated assets are measured at fair value at the balance sheet's reference date. The balance sheet obligation is the result of the deficit/surplus (i.e., the difference between obligations and assets) net of any impacts of the asset ceiling; actuarial gains and losses are recognised in shareholders' equity and shown in a specific item of revaluation reserves in the financial year in which they are recorded.
The actuarial assumptions used to determine obligations vary from country to country and from plan to plan; the discount rate is determined, depending on the currency of denomination of the commitments and the maturity of the liability, by reference to market yields at the balance sheet date on a basket of "high quality corporate bonds" (HQCB).
In the light of evolving common interpretation about "*high quality corporate bonds*" identification and persisting interest rates decreasing trend, UniCredit determines the discount rate by referencing AA rated corporate bonds (HQCB) basket. In addition, a Nelson Siegel methodology is applied in modelling of the yield-curve expressed by the basket of securities adjusted above the "last liquid point" (defined as the average maturity of the last 5 available bonds) relying on the slope of a Treasury curve build with AA Govies).
The measurement of commitments as at 30 June 2021 (including those relating to employee severance pay for so-called *Trattamento di fine rapporto del personale*) leads to a decrease, compared to 31 December 2020 levels, of €339 million, net of taxes, in the negative balance of the valuation reserve of actuarial gains/losses on defined benefit plans driven by a reduction of HQCB bond prices partially offset by plan assets performance (for a negative balance which move from -€4,007 million as at 31 December 2020 to -€3,668 million as at 30 June 2021), determined by a rise in Euro yield curve (up to +35bps for pension funds and +25bps for *Trattamento di fine rapporto del personale,* vis-a-vis December 2020).

For additional information refer to the "2020 Consolidated Report and Accounts" of UniCredit group.

It is worth to note that, during second quarter, a capitalization offer has been in place (early settlement of debt with one-off payment) on a voluntary basis with regard to defined benefit plans of UniCredit S.p.A. for a total amount of €276 million as of 31 December 2020, its conclusion is expected within second half 2021.

10.6 Provisions for risks and charges - other provisions

(€ million)

	AMOUNTS AS AT	
	06.30.2021	12.31.2020
4.3 Other provisions for risks and charges - other		
Real estate risks/charges	103	102
Restructuring costs	47	51
Allowances payable to agents	88	87
Disputes regarding financial instruments and derivatives	21	21
Costs for liabilities arising from equity investment disposals	178	206
Other	976	964
Total	**1,413**	**1,431**

It should be noted that sub-item "Others" includes provisions:
- posted in order to cope with the probable risks of loss relating to claims by customers. Further information is reported in the related paragraph of Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers;
- referring to cover the risks related to certain standard contractual terms contained in the documentary frameworks (i.e. representations & warranties), including securitisation transactions signed with the SPVs, of which UniCredit S.p.A. is Originator, pending the analysis and assessments to be completed within the deadlines established.

Part B - Consolidated balance sheet - Liabilities

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

As at 30 June 2021 the Group shareholders' equity, including the result for the period of +€1,921 million, amounted to €61,356 million, against €59,507 million at the end of 2020.

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

Group shareholders' equity: breakdown

(€ million)

	AMOUNTS AS AT		CHANGES	
	06.30.2021	12.31.2020	AMOUNT	%
1. Share capital	21,133	21,060	73	0.3%
2. Share premium reserve	6,098	9,386	-3,288	-35.0%
3. Reserves	31,133	31,167	-34	-0.1%
4. Treasury shares	(181)	(3)	-178	n.m.
a. Parent Company	(181)	(2)	-179	n.m.
b. Subsidiaries	-	(1)	1	n.m.
5. Valuation reserve	(5,589)	(6,159)	570	-9.3%
6. Equity instruments	6,841	6,841	-	-
7. Net profit (loss)	1,921	(2,785)	4,706	n.m.
Total	**61,356**	**59,507**	**1,849**	**3.1%**

The +€1,849 million change in Group equity resulted from:

(€ million)

Change in capital:	
withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium-term incentive plan for Group personnel following the resolution of the Board of Directors of 10 February 2021	**73**
Use of share premium reserve: for (i) the coverage of the entire loss of UniCredit S.p.A. from the 2020 financial year (-€2,732 million); (ii) the increase of the Legal reserve (-€55 million); iii) the coverage of the negative components related to the payment of AT1 coupons (-€322 million); iv) the allocation to specific unavailable reserve in relation to the purchases of treasury shares in execution of buy-back program (-€179 million)	**(3,288)**
Change in reserves, including those one in treasury shares arising from:	**(212)**
· attribution to the reserve of the result of the previous year excluding the loss of UniCredit S.p.A., net of other allocations	(55)
· coverage of the negative reserves to eliminate the components related to the payment of AT1 coupons (+€322 million), the increase of the Legal reserve (+€55 million) and the allocation to specific unavailable reserve in relation to the purchases of treasury shares in execution of buy-back program (+€179 million) by use of the Share Premium reserve	556
· change in reserves connected to Share Based Payments	43
· recognition in reserves from allocation of profit of the cumulated gains (losses) arising from the disposal of equities measured at fair value through Other Comprehensive Income and from the repurchase of financial liabilities designated at fair value occurred during the period. This amount includes also the recycling to reserves from allocation of profit of the eventual amount previously reported in revaluation reserve	(46)
· withdrawal from the specifically constituted reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 10 February 2021	(73)
· allocation to the reserves of the coupon paid to subscribers of the Additional Tier 1 notes, net of the related taxes	(165)
· the purchase of no.17,416,128 shares in execution of the "First Buy-Back Programme 2021" resolved by the shareholders' meeting held on 15 April 2021	(179)
· distribution of dividends from profit reserves as approved by Shareholders' Meeting of 15 April 2021	(268)
· other changes	(25)
Change in valuation reserves related to:	**570**
· actuarial gains (losses) on defined-benefit plans	339
· exchange rate differences	237
· tangible assets	176
· the valuation of companies carried at equity	18
· hedging for financial risks	(86)
· financial assets and liabilities valued at fair value	(114)
Change of the profit for the period compared with that of 31 December 2020	**4,706**

Part B - Consolidated balance sheet - Liabilities

13.4 Reserves form profits: other information

(€ million)

	AMOUNTS AS AT	
	06.30.2021	12.31.2020
Legal reserve	1,518	1,518
Statutory reserve	6,828	7,380
Other reserves	14,545	14,557
Total	**22,891**	**23,455**

The legal reserve in overall includes, in addition to the amount of €1,518 million, also the amount of €2,738 million classified among Other reserves (not from profits) through a withdrawal from the "Share premium reserve" as resolved by the Shareholders' Meeting of 11 May 2013, 13 May 2014, 14 April 2016 and 15 April 2021.

13.6 Other Information

Valuation reserves: breakdown

(€ million)

	AMOUNTS AS AT	
ITEM/TYPES	06.30.2021	12.31.2020
1. Equity instruments designated at fair value through other comprehensive income	(252)	(339)
2. Financial assets (other than equity instruments) at fair value through other comprehensive income	889	1,119
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)	(138)	(167)
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	1,643	1,467
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	(109)	(23)
10. Exchange differences	(2,712)	(2,949)
11. Non-current assets classified as held for sale	(2)	(2)
12. Actuarial gains (losses) on defined-benefit plans	(3,668)	(4,007)
13. Part of valuation reserves of investments valued at net equity	(1,517)	(1,535)
14. Special revaluation laws	277	277
Total	**(5,589)**	**(6,159)**

The FX currency reserves as at 30 June 2021 mainly refer to the following currencies:
- Turkish Lira: - €1,581 million, included in the item "Revaluation reserves of investments valued at net equity";
- Russian Ruble: -€2,360 million included in the item "Exchange differences" and -€44 million included in the item "Revaluation reserves of investments valued at net equity".

The main variations in comparison to 31 December 2020 refer to:
- variation of item "Actuarial gains (losses) on defined-benefit plans" for +€339 million mainly referred to the increase in DBO discount rate induced by the reduction in prices of High Quality Corporate Bonds partially offset by plan assets performance.
- variation of the item "Exchange differences" for +€237 million mainly refers to change of Russian Ruble for +€116 million and Czech Crown for +€78 million;
- variation of the item "Property, plant and equipment" for +€176 million mainly referred to the alignment between tax values and higher accounting values of the portion of real estate properties IAS16, for further information refer to Part A - Accounting policies - Section 5 - Other matters;
- variation of item "Financial assets (other than equity instruments) at fair value through other comprehensive income" for -230 million mainly due to Government securities.

Part C - Consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2021 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 06.30.2020 TOTAL
1. Financial assets at fair value through profit or loss	**135**	**41**	**276**	**452**	**478**
1.1 Financial assets held for trading	84	-	276	360	392
1.2 Financial assets designated at fair value	1	-	-	1	-
1.3 Other financial assets mandatorily at fair value	50	41	-	91	86
2. Financial assets at fair value through other comprehensive income	**362**	**-**	**X**	**362**	**456**
3. Financial assets at amortised cost	**250**	**4,231**	**X**	**4,481**	**5,432**
3.1 Loans and advances to banks	17	133	X	150	264
3.2 Loans and advances to customers	233	4,098	X	4,331	5,168
4. Hedging derivatives	**X**	**X**	**3**	**3**	**15**
5. Other assets	**X**	**X**	**82**	**82**	**135**
6. Financial liabilities	**X**	**X**	**X**	**768**	**364**
Total	**747**	**4,272**	**361**	**6,148**	**6,880**
of which: interest income on impaired financial assets	-	*170*	-	*170*	*184*
of which: interest income on financial lease	-	*230*	-	*230*	*280*

The interests on financial liabilities, contributing to net interest margin, include positive benefit arising from TLTRO II and TLTRO III facilities, the calculation of which is described in “Section 5 - Other Matters” of the Condensed interim consolidated financial statements of UniCredit group, Explanatory Notes, Part A - Accounting policies - A.1 General part.

1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2021 DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 06.30.2020 TOTAL
1. Financial liabilities at amortised cost	**(354)**	**(993)**	**X**	**(1,347)**	**(1,767)**
1.1 Deposits from central banks	(5)	X	X	(5)	(33)
1.2 Deposits from banks	(79)	X	X	(79)	(153)
1.3 Deposits from customers	(270)	X	X	(270)	(450)
1.4 Debt securities in issue	X	(993)	X	(993)	(1,131)
2. Financial liabilities held for trading	**-**	**(42)**	**(331)**	**(373)**	**(427)**
3. Financial liabilities designated at fair value	**(3)**	**(21)**	**-**	**(24)**	**(32)**
4. Other liabilities and funds	**X**	**X**	**(22)**	**(22)**	**(35)**
5. Hedging derivatives	**X**	**X**	**481**	**481**	**487**
6. Financial assets	**X**	**X**	**X**	**(442)**	**(182)**
Total	**(357)**	**(1,056)**	**128**	**(1,727)**	**(1,956)**
of which: interest expenses on lease deposits	*(15)*	*X*	*X*	*(15)*	*(20)*

Part C - Consolidated income statement

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	AS AT 06.30.2021	AS AT 06.30.2020
a) Guarantees given	231	235
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	1,913	1,589
1. Securities trading	127	121
2. Currencies trading	54	55
3. Portfolios management	178	196
3.1 Individual	71	82
3.2 Collective	107	114
4. Custody and administration of securities	137	134
5. Custodian bank	1	1
6. Placement of securities	487	245
7. Reception and transmission of orders	75	90
8. Advisory services	67	51
8.1 Relating to investments	43	29
8.2 Relating to financial structure	24	22
9. Distribution of third parties services	787	696
9.1 Portfolios management	332	291
9.1.1 Individual	3	1
9.1.2 Collective	329	290
9.2 Insurance products	447	395
9.3 Other products	8	10
d) Collection and payment services	630	574
e) Securitisation servicing	4	4
f) Factoring	34	37
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	623	657
j) Other services	494	471
k) Security lending	24	20
Total	**3,953**	**3,587**

Item “j) Other services” mainly comprises:
- fees on loans granted of €180 million, €164 million in the first half of 2020;
- fees for foreign transactions and services of €38 million, €35 million in the first half of 2020;
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €27 million, €27 million in the first half 2020;
- fees for ATM and credit card services not included in “Collection and payment services”, amounting to €118 million, €121 million in the first half of 2020.

Part C - Consolidated income statement

2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	AS AT 06.30.2021	AS AT 06.30.2020
a) Guarantees received	(43)	(41)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(167)	(167)
1. Financial instruments trading	(29)	(34)
2. Currencies trading	(4)	(6)
3. Portfolios management	(21)	(19)
3.1 Own portfolios	(11)	(9)
3.2 Third party portfolios	(10)	(10)
4. Custody and administration of securities	(85)	(82)
5. Placement of financial instruments	(4)	(4)
6. Off-site distribution of financial instruments, products and services	(24)	(22)
d) Collection and payment services	(293)	(281)
e) Other services	(69)	(81)
f) Security lending	(14)	(10)
Total	**(586)**	**(580)**

Section 3 - Dividend income and similar revenues - Item 70

3.1 Dividend income and similar revenues: breakdown

(€ million)

ITEMS/REVENUES	AS AT 06.30.2021		AS AT 06.30.2020	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	149	-	92	-
B. Other financial assets mandatorily at fair value	26	8	22	3
C. Financial assets at fair value through other comprehensive income	15	-	13	-
D. Equity investments	2	-	2	-
Total	**192**	**8**	**129**	**3**
Total dividends and similar revenues		**200**		**132**

Dividends are recognised in the income statement when distribution is approved.
In the first half 2021 dividend income and similar revenues totaled €200 million, as against overall €132 million for the previous period.

The item "A. Financial assets held for trading" includes mainly the dividends received relating to the following equity securities: Allianz SE NA O.N. (€11 million), Eni S.p.A. (€8 million), Basf SE NA O.N. (€6 million), Bayer AG (€6 million).
In the first half 2020 the item "Financial assets held for trading" mainly included the dividends received relating to the following equity securities: Eni S.p.A. (€10 million), Allianz SE NA O.N. (€8 million), Basf SE NA O.N. (€8 million), Siemens AG NA O.N. (€7 million).

The item "B. Other financial assets mandatorily at fair value" includes mainly the dividends received relating to the shareholding in La Villata S.p.A. Immobiliare di Investimento e Sviluppo for €16 million (€15 million in 2020).

The item "C. Financial assets at fair value through other comprehensive income" includes mainly the dividends received relating to the shareholding in Banca d'Italia (€10 million, same as in 2020).

Part C - Consolidated income statement

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

4.1 Net gains (losses) on trading: breakdown

(€ million)

TRANSACTIONS/INCOME ITEMS	AS AT 06.30.2021				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets held for trading	**7,454**	**2,042**	**(4,139)**	**(405)**	**4,952**
1.1 Debt securities	103	281	(439)	(180)	(235)
1.2 Equity instruments	310	942	(353)	(132)	767
1.3 Units in investment funds	103	141	(44)	(6)	194
1.4 Loans	2,053	4	(995)	(86)	976
1.5 Other	4,885	674	(2,308)	(1)	3,250
2. Financial liabilities held for trading	**156**	**149**	**(361)**	**(227)**	**(283)**
2.1 Debt securities	127	92	(340)	(179)	(300)
2.2 Deposits	-	-	-	4	4
2.3 Other	29	57	(21)	(52)	13
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(121)**
4. Derivatives	**101,716**	**56,888**	**(105,002)**	**(57,593)**	**(3,600)**
4.1 Financial derivatives	101,564	56,800	(104,923)	(57,417)	(3,585)
- On debt securities and interest rates	91,053	48,999	(90,236)	(49,118)	698
- On equity securities and share indices	5,548	5,040	(6,377)	(4,663)	(452)
- On currencies and gold	X	X	X	X	391
- Other	4,963	2,761	(8,310)	(3,636)	(4,222)
4.2 Credit derivatives	152	88	(79)	(176)	(15)
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total	**109,326**	**59,079**	**(109,502)**	**(58,225)**	**948**

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

5.1 Net gains (losses) on hedge accounting: breakdown

(€ million)

INCOME COMPONENT/VALUES	AS AT 06.30.2021	AS AT 06.30.2020
A. Gains on		
A.1 Fair value hedging instruments	4,869	4,812
A.2 Hedged financial assets (in fair value hedge relationship)	323	1,247
A.3 Hedged financial liabilities (in fair value hedge relationship)	2,385	51
A.4 Cash-flow hedging derivatives	2	16
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**7,579**	**6,126**
B. Losses on		
B.1 Fair value hedging instruments	(5,765)	(4,635)
B.2 Hedged financial assets (in fair value hedge relationship)	(1,704)	(80)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(66)	(1,428)
B.4 Cash-flow hedging derivatives	(2)	(1)
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(7,537)**	**(6,144)**
C. Net hedging result (A-B)	**42**	**(18)**
of which: net gains (losses) of hedge accounting on net positions	-	-

Part C - Consolidated income statement

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

As at 30 June 2021 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€181 million (+€247 million in 2020), of which +€184 million on financial assets and -€3 million on financial liabilities.
Net result recognised under sub-item “1. Financial assets at amortised cost” equal to +€59 million is mainly due to loan and advances to customers, principally attributable to sale of bonds by UniCredit S.p.A.
The sub-item “2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities” is equal to +€125 million and includes principally gains on disposal of UniCredit S.p.A. (+€70 million mainly due to Italian government securities).

6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)

ITEMS/INCOME ITEMS	AS AT 06.30.2021			AS AT 06.30.2020		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	139	(80)	59	161	(51)	110
1.1 Loans and advances to banks	2	-	2	-	-	-
1.2 Loans and advances to customers	137	(80)	57	161	(51)	110
2. Financial assets at fair value through other comprehensive income	218	(93)	125	224	(97)	127
2.1 Debt securities	218	(93)	125	224	(97)	127
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**357**	**(173)**	**184**	**385**	**(148)**	**237**
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	2	-	2
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	1	(4)	(3)	11	(3)	8
Total liabilities (B)	**1**	**(4)**	**(3)**	**13**	**(3)**	**10**
Total financial assets/liabilities			**181**			**247**

Part C - Consolidated income statement

Section 7 - Net gains (losses) on other financial assets/liabilities at fair value through profit or loss - Item 110

7.1 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ million)

TRANSACTIONS/INCOME ITEMS	AS AT 06.30.2021				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**(13)**	**(2)**	**(15)**
1.1 Debt securities	-	-	(13)	(2)	(15)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**125**	**141**	**(373)**	**(131)**	**(238)**
2.1 Debt securities	106	141	(329)	(127)	(209)
2.2 Deposits from banks	19	-	(44)	(4)	(29)
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**125**	**141**	**(386)**	**(133)**	**(253)**

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

7.2 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(€ million)

TRANSACTIONS/INCOME ITEMS	AS AT 06.30.2021				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	**182**	**34**	**(214)**	**(42)**	**(40)**
1.1 Debt securities	58	23	(113)	(41)	(73)
1.2 Equity securities	72	2	(8)	-	66
1.3 Units in investment funds	40	6	(58)	-	(12)
1.4 Loans	12	3	(35)	(1)	(21)
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**182**	**34**	**(214)**	**(42)**	**(40)**

Equity securities of financial assets include effects of the evaluation of the investment in the “Schema Volontario” (-€5 million).

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

Part C - Consolidated income statement

Section 8 - Net losses/recoveries on credit impairment - Item 130

As of 30 June 2021, in addition to the effects of the staging classifications and coverage dynamics, net losses on credit impairment reflect the update of the macroeconomic scenario, the adjustment of IRB Models for PD calculation in coherence with the EBA “Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures”, methodological enhancements to the model underlying the credit risk parameters used for calculation of IFRS9 expected credit losses and the effects arising from moratoria extension
For further details on the above mentioned topics refer to Part E - Information on risks and hedging policies - Section 2 Risks of the prudential consolidated perimeter - 2.1 Credit risk.

8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

(€ million)

	AS AT 06.30.2021						AS AT 06.30.2020
	WRITE-DOWNS			WRITE-BACKS			
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
TRANSACTIONS/INCOME ITEMS		WRITE-OFF	OTHER			TOTAL	TOTAL
A. Loans and advances to banks	**(6)**	**-**	**-**	**10**	**2**	**6**	**6**
- Loans	(5)	-	-	8	2	5	8
- Debt securities	(1)	-	-	2	-	1	(2)
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(1,340)**	**(78)**	**(1,647)**	**1,231**	**1,293**	**(541)**	**(2,166)**
- Loans	(1,333)	(78)	(1,647)	1,210	1,293	(555)	(2,122)
- Debt securities	(7)	-	-	21	-	14	(44)
of which: acquired or originated impaired loans	-	*(1)*	*(4)*	-	*1*	*(4)*	*(11)*
Total	**(1,346)**	**(78)**	**(1,647)**	**1,241**	**1,295**	**(535)**	**(2,160)**

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

(€ million)

	AS AT 06.30.2021						AS AT 06.30.2020
	WRITE-DOWNS			WRITE-BACKS			
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
TRANSACTIONS/INCOME ITEMS		WRITE-OFF	OTHER			TOTAL	TOTAL
A. Debt securities	**(13)**	**-**	**(1)**	**16**	**-**	**2**	**(36)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	**(13)**	**-**	**(1)**	**16**	**-**	**2**	**(36)**

Part C - Consolidated income statement

Section 12 - Administrative expenses - Item 190

12.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	AS AT 06.30.2021	AS AT 06.30.2020
1) Employees	**(2,950)**	**(4,363)**
a) Wages and salaries	(2,109)	(2,137)
b) Social charges	(509)	(508)
c) Severance pay	(10)	(10)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(4)	(4)
f) Provision for retirements and similar provisions	(58)	(79)
- Defined contribution	(1)	(1)
- Defined benefit	(57)	(78)
g) Payments to external pension funds	(115)	(117)
- Defined contribution	(114)	(116)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(43)	(29)
i) Other employee benefits	(102)	(1,479)
2) Other non-retired staff	**(12)**	**(7)**
3) Directors and Statutory Auditors	**(4)**	**(4)**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for seconded employees to other companies	**9**	**9**
6) Refund of expenses for secunded employees to the company	**(20)**	**(21)**
Total	**(2,977)**	**(4,386)**

It is worth to note that the variation in item “Staff expenses” is mainly due to the recognition in 2020 of leaving incentives under subitem i) Other employee benefits.

Part C - Consolidated income statement

12.5 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	AS AT 06.30.2021	AS AT 06.30.2020
1) Indirect taxes and duties	**(283)**	**(338)**
1a. Settled	(282)	(337)
1b. Unsettled	(1)	(1)
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(672)**	**(534)**
3) Guarantee fee for DTA conversion	**(52)**	**(56)**
4) Miscellaneous costs and expenses	**(1,319)**	**(1,327)**
a) Advertising marketing and communication	(72)	(73)
b) Expenses relating to credit risk	(61)	(71)
c) Indirect expenses relating to personnel	(26)	(34)
d) Information & Communication Technology expenses	(566)	(546)
Lease of ICT equipment and software	(36)	(37)
Software expenses: lease and maintenance	(143)	(129)
ICT communication systems	(36)	(38)
Services ICT in outsourcing	(285)	(278)
Financial information providers	(66)	(64)
e) Consulting and professionals services	(89)	(95)
Consulting	(70)	(74)
Legal expenses	(19)	(21)
f) Real estate expenses	(203)	(208)
Premises rentals	(24)	(23)
Utilities	(68)	(72)
Other real estate expenses	(111)	(113)
g) Operating costs	(302)	(300)
Surveillance and security services	(35)	(40)
Money counting services and transport	(25)	(24)
Printing and stationery	(14)	(18)
Postage and transport of documents	(37)	(38)
Administrative and logistic services	(78)	(71)
Insurance	(43)	(38)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(43)	(41)
Other administrative expenses - other	(27)	(30)
Total (1+2+3+4)	**(2,326)**	**(2,255)**

Contributions to Resolution and Guarantee Funds

Item “Other administrative expenses” includes the Group contributions to resolution funds (“SRF”) and guarantee funds (“DGS”), harmonised and non-harmonised, due pursuant to the Directives No.49 and No.59 of 2014.

In more details:

- With the introduction of the European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism (“BRRD Directive” Regulation (EU) No.806/2014 of the European Parliament and of the Council dated 15 July 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund, “SRF”). The Directive provides for the launch of a compulsory contribution mechanism that entails the collection of the target level of resources by 31 December 2023, equal at least to 1% of the amount of the covered deposits of all the authorised institutions in the States of the European Union. The accumulation period may be extended for further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the covered deposits. If the available financial resources fall below the target level after the accumulation period, the collection of contributions shall resume until that level has been recovered. Additionally, after having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at that level which allows to reach the target level within a period of six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions, of up to three times the expected annual contributions, when the available financial resources are not sufficient to cover losses and costs of interventions. A transitional phase of contributions to the national compartments of the SRF and a progressive mutualisation of these are expected.
- The Directive 2014/49/EU of 16 April 2014, in relation to the DGS - Deposit Guarantee Schemes, aims to enhance the protection of depositors through the harmonisation of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of at least 0.8% of the amount of its members' covered deposits to be collected by 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If the available financial resources have been reduced to below two thirds of the target level after it has been reached for the first time, the regular contribution shall be set at that level which

Part C - Consolidated income statement

allows to reach the target level within six years. The national contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

The Directives No.49 and No.59 specify the possibility of introducing irrevocable payment commitments as an alternative to collection of fund contributions lost through cash, up to a maximum of 30% of the total resources target.

Contributions to these schemes are accounted for in accordance with IFRIC21 “Levies”. Therefore, contributions are recognised in income statement when the obligating event identified by the legislation (i.e., having covered deposits at a certain date), that triggers the payment of the obligation, occurs. Being economically compelled to continue to have covered deposits or assumption of going concern does not represent a present obligation under IFRIC21 to pay such contributions for future periods. Future contributions will be recognised when they accrue upon occurrence of the obligating event.

As at 30 June 2021, with reference to Directive No.59 (SRF contributions), the Group contributions recognised through the income statement for the first six months of the year, totaled €575 million, of which: i) ordinary contributions for €510 million (of which, €201 million UniCredit S.p.A.); ii) extraordinary contributions for €65 million (entirely UniCredit S.p.A.).
In particular, the extraordinary contribution refers to the payment due to the National Resolution Fund (“NRF”) in 2021, in the context of the resolution programme for the “four banks” (Banca delle Marche, Banca dell’Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti). To this regard, it is worth reminding that in 2016 the resolution programme requested additional funding, provided through pool loans (in which UniCredit participated), whose last tranche matures in July 2021. Thus, extraordinary contributions were also requested to fund interests and capital redemption related to the last tranche of the loan.

With reference to Directive No.49 (DGS contribution), the entire amount of €97 million as of June 2021 refers to the ordinary contribution. Such contribution also includes the amounts recognised by UniCredit Bank AG and referred to the contribution to the Compensation Scheme of German Private Banks[25].
As at 30 June 2021, no irrevocable payment commitments payment commitments were used.

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

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

(€ million)

	GROUP	*o/w UniCredit S.p.A.*
Directive No.59 (SRF contributions), o/w:		
Ordinary contributions, as at 30 June:		
2021	510	*201*
2020	426	*161*
Extraordinary contributions, as at 30 June:		
2021	65	*65*
2020	51	*51*
Directive No.49 (DGS contributions), o/w:		
Ordinary contributions, as at 30 June:		
2021	*97*	-
2020	*88*	-

Guarantee fees for DTA conversion

Guarantee fee for DTA conversion, introduced by Art.11 of Law Decree No.59/2016, converted into Law No.119/2016 (as modified by Law Decree No.237/2016, converted in to Law No.15/2017), allows, under certain conditions, the possibility to convert into tax credits certain deferred tax assets (“Convertible DTAs”) provided that an irrevocable election for such regime is exercised via the payment of an annual fee (“DTA fee”). The DTA fee has to be corresponded annually for the period 2016-2030.

25 Entschädigungseinrichtung Deutscher Banken.

Part C - Consolidated income statement

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

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

(€ million)

	AS AT 06.30.2021		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan committments	(210)	249	**39**
Financial guarantees given	(222)	222	**-**

13.2 Net provisions for other commitments and guarantees given: breakdown

(€ million)

	AS AT 06.30.2021		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Other committments	(10)	4	**(6)**
Other guarantees given	(38)	25	**(13)**

13.3 Net provisions for risks and charges: breakdown

(€ million)

	AS AT 06.30.2021			AS AT 06.30.2020
ASSETS/INCOME ITEMS	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(249)	95	(154)	(57)
1.2 Staff costs	-	-	-	-
1.3 Other	(57)	50	(7)	4
Total	**(306)**	**145**	**(161)**	**(53)**

Net provisions for risks and charges are referred to revocatory actions, claims for compensation, legal and other disputes, and are updated on the basis of the evolution of cases in progress and to the assessment of their foreseen outcomes.

Net provisions in item “1.1 Legal disputes” are mainly contributed by the parent company UniCredit S.p.A. for the tax claims (refer to Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - D. Risks arising from tax disputes) and by UniCredit Bank AG in order to cover the risk of confirmation of the fine, notwithstanding UniCredit decision to appeal in front of the General Court of European union, arising from an investigation by the Directorate General for Competition (refer to Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Legal risks for further information).

Net provisions in item “1.3 Other” are mainly contributed by provisions made by the parent company UniCredit S.p.A. and UniCredit Bank AG for various type of risks for which refer to Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers.

Part C - Consolidated income statement

Section 16 - Other operating expenses/income - Item 230

Other net operating income: breakdown

(€ million)

INCOME ITEMS/VALUE	AS AT 06.30.2021	AS AT 06.30.2020
Total of other operating expenses	(329)	(366)
Total of other operating income	620	707
Other operating expenses/income	**291**	**341**

16.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUES	AS AT 06.30.2021	AS AT 06.30.2020
Costs for operating leases	(1)	(1)
Non-deductible tax and other fiscal charges	(1)	(1)
Write-downs on leasehold improvements	(29)	(30)
Costs relating to the specific service of financial leasing	(23)	(35)
Other	(275)	(299)
Total other operating expenses	**(329)**	**(366)**

The item "Other" includes - €57 million related to trading in gold and precious metals.
The remaining part includes expenses pertaining to instrumental Group companies and other entities different from banks and other financial companies (-€44 million). Moreover, it is worth to note further expenses for -€105 million accounted for by banks of the Group with regard to settlements and indemnities recognised to customers and related to banking and financial activity.

16.2 Other operating income: breakdown

(€ million)

TYPE OF REVENUE/VALUES	AS AT 06.30.2021	AS AT 06.30.2020
A) Recovery of costs	**247**	**236**
B) Other revenues	**373**	**471**
Revenues from administrative services	18	17
Revenues from operating leases	90	111
Recovery of miscellaneous costs paid in previous years	5	4
Revenues on financial leases activities	39	34
Other	221	305
Total other operating income (A+B)	**620**	**707**

The item B) Other revenues - Other ncludes €20 million relating to trading in gold and precious metals.
The remaining part mainly arises from income pertaining to instrumental Group companies and other entities different from banks and other financial companies (€133 million). In this context it is worth to note income related to the review of the terms of the existing business relationship between UniCredit and SIA for €87 million.

Part C - Consolidated income statement

Section 25 - Earnings per share

25.1 and 25.2 Average number of diluted shares and other information

	AS AT 06.30.2021	AS AT 06.30.2020
Net profit (Loss) attributable to the Group (€ million)	1,891	(2,347)
Average number of outstanding shares	2,228,043,134	2,225,745,652
Average number of potential dilutive shares	12,876,312	11,030,377
Average number of diluted shares	2,240,919,446	2,236,776,028
Earnings per share (€)	**0.849**	**(1.055)**
Diluted earnings per share (€)	**0.844**	**(1.049)**

The first half 2021 net profit attributable to the Group of €1,921 million has been deducted of €30 million due to the disbursements (charged to net equity, which occurred in the first quarter of 2021 and relating to the last coupon referring to the results of the year 2019) in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated “Cashes” (€61 million was added to 2020 first half net loss attributable to the Group).

Net of the average number of treasury shares, considering the 17,416,128 shares buyback made during the first half 2021, and of further No.9,675,640 shares held under a contract of usufruct.

Part E - Information on risks and hedging policies

Introduction

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

- optimise the quality of the Group's assets, minimizing the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and the Legal Entities with the criteria for assessing, managing, measuring, monitoring and communicating risk. It also ensures that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- help build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent COOs functions;
- help to find ways to rectify asset imbalances, where needed in conjunction with Group CFO;
- help the Business Functions achieve their goals, including by assisting in the development of products and businesses (e.g. innovation of credit products, competitive opportunities linked to Basel accords, etc.);
- support the CEO in defining the Group Risk Appetite proposal, to be shared in the Group Risk & Internal Control Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the yearly and multi-yearly budget plan pertaining to the Group CFO. The Group Risk Appetite will include a series of parameters defined by the CRO, with the contribution of Group CFO and other relevant functions; each parameter can be complemented by limits and triggers proposed by the CRO[26] and targets proposed by the Group CFO and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, Group CRO is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the RAF. Group CFO remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures.

Such mission is accomplished by coordinating the Group's risk management as a whole. More specifically, it involves carrying out the following macro-functions[27]:

- governing and checking credit, cross-border, market, balance sheet, liquidity, operational and reputational risks for the Group as well as any other risks relating to Basel 2 Pillar II e.g. strategic, real estate, financial investment, business risks, by defining risk strategies and limits, developing risk measurement methodologies[28],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[29], on systems for measuring, credit, operating and market risks, or Pillar II risks[30] 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;
- developing the strategy and oversee the management, process, targets and disposals of Non-Performing Exposures (NPE), repossessed assets and any other distressed assets for the entire Group[31]. 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;
- 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.

26 Possible triggers and limits on profitability parameters must be agreed between CRO and Group CFO.
27 Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A., as detailed in the Organizational Book - Application.
28 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.
29 Directly validating with direct supervision on group-wide methodologies for which UniCredit S.p.A. is competent, indirect on local methodologies.
30 Liquidity, Business, Real Estate, Financial Investments, Reputational, Strategic.
31 "Non-Performing Exposure: exposures (loans, debt securities, off-balance-sheet items) other than held for trading that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past-due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due. Non-performing exposures include the defaulted and impaired exposures. The total NPE is given by the sum of non-performing loans, non-performing loans, non-performing debt securities and nonperforming off-balance-sheet items" (source: ECB NPL GUIDANCE).

Part E - Information on risks and hedging policies

In order to strengthen the capacity of independent steering, coordination and control of Group risks, to improve the efficiency and the flexibility on the risk decision process and to address the interaction among the relevant risk stakeholders, specific Committees are in place:

- Risks and Controls Committees:
  - Group Risk & Internal Control Committee ("GR&ICC"), responsible for the Group strategic risk decisions: establishing policies, guidelines, operational limits and the methodologies for the measurement, management and control of risks. It also supports the Group CEO in the management and oversight of the Internal Control System ("ICS");
  - Group Credit Committee ("GCC"), responsible for credit proposals, according to the delegated powers, and status classification.
- Group Portfolio Risks Committees:
  - Group Market Risk Committee ("GMRC"), responsible for monitoring market risks at Group level;
  - Group Operational & Reputational Risks Committee ("GORRIC"), responsible for the evaluation and monitoring, at Group level, of Operational Risk (including ICT and Cyber) and the related Reputational Risks;
  - Italian Operational & Reputational Risks Committee ("IORRIC"), responsible for monitoring the exposure to operational and reputational risks and evaluating the events with significant impact and the related mitigation actions with reference to UniCredit S.p.A. perimeter (e.g."Italy" e "CIB Italy") and its Italian Legal Entities[32];
  - Group Assets & Liabilities Committee ("GALCO"), is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and banking book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities;
  - Group Model Risk Management & Governance Committee ("GMRM&GC"), meets with the aim of ensuring, at Group level, a steering, coordination and control of Model Risk Governance (focusing on Pillar 1, Pillar II and managerial models in scope of the Model Risk Management/MRM framework[33] as well as ensuring a consistency among the Parent Company and the different Legal Entities, including the management of possible issues raised by Legal Entities to Group Chief Risk Officer/GCRO;
  - Group NPE Governance Committee ("GNGC"), meets with the aim of supporting the Group Chief Risk Officer in ensuring, at Group level, a steering, coordination and control of Non-Performing Exposures/NPEs both for Group Core and Non-Core strategies and targets as well as an effective alignment on common goals between the Parent Company and different Legal Entities.
- Transactional Committees in charge of evaluating and approving the single counterparties/transactions that impact the overall portfolio risk profile:
  - Group Transactional Credit Committee ("GTCC");
  - Italian Transactional Credit Committee ("ITCC");
  - Italian Non-Core Portfolio Credit Committee ("INPCC");
  - Group Reputational Risk Committee ("GRRC");
  - Debt Capital Markets Commitment Committee ("DCMCC");
  - Group Rating Committee ("GRaC").

The Board of Directors, pursuant to the provisions of the Self-Regulatory Code, and under Banca d'Italia supervisory provisions, is supported by the Internal Controls & Risks Committee, established among Board members, in order to foster an efficient information and advisory system that enables it to better assess risk related topics for which it is responsible. Further information on Corporate Governance, including the Internal Controls & Risks Committee and the number of meetings held, is included in the document "Corporate Governance Report", published on the Group internet site in the section: Governance » Our Governance (https://www.unicreditgroup.eu/en/governance/our-governance-system.html).

Internal Capital Adequacy Assessment Process ("ICAAP") and Risk Appetite

UniCredit group assesses its capital adequacy on a going concern approach, ensuring that an adequate level of capital is maintained to continue business activities as usual even in case of severe loss events, like those caused by an economic downturn.

The Group's approach to ICAAP consists of the following phases:

1. Risk identification and mapping;
2. Risk measurement and stress testing;
3. Risk appetite setting and capital allocation;
4. Monitoring and reporting.

1. Risk identification and mapping

The first step is the identification and mapping of all the risks embedded in the Group and in the relevant legal entities, with particular focus on the risks not explicitly covered by the Pillar I framework. The output of this activity is the Group Risk Map which includes all the risk types quantifiable by Internal Capital.

32 UniCredit Leasing S.p.A., UniCredit Factoring S.p.A., Cordusio Fiduciaria per azioni, Cordusio sim, UniCredit Subito Casa S.p.A.
33 The scope of the Model Risk Management framework is defined in the Global Rule: "Global Policy on MRM".

Part E - Information on risks and hedging policies

2. Risk measurement and Stress testing
The second phase is the identification of the internal methodologies for measurement and quantification of the different risk profiles, resulting into the calculation of Group Internal Capital. The Internal Capital measures are supported by aggregated - stress tests, which are a fundamental part of a sound risk management process. The aim of stress testing is to assess the bank's viability with respect to exceptional but plausible events. The impact of adverse economic scenarios is assessed on the capital position (solvency stress test) and/or the liquidity position (liquidity stress test) of the Group.

3. Risk Appetite setting and capital allocation
Risk Appetite is a key managerial instrument used with the purpose of setting the adequate levels of risk the Bank is willing to have and consistently steering its business evolution (see the RAF section below for details). The Group capital plays a crucial role in the main corporate governance processes that drive strategic decisions, as target and risk tolerance thresholds, in terms of regulatory and internal capital. It is also a key element of the Risk Appetite Framework (RAF) of the Group.

4. Monitoring and Reporting
Capital adequacy evaluation is a dynamic process that requires a regular monitoring to support the decision making processes.
The Bank monitors its main risk profile with a frequency consistent with the nature of each single risk. On top of this, a quarterly reporting of integrated risks and Risk Appetite evolution is performed and reported to the relevant Risk Committees and Governing Bodies, in order to set and implement and efficient and effective ICAAP framework.

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

The ratio between AFR and IC is the *Risk Taking Capacity* ("RTC"). This ratio must be above 100% (AFR>IC) in order to avoid that risk exposures are not higher than the Available Financial Resources. RTC is one of the key indicators included in the Group RAF dashboard on which the Bank leverages to guide the selection of the desired risk-return profile in alignment with its business strategies.
A milestone of the ICAAP is the Risk Appetite, which in UniCredit group is defined as the level of risk that the Group is willing to take and the risk-return profile it fixes to achieve in pursuing its strategic objectives and business plan, taking into account the interest of its stakeholders (e.g. customers, policymakers, regulators, shareholders) as well as capital and other regulatory and law requirements. The Group Risk Appetite is approved on an annual basis by the Board of Directors and is regularly monitored and reported, at least quarterly, to the relevant committees, with the aim of ensuring the consistency with the risk return profile set by the Board of Directors. At local level, the risk appetite is set for the main Legal Entities and Subgroups and approved by the local competent functions.

The main goals of UniCredit group's Risk Appetite are:
- assessing explicitly the risks and their interconnections UniCredit group is willing to accept or should avoid in one year horizon; Risk Appetite targets should be consistent with the ones defined in the strategic multi-year plan;
- specifying the types of risk UniCredit group intends to assume by setting the targets, triggers and limits, under both normal and stressed operating conditions;
- ensuring an "ex ante" risk-return profile consistent with long term sustainability, in coherence with multi-year strategic plan/budget;
- ensuring that the business develops within the risk tolerance set by the Parent company Board of Directors, also in respect of national and international regulations;
- supporting the evaluation of future strategic options with reference to risk profile;
- addressing internal and external stakeholders' view on risk profile consistent with the strategic positioning;

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

Part E - Information on risks and hedging policies

The Risk Appetite Statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external *stakeholders'* expectations and includes:
- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in line with the Group's overall strategy;
- an indication on strategies to manage key risks within the perimeter of the Group;
- qualitative statements for not quantifiable risks in order to ensure prevention/early intervention on emerging risks.

The quantitative elements of the Risk Appetite Framework are instead represented by a Dashboard, composed by a set of KPIs, based on the analysis of the expectations of UniCredit group internal and external stakeholders, which addresses the following dimensions, including material risks to which the Group is exposed:
- Regulatory KPIs: to guarantee at any time the fulfilment of the KPIs requested by Regulators (e.g. Common Equity Tier 1 Ratio, Liquidity Coverage Ratio);
- Managerial KPIs: KPIs considered to be key from strategic and Risk Appetite standpoint and defined to ensure steering of all key financial risks (e.g. Credit Risk, Liquidity and Interest Rate Risks, Market and Sovereign Risks), Profitability, non-financial risks (e.g. Operational risk, ICT and Cyber risk, Compliance risk) and Climate & Environmental risk.);

For each of the above dimensions, one or more KPIs are identified, in order to quantitatively measure the position of the Group in different ways: absolute values, ratios, sensitivities to defined parameters.

Various levels of thresholds are defined to act as early warning indicators anticipating potential risk situations that will be promptly escalated at relevant organisational level. In the event that specific Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The following thresholds are identified (on certain KPIs, not all the thresholds may be meaningful):
- *Targets* represent the amount of risk the Group is willing to take on in normal conditions in line with the Group ambition. They are the reference thresholds for the development and steering of the business;
- *Triggers* represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a Warning Level, and are set consistently to assure that the Group can operate, even under stress conditions;
- *Limits* are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

Threshold's setting is evaluated by the relevant competent functions, also through managerial decision by the Board of Directors, respecting regulatory and supervisory requirements and also taking into account stakeholders' expectations and positioning versus peers. In addition, UniCredit group has a series of transversal operational limits and metrics that cover the main risk profiles in order to supplement the Risk Appetite Framework.

According to the EBA guidelines, each year ICAAP information is collected for SREP purposes and sent to the Regulator. The Board of Directors, which authorises the sending of this information to the Authorities, also acknowledges that the risk governance of the Group is deemed adequate, guaranteeing that the risk management system in place is in line with the risk profile and strategy of the Group. in addition, the Board of Directors approved and signed the Capital Adequacy Statement during the last Board of Directors held on 14 April 2021. In the Capital Adequacy Statement, the Board of Directors states that the Group provided appropriate measures to mitigate the effects of the second stage emergency for Covid-19 epidemic. For what concern capital evolution over the MYP time horizon, the Group expects the capital ratios above the targets, despite the difficult macroeconomic environment.
The Group is consistently engaged in identifying areas of improvement of the ICAAP process in compliance with Supervisory expectations.

Risk Culture in UniCredit group
UniCredit defines risk culture as the collective and individual ability to identify, understand, openly discuss and make decisions on current and future risks.
Since the financial markets crisis, both the financial industry and regulators have been addressing the issue of risk culture, giving a definition of it, identifying its key elements, establishing principles of conduct, providing recommendations, and issuing guidelines.

In 2014 the **Financial Stability Board (FSB)** issued the document "Guidance on Supervisory Interaction with Financial Institutions on Risk Culture - A Framework for Assessing Risk Culture", which identifies the foundational elements that contribute to the promotion of a sound risk culture within financial institutions. It aims at assisting supervisors in assessing the soundness and effectiveness of a financial institution's culture in managing risks. There are several indicators of a sound risk culture and as mutually reinforcing. These indicators include:
- *Tone from the top*: the Board of Directors and senior management are the starting point for setting the financial institution's core values and risk culture, and their behaviours must reflect the values being espoused.
- *Accountability*: a successful risk management requires employees at all levels to understand the core values of the institution's risk culture and its approach, be capable of performing their prescribed roles, and be aware that they are held accountable for their actions in relation to the institution's risk-taking behaviour.

Part E - Information on risks and hedging policies

- *Effective communication and challenge*: a sound risk culture promotes an environment of open communication and effective challenge in which decision-making processes encourage a range of views, allow for testing of current practices, and stimulate a positive, critical attitude among employees and an environment of open and constructive engagement.
- *Incentives*: performance and talent management should encourage and reinforce maintenance of the financial institution's desired risk management behaviour. Financial and non-financial incentives should reward servicing the long-term interests of the financial institution and its clients, including sustained profitability, as opposed to short-term revenue generation.

The Group Risk Management, in line with its mission as defined by the Board of Directors of UniCredit, adopted a structured, all-inclusive approach to strengthen UniCredit's risk culture, by addressing the following areas:
1. Governance;
2. Learning and development;
3. Performance management;
4. Communication.

1. Governance
Risk Governance - One of the key elements in risk management is the Risk Appetite Framework.
Dedicated Group Risk Committees have been established in order to strengthen the capacity of independent steering, coordination and control of Group risks, to improve the efficiency and the flexibility of the risks decision process and to address the interaction between the relevant risk stakeholders.

2. Learning & Development
Training - The new learning framework is characterised by digital, modular and freestanding solutions and is based on adaptive learning methods. Three main streams ensure that all the participants are fully aware of the different risks. These streams are differentiated according to the target population and the required risk knowledge. At the same time, those in specific positions and risk professionals will receive further training specifically tailored to the requirements of their jobs.

Cross-functional job rotation - Learning on the job and cross-functional rotation, in which colleagues from the business lines work in risk functions, and vice versa, have been extremely valuable and helpful. The initiatives facilitate the virtuous cycle for bringing business knowledge to risk functions and introducing risk awareness to the decision-making process of the business lines. In addition, they enable the exchange of expertise and points of view that improves the colleagues' capabilities to analyse, approach and mutually understand the different situations they both face on a daily basis.

3. Performance Management
Compensation - To reinforce the Bank's risk culture, also the link between compensation and risk represents an important element. This link is ensured by the involvement of the Risk function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite framework. In particular, the Board of Directors with the support of the competent Supervisory Committees (Remuneration Committee and Internal Control and Risk Committee) and upon the input of involved functions ensures the link between profitability, risk and reward within Group incentive systems.

Part E - Information on risks and hedging policies

Risk-based KPIs - At Group level, the commitment to a consistent risk culture as well as the individual accountability on risk, compliance and controls is constantly promoted and enhanced. Group Human Capital contributes to this, spreading Group-wide risk, compliance & control culture by leveraging on the existing framework and building selected initiatives.
Over the past few years, HC built up a framework to enhance internal control system awareness and accountability by setting processes that embed sensitivity to Risk and Compliance attitudes, such as Executive Development Plan (EDP - the annual performance management and review process of UniCredit, involving all the Executives of the Group, Group Incentive System, Learning & Development).
Since 2012, as part of the EDP and incentive system processes, the Group put specific emphasis on risk, compliance and control features. In particular:

- the KPI Bluebook (a set of guidelines for defining individual goals consistent with business direction, risk perspective, regulatory framework and sustainability) contains specific KPIs focused on risk and control culture;
- the Compliance Assessment, pursuant to which Managers are required to prove the employee's reliability with regards to risks and compliance, with specific focus on legal anti-money laundering obligations.

4. Communication
Within the UniCredit risk culture, great emphasis is put on aligning and re-iterating key messages on UniCredit mission and values. Top management's focus is devoted to transforming words into tangible actions and to show how the Group is embedding risk culture into its operating practices. An editorial plan has been developed, in order to communicate common statements on how risk culture is at the core of UniCredit strategy. In the first six months of 2021 risk news published on UniCredit group intranet site, reached more than 15,000 page views.

Part E - Information on risks and hedging policies

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

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2021 ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA(*)
10. Cash and cash balances	122,819	122,819	-
20. Financial assets at fair value through profit or loss:	93,385	93,381	(4)
a) financial assets held for trading	78,991	78,992	1
b) financial assets designated at fair value	241	241	-
c) other financial assets mandatorily at fair value	14,153	14,148	(5)
30. Financial assets at fair value through other comprehensive income	71,195	71,112	(83)
40. Financial assets at amortised cost:	620,568	621,024	456
a) loans and advances to banks	121,068	121,065	(3)
b) loans and advances to customers	499,500	499,959	459
50. Hedging derivatives	3,156	3,156	-
60. Changes in fair value of portfolio hedged items (+/-)	2,751	2,751	-
70. Equity investments	4,271	4,664	393
80. Insurance reserves charged to reinsurers	-	-	-
90. Property. plant and equipment	9,674	8,909	(765)
100. Intangible assets	2,170	2,169	(1)
of which: goodwill	-	-	-
110. Tax assets:	12,484	12,483	(1)
a) current	2,362	2,361	(1)
b) deferred	10,122	10,122	-
120. Non-current assets and disposal groups classified as held for sale	749	717	(32)
130. Other assets	6,824	7,209	385
Total assets	**950,046**	**950,394**	**348**

continued:

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2021 ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA(*)
10. Financial liabilities at amortised cost:	790,621	790,838	217
a) deposit from banks	186,751	186,694	(57)
b) deposit from customers	507,897	508,171	274
c) debt securities in issue	95,973	95,973	-
20. Financial liabilities held for trading	49,798	49,798	-
30. Financial liabilities designated at fair value	9,823	9,823	-
40. Hedging derivatives	4,417	4,417	-
50. Value adjustment of hedged financial liabilities (+/-)	3,624	3,624	-
60. Tax liabilities:	1,151	1,103	(48)
a) current	560	547	(13)
b) deferred	591	556	(35)
70. Liabilities associated with non-current assets held for sale	565	509	(56)
80. Other liabilities	18,241	18,494	253
90. Provision for employee severance pay	557	557	-
100. Provision for risks and charges:	9,446	9,384	(62)
a) committments and guarantees given	1,372	1,372	-
b) post-retirement benefit obligations	5,103	5,103	-
c) other provisions for risks and charges	2,971	2,909	(62)
110.Technical reserves	-	-	-
120. Valuation reserves	(5,589)	(5,589)	-
130. Redeemable shares	-	-	-
140. Equity instruments	6,841	6,841	-
150. Reserves	31,133	31,133	-
160. Share premium	6,098	6,098	-
170. Share capital	21,133	21,133	-
180. Treasury shares (-)	(181)	(181)	-
190. Minority shareholders' equity (+/-)	447	491	44
200. Profit (Loss) for the period (+/-)	1,921	1,921	-
Total liabilities and shareholders' equity	**950,046**	**950,394**	**348**

Note:
(*) The regulatory consolidation is different from the accounting consolidation due to the application of the equity method, for the legal entities that don't carry out banking, financial or ancillary activities, that are consolidated line-by-line in the accounting scope of consolidation.

Part E - Information on risks and hedging policies

Section 1 - Risks of the accounting consolidated perimeter

Quantitative information

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

A. Credit quality

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

A.1 Non-performing and performing credit exposures: amounts, write-downs, changes, distribution by business activity

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	1,609	6,849	667	8,627	602,816	620,568
2. Financial assets at fair value through other comprehensive income	1	-	-	-	69,678	69,679
3. Financial assets designated at fair value	-	-	-	-	241	241
4. Other financial assets mandatorily at fair value	6	52	-	1	11,896	11,955
5. Financial instruments classified as held for sale	18	39	-	-	214	271
Total 06.30.2021	**1,634**	**6,940**	**667**	**8,628**	**684,845**	**702,714**
Total 12.31.2020	**1,701**	**6,668**	**504**	**9,598**	**690,494**	**708,965**

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

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	21,462	12,337	9,125	1,931	615,433	3,990	611,443	620,568
2. Financial assets at fair value through other comprehensive income	2	1	1	-	69,732	54	69,678	69,679
3. Financial assets designated at fair value	-	-	-	-	X	X	241	241
4. Other financial assets mandatorily at fair value	200	142	58	-	X	X	11,897	11,955
5. Financial instruments classified as held for sale	147	90	57	40	214	-	214	271
Total 06.30.2021	**21,811**	**12,570**	**9,241**	**1,971**	**685,379**	**4,044**	**693,473**	**702,714**
Total 12.31.2020	**22,216**	**13,343**	**8,873**	**2,137**	**691,422**	**4,260**	**700,092**	**708,965**

Note:
(*) Value shown for information purposes.

(€ million)

PORTFOLIOS/QUALITY	ASSETS OF EVIDENT LOW CREDIT QUALITY		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	55	(6)	67,959
2. Hedging derivatives	-	-	3,156
Total 06.30.2021	**55**	**(6)**	**71,115**
Total 12.31.2020	**64**	**143**	**67,588**

Part E - Information on risks and hedging policies

Section 2 - Risks of the prudential consolidated perimeter

2.1 Credit risk

Qualitative information

1. General aspects

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

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

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

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

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

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

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

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

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

Part E - Information on risks and hedging policies

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

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

Effects arising from Covid-19 pandemic
With reference to credit risk, UniCredit positively sees all the initiatives aimed at supporting the real economy that have been put in place by the EU government and is complementing them with additional measure to support customers over this period and to reduce as much as possible the negative effects of this crisis. All concessions are defined to respond as quickly as possible to the drawback deriving from a temporary slow-down of the economic cycle and related liquidity issues. The potential impact on the bank's risk profile is mitigated with:
- acquisition of public guarantees in line with the mechanisms put in place by the various governments;
- an ex-ante and ongoing evaluation of the client's risk profile.

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

Among these initiatives, a number of moratoriums specifically meet the definition of "General Payment" (either legislative or assimilated non-legislative ones) issued by the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis"[34], as broadly applied by credit institution on the basis of national laws or industry- or sector-wide private initiatives. The Group has also implemented other moratorium initiatives not specifically referred to the above mentioned EBA guidelines and therefore granted by the Institutions as additional customer support tools to deal with the context of difficulties and independently from national law or industry- or sector-wide private initiatives.

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

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

Specific guidelines have been established and, for what pertains the Regulatory treatment of Moratoria in terms of Forbearance measures and Default classification, are still valid up to the duration of the Covid-19 moratoria initiatives.

2. Credit risk management policies

2.1 Organisational aspects

Factors that generate credit risk
During the ongoing credit and business activities, the Group is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off. This risk is always associated to the traditional lending practice, regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).
The main reasons of a default lie in the borrower's failure to fulfil its credit obligation (due to the lack of liquidity, for insolvency reasons, etc.), as well as the occurrence of macroeconomic and political events that are affecting the debtor's operating and financial conditions.

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

Part E - Information on risks and hedging policies

Other banking operations, in addition to traditional lending and deposit activities, can constitute other credit risk factors. In this view, “non-traditional” credit risk may arise from:
- subscription of derivative contracts;
- purchase and selling of securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by Group Legal Entities could default as a result of insolvency, political and economic events, lack of liquidity, operational deficiencies or other reasons. Defaults of a large number of transactions, or one more large transaction, could have a material adverse impact on the Group’s activities, financial condition and operating profits. The Group therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, functions and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice.

Organisational structure
As highlighted in the previously paragraph “General aspects”, the credit risk management in the UniCredit group breaks down into two structures:
- Group Risk Management, responsible for steering, governance and control of credit risk;
- Group Lending Office, responsible for the operational credit management;

which internally have different organisational levels:
- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

Regarding Group Risk Management, Parent Company Functions with responsibilities at Group level include:
- the “Group Credit & Integrated Risks” structure responsible, at Group level, for credit risk strategies definition, monitoring and controlling (through the execution of the second level controls and the definition of the areas of higher risk within the credit processes) the credit risk of Group portfolio as well as ensuring an integrated view across Pillar I and II risks to Top Management. Furthermore, ensures that risk control activities on risks assumed in the Foreign Branches of UniCredit S.p.A. and in the Structured Entities/SE/SPE (e.g. Special Purpose Vehicles/SPV, Obbligazioni Bancarie Garantite/OBG), are monitored and reported to the Group Chief Risk Officer/GCRO and to the Top Management.The structure is also responsible for supporting Group Chief Risk Officer/GCRO in preparing and participating to transactional credit committees (e.g. GTCC, ITCC, INPCC) analysing the credit proposals to be discussed in such committees from a risk management perspective/perimeter of competence (e.g. consistency with defined credit risk strategies, respect of risk appetite framework, analysis of coverage ratio based on average portfolio benchmark). The structure is also responsible for controlling the risks underlying Persons in conflict of interest, by monitoring and verifying predefined key indicators. The structure is also in charge of the internal reporting activity towards Related Parties Committee, to which it as given evidence for each Related Party category (defined in accordance with the existing regulations of Bank of Italy, Consob and IAS) of the prudential limits absorbed, focusing on the main counterparties identified according to Reporting thresholds;
- the "Group Risk Models & Credit Risk Governance" responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar 1 Credit and financial risk models as well as the related methodologies. Furthermore, it’s responsible for defining rules and guidelines for the lending activity and for evaluating of the proposals regarding the revision of the credit processes which are submitted by other Group competent functions as well as for 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 for Pillar I and Pillar II risks, the related processes, the IT components and the data quality, the main managerial models and the Group Risk Reporting, as defined in the Internal Validation Global Policy, providing adequate reporting for Company Bodies and Supervisory Authority. In addition, it is responsible for managing the Group monitoring process for the recommendation issued following validation activities; checking, in its competence area, the consistency and implementation of the adopted corrective measures based on Supervisory Authority requests on IRB models; coordinating the preparation and update of the Group validation plan, and monitoring its execution; coordinating and preparing the reporting on validation activities outcomes; certifying that the model inventory, defined at Group level, is an unique, complete, correct and up-to-date source for the model risk assessment, as well as assessing, monitoring and reporting the model risk to the competent committees and the Board of Directors;
- the “CRO CEE” structure, responsible for the management and control of credit operations activities and for credit risk steering in relation to Central Eastern Europe/CEE portfolio booked in UniCredit S.p.A. and for the comprehensive view and the coordination in the management of different types of risks (e.g. credit, financial, operational, liquidity, reputational risks) in regard to CEE portfolio booked in UniCredit S.p.A. and CEE Legal Entities, together with the risk management responsible functions. It is responsible for credit operation activities for the CEE portfolio booked in UniCredit S.p.A.as well as for the Non-Binding Credit Opinion (NBCO) issue for transactions above the competence level of CEE Legal Entities; it is also responsible for credit risk steering and control activities over the “for Non-Binding Credit Opinion (NBCO) issue for transactions above the competence level of the CEE portfolio booked in UniCredit S.p.A. 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.

Part E - Information on risks and hedging policies

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

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

With respect to credit risk, the following specific Committees are active:
- the “Group Risk & Internal Control Committee” supports the CEO in the role of steering, coordinating and monitoring the risks at Group level in the management and oversight of the Group’s and UniCredit S.p.A.’s internal control system, with specific reference to: establishing policies, guidelines, operational limits and methodologies for the measurement, management and control of the risks as well as for the definition of the methodologies for the measurement and control of internal capital and for the evaluation of risks reporting and estimates of provisions on risks. In this regard, the Committee has consulting and suggestion functions with particular reference for the definition and periodic review of the Group’s Risk Appetite Framework (RAF), the overall risk control framework, in order to ensure their consistency with the strategic guidelines and risk appetite established and their capacity to track the evolution of risks and their interaction;
- the “Group Credit Committee”, in charge of evaluating and approving competent credit proposals referring to all files, including restructuring/workout ones, status classification of files, relevant strategies and corrective actions to be taken for watch list files, specific limits for transactions relating to Debt Capital Markets on trading book, single issuer exposures limits on trading book, Debt to Equity transactions and transactions relating to Equity participations deriving from Debt to Equity transactions;
- the “Group Model Risk Management & Governance Committee” responsible for ensuring, at Group level, a steering, coordination and control of Model Risk Governance (focusing on Pillar I, Pillar II and managerial models in scope of the Model Risk Management/MRM framework) as well as ensuring a consistency among the Parent company and the different Legal Entities, including the management of possible issues raised by the Legal Entities to Group Chief Risk Officer/GCRO;
- the “Group NPE Governance Committee”, responsible for supporting the Group Chief Risk Officer in ensuring, at Group level, a steering, coordination and control of Non-Performing Exposures/NPE strategy and targets as well as an effective alignment on common goals between the Group and different Group Legal Entities;
- the "Group Transactional Credit Committee" responsible (with approval function within the delegated powers: decision-making and/or issuing of non-binding opinions to the Group Legal Entities, and/or consulting function) for files to be approved by upper Bodies, for credit proposals referring to all the files, including restructuring, INC or workout ones, status classification of files relevant strategies and corrective actions to be taken for watching list files, single issuer exposure limits on trading book, Debt-to-Equity transactions and/or actions/rights-execution relating to equity participations resulting from Debt-to-Equity transactions, Debt-to-Assets transactions and/or actions/rights execution related to asset resulting from Debt-to-Asset transactions, proposal of distressed asset disposal, in accordance with the regulated specifications and limitations; in addition, the GTCC approves or submits for approval to Group Credit Committee of temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by dedicated Group regulation;
- the “Group Rating Committee” responsible, within its perimeter of competence and its delegated powers, for approving rating overrides.

2.2 Credit risk management, measurement and control
The credit risk, associated to the potential loss arising either from a default of the borrower/issuer or from a decrease in the market value of a financial obligation due to a deterioration in its credit quality, is measured at both single borrower/transaction and at whole portfolio level.

Credit lending to single customers, during both the approval and monitoring phases, is supported by a credit rating process, differentiated by customer segment and product. The assessment of a counterpart’s creditworthiness, within the credit proposal evaluation, begins with an analysis of the financial statements and the qualitative data (competitive positioning, corporate and organisational structure, etc.), regional and industry factors and counterpart behaviour within the entity or the banking system (e.g. Bank of Italy Centrale dei Rischi), and results in a rating, i.e. the counterpart’s probability of default (“PD”) on a one-year time horizon.
Each borrower’s credit rating is reviewed at least annually on the basis of the new information acquired. Each borrower is also assessed in the context of the belonging economic group by taking into account, when needed, the risk for the entire group.

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The internal rating assigned to each borrower and its economic group exposure both contribute to the lending decision calculation, defined in such a way that, at a constant credit amount, the approval powers granted to each decision-making corporate body are gradually reduced in proportion to the increased borrower/related risk level.
The organisational model used by UniCredit group also includes a dedicated function, which is separated from loan approval and business functions and is responsible for the management of the so-called rating "overrides", i.e. any changes to the automatic rating calculated by the rating system (where it is foreseen).

Regular monitoring of the rating focuses on the borrower's performance management, using all the internal and external available information in order to get a score representing a synthetic assessment of the risk associated. This score is obtained using a statistical function that summarises the available information using a set of significant variables that are predictors of an event of default within a 12-months horizon.
In addition to the usual estimation of risk parameters over one-year time horizon, multi-period risk parameters are estimated to provide a more robust assessment of the risk-adjusted performance in compliance with the accounting standards requirements.
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.

Besides the methodologies summarised in the rating systems, the Group Risk Management function leverages on portfolio model 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 two fundamental portfolio credit risk measures which are calculated and evaluated on a time horizon of one year:
- Expected Loss ("EL");
- Credit Value at Risk (Credit "VaR").

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 TTC (Loss Given Default Through the Cycle) and EAD (Exposure at Default) for transactions related to defaulted counterparts. For most liquid exposures classified at amortised cost, in each simulated scenario, the loss estimation related to their simulated creditworthiness deterioration is added to the total loss related to the counterparts simulated in default.
Within the Credit VaR framework, the Expected Loss ("EL") at portfolio level is defined as the sum of the product of PD, LGD (both TTC) and EAD for each obligor in the considered portfolio plus a migration risk charge related to the expected creditworthiness deterioration for the most liquid exposures classified at amortised cost.

The Value at Risk ("VaR") represents the monetary threshold of the losses distribution which is overcome only with a given probability level (a 99.9% confidence level VaR implies that the loss threshold is exceeded in 1 case out of 1,000). Economic Capital is derived from Value at Risk subtracting the Expected Loss and is an input for determining Internal Capital set up to cover potential losses from all the sources of risk (see section "Other risks included in Economic Capital").
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.
The internal Credit VaR model is also subject to assessment in the context of Basel Pillar II validation.
The calculation of the credit economic capital is available on a single technological platform (Group Credit Portfolio Model, GCPM), with a shared methodology for the structures of UniCredit S.p.A. and the main entities of the Group.
In order to assess the credit risk transfer created by securitisation transactions originated by the Group, an engine (Structured Credit Analyser) has also been developed, which simulates the loss distribution of the securitised portfolio and of the tranches, both for synthetic securitisations (in which the risk is transferred through guarantees/credit derivatives) and for traditional ones (where the assets are sold to a special purpose vehicle).

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

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The following table summarises the rating systems used by the Group with an indication of the related relevant asset class and the entities where they are used. Further details on rating models are present in UniCredit group Disclosure (Pillar III), Credit risk, use of the IRB approach.

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

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

Keywords:

UCI: UniCredit S.p.A.
UCB AG: UniCredit Bank AG
UCBA AG: UniCredit Bank Austria AG
UCB IE: UniCredit Bank Ireland p.l.c.
UCL GMBH: UniCredit Leasing GMBH and Subsidiaries (UniCredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH)
UCB Slo: UniCredit Banka Slovenija d.d.
UCB BG: UniCredit Bulbank AD
UCB CZ: Czech portfolio of UniCredit Bank Czech Republic and Slovakia, a.s.
UCB HU: UniCredit Bank Hungary ZRT
UCB SK: Slovak portfolio of UniCredit Bank Czech Republic and Slovakia a.s
UCB RO: UniCredit Bank Romania a.s.
AO UCB: AO UniCredit Bank (Russia)

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With reference to the strategies of credit risk management, the use of Credit Risk Stress Test is considered of particular importance because its aim is to analyse the portfolio vulnerability in case of an economic downturn or a structural change of the macroeconomic framework. In performing the stress test exercise, different scenarios are considered, based on increasing levels of severity. In addition, scenarios may also be defined based on specific economic hypotheses.
The credit stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters (PD/LGD). Within the wider stress testing framework, the models serve as basis for calculating the stressed PD/LGD projections under the Adverse Scenarios. They are used in the same way for the estimation of Forward Looking component within the IFRS9 framework.
As regards the modelling methodology, the current framework envisages to estimate, at cluster level (Country/Asset Class) through time series and/or panel regressive analysis, the relationships between the macro-economic factors and the internal default/recovery rate historically observed. However, with regard to the low default portfolios (e.g. Multinational, Banks, Sovereigns), for which no enough defaults events are available, alternative approaches are considered. These imply to leverage either on external data (i.e. external rating) or stressing directly the input of Group Wide Rating System (i.e. Sovereign Rating System).
Model's output in terms of expected variations of PD/LGD conditional to the macro-economic scenarios are then used in order to obtain stressed PD/LGD of each credit exposure. Starting from the stressed PD/LGD the Pillar I Credit Risk metrics (LLP and RWA) are calculated through dedicated simulation engine and according to the EBA Stress test methodology. While Pillar II stress metrics (EC and AFR) are calculated according to the following methodology:
- Credit Economic Capital: stressed PDs and LGDs are used as a basis to recalculate the Credit Economic Capital using the GCPM. The result represents the Credit Economic Capital that would be obtained in the current bank portfolio if the stressed scenario is experienced;
- AFR: the amount stemming from the difference between the Stressed Expected Loss (calculated based on PD-TTC and LGD-TTC) and the actual Expected losses is deducted from AFR.

2.3 Measurement methods for expected losses

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

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

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

The outcome of the Stage allocation is the classification of credit exposure in Stage 1, Stage 2, or Stage 3 according to their absolute or relative credit quality with respect to the initial disbursement. Specifically:
- the Stage 1 includes:
  - newly issued or acquired credit exposures;
  - exposures for which credit risk has not significantly deteriorated since initial recognition;
  - exposures having low credit risk (low credit risk exemption);
- the Stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- the Stage 3 includes impaired credit exposures. With reference to Stage 3, it should be noted that it includes impaired exposures corresponding in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates, to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS/2013/03/rev1 24 July 2014).

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In particular, EBA[35] 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.
A 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 based on the current economic conditions as well as expectations about the future economic cycle, with potentially wider fluctuations in case macroeconomic information is specialised by industry.

Stage Allocation model is tested at each reporting date, 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 the stage allocation affects the amount of expected credit losses recognised in financial statements. Indeed, for exposures in Stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.
For exposures in Stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

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

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

With reference to "lifetime" PD, PD curves calculated through-the-cycle are calibrated to reflect the point-in-time and forward-looking expectation with reference to the portfolio default rate.
The recovery rate embedded in the LGD calculated along the economic cycle ("through-the-cycle") is adjusted 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, determined through models that estimate a relationship between these variables and macroeconomic indicators, 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

35 The regulatory framework for the new definition of default has been integrated with the entry into force, starting from 01 January 2021 of the "Guidelines on the application of the definition of default under article 178 of EU Regulation No.575/2013 "(EBA/GL/2016/07).

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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.

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.

In the assessment of impaired exposures (Stage 3), possible sales scenarios are also considered where the Group's NPE strategy envisages experiencing recovery through their sale to the market.
For this purpose, the presumed recovery value of credit exposures classified as Bad Loans and Unlikely to Pay is determined as weighted average between two scenarios:
- internal recovery scenario, whose expected recovery value is estimated assuming an internal work-out process according to what has previously been described;
- sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is determined considering market or internal information based on the following hierarchy:
  - prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
  - prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
  - internal evaluation models.

Evolution as at 30 June 2021
In line with the IFRS9 standard and group internal regulation, the IFRS9 parameters have been calibrated considering updated macroeconomic scenarios as at second quarter 2021; specifically, the Group selected three macroeconomic scenarios to determine the forward-looking component of expected credit losses (ECL):
- baseline scenario based on the macroeconomic scenario developed by UniCredit Research in May 2021, which represents the reference scenario with the highest probability of occurrence;
- an upside (“positive scenario”) and a downside scenario (“negative scenario”) that represent possible alternatives compared to the baseline in terms of evolution of the economies in which the Group operates.

2021 GDP	BASELINE	NEGATIVE	POSITIVE	2022 GDP	BASELINE	NEGATIVE	POSITIVE	2023 GDP	BASELINE	NEGATIVE	POSITIVE
Eurozone	3.5	2.9	4.7	Eurozone	4.4	2.1	6.2	Eurozone	2.2	1.2	3.0
Italy	3.4	2.7	4.6	Italy	4.4	1.9	6.0	Italy	1.8	0.6	2.7
Germany	2.8	2.0	3.6	Germany	5.0	2.3	7.6	Germany	2.2	0.9	3.6
Austria	2.6	2.0	3.3	Austria	5.7	3.4	7.8	Austria	2.4	1.5	3.4
Euribor 3m	(55)	(55)	(55)	Euribor 3m	(55)	(55)	(55)	Euribor 3m	(50)	(50)	(50)

Given the improvement of the economic outlook, the new IFRS9 baseline scenario envisages a better forecast compared to December 2020 ones which reflected the Scenario defined in October 2020.

In the baseline scenario the economic growth is seen rebounding as the roll-out of vaccines and milder weather allow governments to loosen most of the restrictions. As the public health situation improves and confidence returns it’s expected that households to run down some of the high savings accumulated during the pandemic, thus fueling a rebound in consumer spending, especially for services. Along with brisk activity in the manufacturing sector, this would benefit the outlook for fixed investment. Overall, the major economies would be on track for solid growth in 2021 and beyond.
In this scenario, the eurozone GDP would rebound by 3.5%, after a contraction of almost 7% in 2020. The euro area would then post a further acceleration to 4.4% in 2022, followed by normalization of the growth rate in 2023 to 2.2%.
Central banks are expected to remain accommodative as fiscal stimulus works its way through the economy, with short term rates remaining close to present levels. The 10Y BTP-Bund spread is expected to stabilise at 125bp.

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It is assumed that the baseline scenario may occur with a probability of 55%, unchanged compared with 31 December 2020.

The negative scenario envisages that virus mutation will cause Europe to face a further wave of the pandemic in second half 2021, while the US will have to deal with a renewed increase in the number of infections that will force the new administration to reintroduce restrictions to mobility and business activity. It is also assumed that some sort of herd immunity is only reached towards the end of the forecasting horizon, as a non-small part of the population proves reluctant to get vaccinated. Given these assumptions, the Covid-19 crisis dampens private demand by more than assumed in the baseline scenario, and scarring effects are larger. Governments will continue to push ahead with expansionary policies to mitigate the effects of the pandemic and to preserve social stability.

After contracting by almost 7% in 2020, eurozone GDP would increase by 2.9% in 2021 (-0.6 percentage points compared to baseline scenario), followed by an expansion of 2.1% in 2022 (-2.3 percentage points compared to baseline) and 1.2% in 2023 (-1.0 percentage point compared to baseline scenario). By the end of 2023, eurozone GDP would remain below its pre-crisis level.
Monetary policy both in the US and the Eurozone is expected to remain broadly accommodative with policy rates remaining broadly unchanged. BTP credit spreads continue to benefit from the supportive ECB stance. In this scenario the spread BTP-Bund is assumed to be 70bp above the baseline scenario at the end of 2021 and around 30bp in the following two years.
The negative scenario is assigned a probability of 40%, unchanged compared with 31 December 2020.

The positive scenario assumes that the roll-out of vaccines boosts confidence and GDP by more than projected in the baseline scenario. The pace of recovery turns out to be materially stronger as households significantly reduce precautionary savings while firms forcefully resume investment plans that have been put on hold. Driven by pent-up demand, eurozone GDP is back to its pre-pandemic trend line by the end of 2022. Governments progressively scale back their support measures.
In this scenario eurozone GDP rebounds by 4.7% in 2021 (+1.2 percentage points compared to baseline). Growth would then accelerate further to 6.2% in 2022 (+1.8 percentage points) and start normalizing in 2023, easing to 3% (+0.8 percentage points).
Central banks retain an accommodative stance, but less than in the baseline projections.

The improved economic outlook benefits BTPs, whose spread remains tighter compared to the baseline scenario. Particularly in the second and third year, the 10Y BTP-Bund spread is expected to be some 45/35bp lower than the baseline and lower than 100bp in absolute value.
It is assumed that the Positive scenario can occur with a probability of 5%, unchanged compared with 31 December 2020.

In line with the IFRS9 standard it is worth to note that specific analyses were carried out on some variables underlying the macroeconomic scenario in order assess their ability to reflect the current and the expected evolution of the economy. In this context, with reference to the Italian retail portfolio, it was observed that certain macroeconomic variables (unemployment rate, disposable income, Wages Index, House Price Index) showed a rebound benefitting from the government relief aimed at providing economic recovery, such as layoff freezing, that, when removed, will likely determine a worsening of such economic values. Consequently, in the update of the macroeconomic scenario as of 30 June 2021 with specific reference to the Italian retail portfolio, the above-mentioned macroeconomic variables were kept constant to the values used as of 31 December 2020. Under the same vein, the Default rate of Italian Small business was adjusted to neutralise the effects arising from lowering interest rate.
The update of the macroeconomic scenario has led to recognise, as of 30 June 2021, write-backs for €127 million almost entirely attributable to the Loan portfolio.

On top to the update of macroeconomic scenario, default rates and recovery rates underlying IFRS9 PD and LGD calibration were updated according with ordinary process and along the line of the recommendation issued by ECB. In this regard, it is worth reminding that as of 31 December 2020 it was deemed necessary to introduce methodological measures to correct the default rate, through internal benchmark analyses; more specifically, the expected increase in the default risk in 2021 (when protection schemes were assumed to expire) was introduced into the calibration.
Such upward measures (i) deploy their effects not only on the ECL estimation, but also on the Staging allocation given the punctual effect on the IFRS PD at the reporting date; (ii) limit the potential down-lift effect, the revert to Stage 1 bucket and potential asset deterioration for the portfolio currently benefiting from moratoria. Such adjustments have been kept in place also as of 30 June 2021.

Furthermore, and always with the aim to smooth the cliff effect that may arise with the expiry of protection schemes, the Recovery Rate forward looking estimates have been downwards adjusted as well, to reflect the effects in the longer-term recovery rate. For these reasons, forward looking recovery rate estimates were adjusted with the aim to carry over in the period 2021-2023 the negative effects observed in 2020.

For the sake of completeness, it should be mentioned that loan loss provisions recognised for CEE considers specific actions which have been put in place on selected CEE Legal Entities to consider relevant local specificities given the persisting uncertainty on prolonged Covid-19 related effects. Such actions consisted in adjusting, through calibration, either IFRS9 PD or IFRS LGD, mainly in Russia, Czech Republic, and Hungary.

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Finally, it is worth noting that the measurement of Loan Loss Provisions as of 30 June 2021 is also affected by the activities for material changes in IRB Models for PD calculation in coherence with the EBA "Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures"[36]. Specifically, such activities with effects on June 2021 are related to PD Models in German and Austrian perimeters. The related approval process by ECB has been completed in the course of 2020 and under a regulatory standpoint, the material models change will go live in the second half of 2021; nonetheless considering that, as of 30 June 2021, the Group was aware of the effects resulting from model enhancements in term of PD increase on the credit risk of customers, the related effects were coherently recognised as of 30 June 2021.
These model changes have led to recognise, as of 30 June 2021, net write-downs for -€129 million almost entirely attributable to the Loan portfolio for -€143 million and to debt securities for +€13 million.

Sensitivity of Expected Credit Losses (ECL)
An estimation of how the IFRS9 ECL would have changed, by applying the alternative scenarios (positive and negative), was executed at Group level.
The values obtained were compared with the baseline scenario and the differences calculated:
- in the positive scenario the ECL would have decrease for about 6% (12% for UniCredit S.p.A.) equivalent to around €367 million (of which €244 million for UniCredit S.p.A.);
- in the negative scenario the ECL would have increased for about 6% (9% for UniCredit S.p.A.) equivalent to around €368 million (of which €178 million for UniCredit S.p.A.).

Moreover, a sensitivity to GDP variations embedded in the different scenarios was also estimated as ratio between:
- the difference of ECL observed under the alternative scenarios compared to the ECL baseline;
- the GDP points deviations (on 3 years cumulative basis) between alternative and baseline scenarios respectively.

Implied assumptions are:
- GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity;
- for each Legal Entity the GDP of the reference country is considered for the calculation of the respective sensitivity (e.g., for UniCredit S.p.A. the Italian GDP was considered, for UniCredit Bank AG the German GDP, etc.).

The results considering the current IFRS9 scenarios and portfolio are the following:
- for 1 point of GDP rise (cumulated over 3 Years) the ECL at Group level is estimated to decrease by -1.5% (-3% for UniCredit S.p.A.);
- for 1 point of GDP drop (cumulated over 3 years) the ECL at Group level is estimated to increase by +1.4% (+2% for UniCredit S.p.A.).

Changes due to Covid-19 - Assessment of the Significant Increase of the Credit Risk (SICR)
In the context of the Covid-19 pandemic, specific initiatives have been put in place in order to ensure a proper assessment of the Significant Increase of the Credit Risk. Indeed, Covid-19 crisis cannot be considered a normal recession driven by business cycle dynamics as the macroeconomic shock is completely exogenous (i.e. lockdown) and may trigger asymmetric medium-term effects across different industry sectors. In light of the persistence of the pandemic within the entire first half of 2021 and the likely effect that may stem from it in the remaining part of this year (especially in light of moratoria scheme prorogation), two measures, already adopted for the 31 December 2020 figures, were confimed for the 30 June 2021 reporting date as well:
1. adoption of a specific approach for the adjustment of the IFRS metrics;
2. management of the Payment Moratoria.

With reference to point sub.1, a methodological approach has been designed for the Italian perimeter, thus covering UniCredit S.p.A., UniCredit Factoring S.p.A. and UniCredit Leasing S.p.A., with the aim to correct the IFRS Probability of Default according to the expected increase in credit risk due to the specificity of the Industry. More in details, starting from the forward-looking default rates resulting from the adoption of UniCredit Research baseline scenario for the period 2021-2023, a breakdown by economic sector was carried out in order to identify the areas most affected by the pandemic (this activity was also conducted with the support of an external advisor). The IFRS Probability of Default parameter has therefore been adjusted upwards (downwards), considering the year-on-year deviation of the sector default rate from the average value for the entire economy. This adjustment also generated a potential classification of the related exposures in Stage 2, based on comparison with the Probability of Default at the time of disbursement.
In the other Group legal entities, outside Italy, dedicated analyses have been done leveraging on Industry-specific Risk Indexes provided by the same external advisor, also considering forward-looking information related to the country of reference. In particular, analyses have been conducted for UniCredit Bank AG, UniCredit Bank Austria AG, UniCredit Czech Republic, and Slovakia a.s., AO UniCredit Bank (Russia), UniCredit Romania S.A., Zagrebacka Banka d.d., UniCredit Bulbank AD and UniCredit Bank Hungary Zrt.
According to the outcome of such analysis, and impact materiality, loan loss provisions adjustments have been recognised as well as the potential classification into Stage 2.

36 EBA/GL/2017/16. The guideline was issued by the European Banking Authority (EBA) to reduce unjustified variability of risk parameters and own funds requirements, and it is part of a broader review of Internal Ratings-Based (IRB) approach carried out by the EBA.

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With reference to point sub.2, UniCredit has deemed necessary to confirm also for 30 June 2021 the strengthened criteria for the Significant Increase in Credit Risk (SICR) assessment on customers.
Particularly, the upward corrective factors already applied for the 31 December 2020 figures and confirmed in the updated calibration of IFRS models for the 30 June 2021 reporting date deploy their effects not only on the ECL estimation but also on the Staging allocation given the punctual recognition on the IFRS PD at the reporting date, limiting the potential down-lift effect, as well as the revert to Stage 1 bucket, and avoiding to neglect potential asset deterioration for the portfolio currently benefiting from support of moratoria or other protection schemes.
In this regard, mainly for UniCredit S.p.A., given the material relevance of prorogated payment moratoria and the improvement trend of the PD estimates likely due to the mere effect of payment suspension/rescheduling more than effective improvement of the clients fundamentals, a dedicated measure has been deployed, with effect starting from 30 June 2021.Particularly, the PD estimates for clients benefiting from payment moratoria still in place have been floored to the last value representative of a situation before Covid-19 outbreak. The measure, affecting both Corporate and Retail portfolio, will remain in place at each client level until moratoria expiration and for the subsequent three months.
This measure has led to recognise, as of 30 June 2021, write-downs for €106 million almost entirely attributable to the Loan portfolio[37].

Furthermore, in Italy, with reference to Corporate, Small Business and Leasing, the SICR assessment leveraged during 2020 on some initiative based on: (i) Financial distress indicators, by monitoring balance sheet and some rating indicators; (ii) Industry/Sector forward looking view, also leveraging on input from external provider based on the forward-looking effects of Covid-19 virus.
By crossing the financial distress indicators with the Industry/Sector view, a matrix has been set-up which makes it possible to group counterparties on the basis of the above-mentioned dimensions. Therefore, counterparties belonging to the riskiest sections of this matrix have been classified as Stage 2 since a significant worsening of credit risk has been assessed for them.
Finally, for Mortgages and Consumer loans under moratoria (excluding those granted to public sector and retired persons) classified under Stage 1 and, with specific reference to Mortgage, having higher probability of default have been migrated to Stage 2.

In Italy the outstanding Government Corporate Moratoria at the beginning of June were €14.6 billion as at beginning of June 2021, out of which €12 billion were eligible for moratoria extension. In particular, at UniCredit S.p.A. out of €9 billion of ex Art.56 moratoria outstanding for Corporate/Small Business, €4.1 billion asked for extension. Similarly, in UniCredit Leasing S.p.A., €1.8 billion (out of the total €3 billion having ex Art.56 moratoria) asked for extension as well.
In light of the “opt-in” nature of this moratorium extension, which is related to clients still needing for additional payments rescheduling, a higher loss risk profile is expected. Therefore, to cope with the potential hidden cliff-effect and in order to recognise in a holistic basis the overall expected credit loss risk profile, an overlay for the perimeters asking for moratoria prolongation in Italy has been introduced in second quarter 2021; the aim is smoothing, in terms of loan loss provisions, the potential increase in defaults (cliff effect) that may arise when moratoria measures will expire.
With reference to such scope of exposures, the overlay consisted in:

- classifying exposures into Stage 2 (if not yet Stage 2), on the back of the observation that these counterparties, given the explicit request (opt-in) to prolong moratoria, inherently embed a potential higher default risk once moratoria will cease;
- setting the average coverage ratio of the opt-in portfolio at least to the average Stage 2 coverage rate reported in March 2020 (before Covid-19 outbreak displayed its effects), hence recognising a coverage level more representative of Stage 2 portfolio riskiness in normal conditions.

This overlay has led to recognise, as of 30 June 2021, write-downs for €153 million, entirely attributable to the loan portfolio.

Beside the additional Staging measures put in place to cope with the extraordinary Covid-19 contingency, the usual IFRS ordinary framework remains up and running without any kind of relaxation of the existing qualitative staging criteria. Particularly: (i) Forbearance classification (potentially relevant for moratoria not compliant with EBA Guidelines) and 30 days past due trigger are always considered Stage 2 qualitative classification events; (ii) additional qualitative events for Stage 2 classification (e.g., certain kinds of credit monitoring watchlist classifications) are considered in UniCredit group IFRS Framework and applied by Legal Entities. Similarly, to the qualitative criteria for staging, also for the quantitative ones based on internal thresholds set according to the IFRS9 methodologies in place since FTA have been kept up-and-running without any kind of relaxations.

2.4 Credit risk mitigation techniques

UniCredit group uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistent with the “Regulation (EU) No.575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR)”, UniCredit group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes as necessary for the calculation of credit risk capital requirement.

37 Amount which includes the effects arising from LGD calibration.

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At the moment specific Group guidelines are in force, issued by the Parent Company, defining group-wide rules and principles with the aim to guide, govern and standardise the credit risk mitigation management, best practice, as well as in accordance with the relevant regulatory requirements.
Integrating these guidelines, all Legal entities have adopted internal regulations, specifying processes, strategies, and procedures for collateral management. In particular, such internal regulations detail, according to each Country's local legal system, collateral eligibility, acquisition, valuation and monitoring rules and ensure, among others, the soundness, legal enforceability and timely liquidation of valuable collateral.
Collateral management assessments and credit risk mitigation compliance verification have been performed by the Legal entities, specifically as part of Internal Rating System applications, in order to assess the presence of adequate documentation and procedure concerning the credit risk mitigation instruments used for supervisory capital.
According to the current credit policy, collaterals or guarantees can be accepted to support loans but cannot serve as a substitute for the borrower's ability to meet its obligations. For this reason, in addition to the overall analysis of the borrowers' credit worthiness and of his repayment capacity, collaterals are subject to specific evaluation and analysis with the aim to verify their viability to support the repayment of the exposure.

Collaterals accepted in support of credit lines granted by the Legal entities, primarily include:
- real estate, both residential and commercial;
- financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS).

Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common.
UniCredit group also makes use, between funded credit protection, of bilateral netting agreements regarding OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending transactions where the counterparties are, generally, Financial Institutions.
Moreover, can be considered as eligible netting agreements of reciprocal credit exposures between the Bank and its counterparty if they are legally effective and enforceable in all relevant jurisdictions, including in the event of default or bankruptcy of counterparty, and if they meet the following operational conditions:
- provide for the netting of gains and losses on transactions cleared under the master agreement;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

Legal entities can apply netting agreements only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting agreement), monitoring and controlling debts, credit and netting value.
In relation to guarantees, their use is widespread within UniCredit group, though their characteristics differ among the different local markets; they can be accepted as complementary and accessory to the granting of loans, for which the risk mitigation serves as additional security for repayment.
At consolidated level, personal guarantees are provided by banks, government, central banks and other public entities and others. The last category includes the personal guarantees provided by natural persons, whose eligibility for CRM depends on the approach used by the different Legal Entities.
In case the guarantee is represented by credit derivatives, the protection providers are mainly banks and institutional counterparties.
As already highlighted, the list of eligible protection providers depends on the specific approach adopted by each single Legal entity. Specifically:
- under the standardised approach, eligible protection providers pertain to a restricted list of counterparts, such as central government and central banks, public sector entities and regional and local authorities, multilateral development banks, supervised institutions and corporate entities that have a credit assessment by an eligible ECAI;
- under IRB-A approach, for the recognition of guarantees in the calculation of capital requirements, in addition to verify that the relevant minimum requirements are satisfied, the Legal entity can evaluate the protection provider risk profile, through an internal rating system, at the time the guarantee is provided and over its entire duration.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, to support the evaluation and data quality checks of collaterals/guarantees and their appropriate linking to the categories defined for LGD estimates purposes. Controls and related responsibilities are duly formalised and documented in internal rules. Furthermore, processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection are correctly registered in the system.

In the collateral acquisition phase, UniCredit group emphasises the importance of processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her credit worthiness and risk profile.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements set by credit policies, internal and regulatory rules are met over the time.

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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; 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 guidelines at Group level for the classification of non-performing exposures that refer to the principles reported in the Implementing Technical Standards issued by the Authority European Banking in 2014. This definition of non-performing exposures complements the definition of "default" exposures, disciplined by EBA Guidelines on default definition in line with article 178 of Regulation EU 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) in force since 1 January 2021, and "impaired" exposures defined by IFRS9 Accounting Standards. A substantial alignment within the Group has been pursued between the three definitions, providing the Supervisory Authorities with a harmonised view of these concepts, and strengthening the tools available to the Authorities for assessing the asset quality.

The default classification criteria in force since 1 January 2021 include, among the main aspects, harmonised thresholds at European level for past due materiality and additional Unlikely to Pay triggers further regulated by EBA/GL/2016/07 with respect to the high-level provisions of article 178 of Regulation EU 575/2013. In this regard, it is highlighted the Distressed Restructuring for credit obligation object of concession, where a maximum threshold for decreasing the Net Present Value of 1% has been set, as well as specific requirements on the contagion effects of default in the case of connected customers (mainly, groups of companies, joint headings between individuals and links between individuals and companies with unlimited liability). In addition, a mandatory minimum probation period before returning to the non-defaulted status has been defined.

Furthermore, in accordance with the provisions of Banca d'Italia in Circular 272/2008, non-performing 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 Regulation EU 575/2013 and the Technical Standards of the EBA);
- unlikely to pay: the classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad loans: exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.

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

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

In accordance with Art.156 EBA ITS, an exposure must remain classified as non-performing[38] 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.

38The regulatory framework for the transition from performing to non-performing exposures ("criteria for a return to a non-defaulted status") has been integrated with the entry into force of the "Guidelines on the application of the definition of default under Art.178 of Regulation EU 575/2013 "(EBA/GL/2016/07) as at 1 January 2021.

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

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

The decrease amount of the stock of impaired loans to Group customers is therefore in line with the reduction targets set in Team 2023, achieving an improvement in asset quality. This result was possible thanks also to the reduction of the "Non Core" portfolio, for which, UniCredit group can confirm the complete closure of its Non Core legacy by 2021, thanks to the activation of a coordinated set of levers aimed at reducing the stock.
A successful NPE Strategy execution requires effective interaction between the Group Risk Management structure and the functions dedicated to the management of non-performing exposures directly reporting the local CLOs of the Legal Entities.
More specifically, within Group Risk Management, the Group NPE structure was set-up in order to ensure on the one hand an adequate control over the execution and monitoring of the NPE Strategy and, on the other hand, an effective cooperation thanks to the joint work carried out with the other Group Risk Management functions.

In the all Legal Entities dedicated functions to the management of non-performing exposures are in place; they cover all the phases of the NPEs life cycle, take into account local regulations and the specific characteristics of portfolios, monitor and manage the amount of NPEs coherently with both European Central Bank Guidelines and Group organisational model.
The structures dedicated to the operational management of non-performing exposures are therefore tailored to each state of the life cycle of non-performing loans, starting from a careful monitoring of the performing portfolio, up to the recovery activity that includes the disposal of credit or the "repossession" of the collateral.
In particular, the monitoring activity is aimed at preventing flows to default and reducing the amount of past due exposures by detecting signals of risk of deterioration and early warning, as well as identifying the needed corrective measures to manage the potential deterioration of exposures starting from the early signs of worsening of the counterparties' credit quality.
Soft collection, door-to-door and re-management activities which pertains both performing (though already overdue) counterparties and already defaulted clients are carried out through the use of multiple channels, also using outsourcing solutions to third-party companies (in particular for door-to-door recovery activities). These activities also aim at preventing flows to default and facilitating the back-to-performing classification (main focus), thus contributing to a reduction of the overall amount of non-performing exposures.
In some Legal Entities the aforementioned activities can be managed within either the Monitoring, or Restructuring or Workout units; with reference to UniCredit S.p.A. these responsibilities are allocated to the Credit Monitoring unit within which an ad hoc department was created (i.e. Customer Recovery) exclusively dedicated to soft collection and re-management for retail portfolio.

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

As pertains the disposal activities, these refer to the organisation, management and execution of sales processes (both credit portfolios and individual positions), through the application of a transparent and competitive methodology based on market criteria. At Group level, these activities

Part E - Information on risks and hedging policies

are performed by a dedicated department within UniCredit S.p.A. (Group Distressed Asset Management), which evaluates various disposal options alternatives, in cooperation with the legal entity's peer function where deemed necessary to handle specific local cases.
The proactive management of real estate guarantees is coordinated at Parent company level by a dedicated department (Group Repossessed Assets), which oversees the strategy of repossession of the collateral and the specific activities carried out within the Group, particularly in those entities specialised in the acquisition of collateral (for example the UCTAM company). The aforementioned function also oversees the possible creation of a "Real Estate Owned Company" ("ReoCo") in Italy.
Beyond the operational responsibilities in the non-performing exposures management, from a governance and strategic coordination standpoint, the Group NPE Governance Committee ("GNGC") has been set up in order to ensure the effective steering, coordination and control of the non-performing loans reduction plan, ensuring an effective alignment of the common objectives between the Parent company and the various Group Legal Entities, also through the involvement of both "Group Risk Management" and "Group Lending Officer" functions according to the instructions of the Banca d'Italia (Circular 272/2008 and subsequent updates).

3.2 Write-off
Group guidelines for write-offs on financial assets provide 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, in particular the following cases are considered:

- exposures with prolonged arrears: it is assessed the recoverability of an exposure that presents arrears for a prolonged period. 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 evidence implying, with high likelihood, the not recoverability of the exposure, to be assessed, for the potential (total or partial) write-off:

- the Bank cannot call the guarantor(s), or his assets are not sufficient for the recovery of the debtor's exposures;
- negative outcome of the judicial and/or out-of-court initiatives with absence of other assets that can be called in the event of un-recoverability of the debtor's exposures;
- impossibility to initiate actions to recover credit;
- current insolvency procedure, from which the procedure itself states that the unsecured exposures will not have redress;
- loans not backed by mortgage security older than 3 years that have not registered repayments/collections during the first 3 years after the NPE classification.

Specifically, write-offs on financial assets still subject to an enforcement procedure amount to €10,608 million as of 30 June 2021, of which partial write-offs amount to €1,932 million and total write-offs amount to €8,677 million. The amount of write-offs (both partial and total) related to the 2021 first half financial year is €309 million. The write-offs as of 30 June 2021 cannot be compared to write-offs amount reported in gross changes in non-performing exposures, because the latter includes "debt forgiveness".

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

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

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

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

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

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

4. Commercial renegotiation financial assets and forborne exposures

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

Such changes are accounted on the basis of whether the modification is considered significant or not. In this regard, reference is made to the Part A - Accounting policies, 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 forborne exposures

In July 2014, the European Banking Authorities issued the "Implementing Technical Standards" ("ITS") on non-performing and Forborne exposures, with the aim to allow a closer supervisory monitoring of banking forbearance practices. In line with the mentioned ITS, a transaction has to be considered as forborne when both of the following conditions are simultaneously met:
- a concession in favour of the debtor exists, in the form of either (i) a contractual modification or (ii) refinancing aimed at ensuring the repayment of pre-existing obligation;
- the debtor is facing or about to face financial difficulties.

To comply with EBA ITS, since 2015 UniCredit S.p.A. has worked on the definition of a common methodological framework for forbearance process, issuing group's guidelines on forbearance management and setting up a shared IT infrastructure (i.e., Forbearance engine). Specifically, the Forbearance engine automatically performs, on the basis of a set of a pre-defined criteria, an assessment of the overall financial difficulty of the client subject to a concession (Trouble Debt Test). In coherency with the overall solution, the different Group's legal entities adopted some fine tunings to adapt the Group's framework to the local IT tools and credit practices.
Starting from 2017, the regulatory framework relating to the management of Forborne exposures has been integrated with the following papers:
- "*Guidance to Banks on Non-Performing Loans*", issued by European Central Bank in March 2017, which require to Banks to define a clear NPL strategy aiming at the reduction of NPE Stock;
- "*Guidelines on management of non-performing and forborne exposures*", issued by European Banking Authority in October 2018, which are overall aligned with the ECB Guidance;
- "*Guidelines on disclosure of non-performing and forborne exposures*", issued by European Banking Authority in December 2018, which is focused on the disclosure templates to be used for Group's supervisory reporting purposes.

In order to ensure ongoing alignment with the regulatory and supervisory requirements mentioned above regarding bank's forbearance practices, the Parent company finalised the following activities:
- review of the list of the potential Forbearance measures to acknowledge: (i) with the split between short-term measures (duration less than 24 months) and long-term measures (duration higher than or equal to 24 months), (ii) with the possibility of granting combinations of short and long-term FBE measures and (iii) with the "*viability criteria*" defined by Supervisory for each FBE measure;
- reinforcement of the affordability assessment of the client prior to the Forbearance concession taking care to the case of multiple forbearance measures on the same exposure;
- collection and monitoring of the relevant information within Finrep Reporting with disclosure on:
  - performing and non-performing portfolio;
  - guarantees;
  - default inflows and outflows;
  - list of the FBE Measures granted.

In light of the Covid-19 Pandemic, the European Banking Authority issued the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis issued[39]" providing specific indications to the banks on the regulatory treatment of the legislative moratoria and banking initiatives in terms of Forbearance Classification; for details refer to the paragraph General aspects - Section 2.1.

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

Part E - Information on risks and hedging policies

Credit Risk. In this regard, starting with concessions granted in April 2021, an enhanced Trouble Debt Test has been implemented for Italian perimeter by extending the current criteria in order to:
- better capture significant increase in credit risk deterioration.
- be more sensitive to credit monitoring managerial classification also in light of overdue mitigation deriving from moratoria;
- proactively intercept financial difficulty signs coming from new-Covid-19 moratoria requests.

In addition, regarding the assessment of the Significant Increase of the Credit Risk. in the context of the Covid-19 pandemic, please refer to the paragraph Measurement methods for expected losses - Section 2.1. Credit Risk.

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

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

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

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

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1 FROM 1 TO 30 DAYS	STAGE 1 OVER 30 AND UP TO 90 DAYS	STAGE 1 OVER 90 DAYS	STAGE 2 FROM 1 TO 30 DAYS	STAGE 2 OVER 30 AND UP TO 90 DAYS	STAGE 2 OVER 90 DAYS	STAGE 3 FROM 1 TO 30 DAYS	STAGE 3 OVER 30 AND UP TO 90 DAYS	STAGE 3 OVER 90 DAYS
1. Financial assets at amortised cost	5,563	161	107	1,691	462	274	2,803	236	2,908
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-	22	-	36
Total 06.30.2021	**5,563**	**161**	**107**	**1,691**	**462**	**274**	**2,825**	**236**	**2,944**
Total 12.31.2020	**4,294**	**114**	**95**	**1,568**	**789**	**616**	**2,220**	**182**	**2,902**

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).

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

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT 06.30.2021 GROSS EXPOSURE NON-PERFORMING	GROSS EXPOSURE PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
On-balance sheet credit exposures					
a) Bad exposures	5	X	5	-	-
of which: forborne exposures	-	*X*	-	-	-
b) Unlikely to pay	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
c) Non-performing past due	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
d) Performing past due	X	106	-	106	-
of which: forborne exposures	*X*	-	-	-	-
e) Other performing exposures	X	137,101	13	137,088	-
of which: forborne exposures	*X*	-	-	-	-
Total	**5**	**137,207**	**18**	**137,194**	**-**

Note:
(*) Value shown for information purposes.

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

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

(€ million)

	AMOUNTS AS AT 06.30.2021				
	GROSS EXPOSURE				
EXPOSURE TYPES/VALUES	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
On-balance sheet credit exposures					
a) Bad exposures	7,352	X	5,682	1,670	1,923
of which: forborne exposures	*1,969*	*X*	*1,427*	*542*	*439*
b) Unlikely to pay	13,574	X	6,633	6,941	48
of which: forborne exposures	*8,057*	*X*	*4,006*	*4,051*	*5*
c) Non-performing past due	1,020	X	354	666	-
of which: forborne exposures	*58*	*X*	*24*	*34*	-
d) Performing past due	X	8,838	299	8,539	-
of which: forborne exposures	*X*	*455*	*56*	*399*	-
e) Other performing exposures	X	580,742	3,735	577,007	-
of which: forborne exposures	*X*	*6,396*	*394*	*6,002*	-
Total	**21,946**	**589,580**	**16,703**	**594,823**	**1,971**

Note:
(*) Value shown for information purposes.

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

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

Distribution and concentration of credit exposures

B.4 Large exposures

	06.30.2021
a) Amount book value (€ million)	341,123
b) Amount weighted value (€ million)	17,406
c) Number	13

In compliance with Art.4.1 39 of Regulation (EU) No.575/2013 (CRR), in case of exposures towards a group of connected clients formed by a Central Government and other groups of connected clients, such exposure towards the Central Government is reported for each group of connected clients when remitting regulatory reporting; despite the abovementioned regulatory approach, both the amounts shown in letter a), b), and the number in letter c) in the table above disclose only once the exposure towards the Central Government originated following the method used.
It should be noted that deferred tax assets towards Italian Central Government were considered as fully exempted and, as a consequence, the weighted amount reported is null.
Starting from 2Q21, the above mentioned Regulation has been modified introducing some methodological changes that have been adopted for the calculation of both nominal and weighted amounts. Additionally, the calculation of the large exposure regulatory limit is based now on Tier 1.

Information on Sovereign Exposure
With reference to the Group's sovereign exposures[40], the book value of sovereign debt securities as at 30 June 2021 amounted to €118,431 million[41], of which about the 85% concentrated in eight countries; Italy, with €45,632 million, represents about 39% of the total. For each of the eight

40 Sovereign exposures are bonds issued by and loans given to central and local governments and governamental bodies. ABSs are not included.
41 Information on Sovereign exposures refers to the scope of the UniCredit Consolidated First Half Financial Report as at 30 June 2021, determined under IAS/IFRS.
For information on Sovereign exposures with reference to the regulatory scope of consolidation see UniCredit Group Disclosure (Pillar III) as at 30 June 2021 - Credit Risk.

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countries, the following table shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 30 June 2021.

Breakdown of sovereign debt securities by country and portfolio

(€ million)

	AMOUNTS AS AT 06.30.2021		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	**43,915**	**45,632**	**46,393**
financial assets/liabilities held for trading (net exposure*)	1,384	875	875
financial assets designated at fair value	0	0	0
financial assets mandatorily at fair value	50	63	63
financial assets at fair value through other comprehensive income	19,593	21,060	21,060
financial assets at amortised cost	22,888	23,634	24,395
- Spain	**16,213**	**17,173**	**17,242**
financial assets/liabilities held for trading (net exposure*)	1,114	1,196	1,196
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	5,129	5,460	5,460
financial assets at amortised cost	9,970	10,517	10,586
- Germany	**12,807**	**13,191**	**13,239**
financial assets/liabilities held for trading (net exposure*)	1,337	1,488	1,488
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	4,188	4,249	4,249
financial assets at fair value through other comprehensive income	3,100	3,205	3,205
financial assets at amortised cost	4,182	4,249	4,297
- Japan	**9,534**	**9,715**	**9,718**
financial assets/liabilities held for trading (net exposure*)	0	0	0
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	5,818	5,866	5,866
financial assets at amortised cost	3,716	3,849	3,852
- Austria	**4,830**	**5,173**	**5,170**
financial assets/liabilities held for trading (net exposure*)	407	422	422
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	100	134	134
financial assets at fair value through other comprehensive income	4,229	4,514	4,514
financial assets at amortised cost	94	103	100
- France	**3,179**	**3,538**	**3,531**
financial assets/liabilities held for trading (net exposure*)	736	996	996
financial assets designated at fair value	196	220	220
financial assets mandatorily at fair value	191	221	221
financial assets at fair value through other comprehensive income	1,686	1,724	1,724
financial assets at amortised cost	370	377	370
- United States of America	**3,156**	**3,368**	**3,368**
financial assets/liabilities held for trading (net exposure*)	220	238	238
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	2,915	3,109	3,109
financial assets at amortised cost	21	21	21
- Romania	**2,384**	**2,539**	**2,564**
financial assets/liabilities held for trading (net exposure*)	198	208	208
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	675	737	737
financial assets at amortised cost	1,511	1,594	1,619
Total on-balance sheet exposures	**96,018**	**100,329**	**101,225**

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[42] and trading book, is the following:

Weighted duration

(years)

	BANKING BOOK	TRADING BOOK	
		ASSETS POSITIONS	LIABILITIES POSITIONS
- Italy	3.57	3.69	5.40
- Spain	3.70	16.04	13.46
- Germany	2.92	11.72	6.02
- Japan	3.14	-	-
- Austria	4.72	10.15	10.62
- France	6.40	22.41	22.16
- United States of America	3.37	19.44	-
- Romania	4.29	5.05	9.62

The remaining 15% of the total of sovereign debt securities, amounting to €18,102 million with reference to the book values as at 30 June 2021, is divided into 37 countries, including Hungary (€1,926 million), Bulgaria (€1,877 million), Portugal (€1,688 million), Croatia (€1,667 million), Czech Republic (€1,331 million), Russia (€1,287 million), Ireland (€1,092 million), Serbia (€1,008 million), Poland (€931 million) and Israel (€534 million).
The sovereign exposure to Greece is immaterial.
With respect to these exposures, as at 30 June 2021 there were no indications that default may have occurred.
It should also be noted that among the aforementioned remaining part of sovereign debt securities as at 30 June 2021 there are also debt securities towards Supranational Organisations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €2,615 million.

The table below shows the classification of bonds belonging to the banking book and their percentage proportion of the total of the portfolio under which they are classified.

Breakdown of sovereign debt securities by portfolio (banking book)

(€ million)

	AMOUNTS AS AT 06.30.2021				
	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	TOTAL
Book value	241	4,746	55,682	51,490	112,159
% Portfolio	99.96%	33.54%	78.21%	8.30%	15.88%

In addition to the exposures to sovereign debt securities, loans[43] given to central and local governments and governmental bodies must be taken into account.

42 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.
43 Tax items are not included.

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The table below shows the total amount as at 30 June 2021 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, representing over 94% of the total.

Breakdown of sovereign loans by country

(€ million)

COUNTRY	AMOUNTS AS AT 06.30.2021 BOOK VALUE
- Germany(*)	7,303
- Italy	5,936
- Austria(**)	5,209
- Croatia	2,799
- Qatar	536
- Czech Republic	274
- Hungary(***)	238
- Slovakia	237
- Kenya	235
- Egypt	217
- Bulgaria	195
- Turkey	184
- Indonesia	163
- Slovenia	158
- Bosnia and Herzegovina	151
- Laos	133
Total on-balance sheet exposures	**23,968**

Notes:
(*) of which €2,121 million in financial assets held for trading and those mandatorily at fair value.
(**) of which €30 million in financial assets held for trading and those mandatorily at fair value.
(***) of which €8 million in financial assets mandatorily at fair value.

Lastly, it should be noted that derivatives are traded within the ISDA master agreement and accompanied by Credit Support Annexes, which provide for the use of cash collaterals or low-risk eligible securities.

For more details on the sensitivity analysis of credit spreads and on the results of stress tests see the "Pandemic Scenario" and "Pandemic Scenario + Sovereign Stress" scenarios in the following paragraph "Stress test" of Section 2.2 - Market risk and for liquidity management policies see the following Section 2.4 - Liquidity risk.

Other transactions
With reference to the indications of Banca d'Italia/Consob/IVASS document No.6 of 8 March 2013 - Booking of "long-term structured repos" instructions, there are no transactions of this kind to report.

Information on structured trading derivatives with customers
The business model governing OTC derivatives trading with customers provides for the centralisation of market risk in the CIB Division - Markets Area, while credit risk is assumed by the Group legal entity which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:
- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g. structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

UniCredit group trades OTC derivatives on a wide range of underlying, e.g. interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

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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 company and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and controls in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not (usually) entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to 'credit-risk mitigation' (CRM) techniques, by using netting and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:
- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong-Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit & loan-credit default swaps, in order to obtain a value in terms of 'expected loss' (EL) to be used for items designated and measured at fair value maximising the usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flows according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20. Financial assets at fair value through profit or loss: a) financial assets held for trading" and of balance-sheet liability item "20. Financial liabilities held for trading".
For the purpose of the distinction between customers and banking counterparties, the definition contained in the Circular No.262 of 22 December 2005 of Banca d'Italia (and subsequent amendments), which was used for the preparation of the accounts, was used as a reference.
Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross-currency swaps) and/or leverage effects.

Fair values of OTC derivatives managed through Central Clearing counterparts are reported on a net basis. The related reduction of balances is €30,748 million on trading asset (balance-sheet asset item 20) and €37,936 million on liabilities (balance-sheet liability item 20).

The balance of item "20. Financial assets at fair value through profit or loss: a) financial assets held for trading" of the Consolidated accounts with regard to derivative contracts totaled €39,102 million (with a notional value of €2,389,336 million) including €27,044 million with customers. The notional value of derivatives with customers amounted to €1,169,743 million including €1,158,284 million in plain vanilla (with a fair value of €26,604 million) and €11,459 million in structured derivatives (with a fair value of €440 million).
The notional value of derivatives with banking counterparties totaled €1,219,593 million (fair value of €12,058 million) including €14,523 million relating to structured derivatives (fair value of €220 million).

The balance of item "20. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €33,405 million (with a notional value of €2,358,706 million) including €18,820 million with customers. The notional value of derivatives with customers amounted to €1,123,494 million including €1,118,811 million in plain vanilla (with a fair value of €18,708 million) and €4,684 million in structured derivatives (with a fair value of €112 million).
The notional value of derivatives with banking counterparties totaled €1,235,212 million (fair value of €14,585 million) including €8,105 million relating to structured derivatives (fair value of €236 million).

Credit risk measurement models

As at 31 March 2021[44], the expected loss on the credit risk perimeter was 0.28% of total Group credit exposure. The result does not include the exposures which have migrated to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario.
As at 31 March 2021[44], the ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 2.45%.

44 Latest available data.

Part E - Information on risks and hedging policies

2.2 Market risk
Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading book, as well as those posted in the Banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within UniCredit group accordingly includes all the activities relating to cash transactions and capital structure management, both for the Parent company, as well as for the individual entities of the Group.

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

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

The current organisational model guarantees the ability to steer, coordinate and control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centers (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 to manage and control market risk, including strategies and processes to be followed. Market risk strategies are set by the Parent company at least on an annual basis, in line with the definition of the overall Group Risk appetite and then cascaded to the legal entities. Market risk appetite is also fundamental for the development of the Group's business strategy, ensuring the consistence between the budgeted revenues and the setting of Value-at-Risk limits.

In this context, on an annual basis Market Risk Management function of the Parent company agrees with the local Market Risk functions possible changes to the Group Market Risk Framework. Changes to the Group Market Risk Framework can include changes to the perimeter for the calculation of managerial market risk metrics and methodological changes in the limit monitoring framework.

For this purpose, Market Risk Management of the Parent company gathers the information needed to set up the Group Market Risk Strategy for the following year. In particular, Group Market Risk Management receives from the competent function the Group Risk Appetite Framework, which sets, among others, Market Risk KPIs and from local Market Risk functions the list of legal entities (LEs)/Business Lines allowed to assume market risk exposures, the severities of the related limits and the proposals for the review of market risk levels.

Based on these inputs, the Group Market Risk strategy is defined including the following information:
- the proposed Market Risk Takers Map;
- limits and Warning Levels (WLs) proposal in accordance with the proposed Market Risk Takers Map;
- any change occurred to the risk limit framework compared to the previous year;
- overview on the macroeconomic scenario and related risks for the Group;
- market risk RWA history and expected development;
- market risk KPIs benchmarking;
- the business strategy and key initiatives to support the limit proposal.

After that all the Group relevant Bodies have approved the Group Market Risk Strategy and given the relevant NBOs for local market risk limits, the approval is communicated to the local functions.
In terms of monitoring, the LEs carry out periodical activities (e.g., daily monitoring of VaR, weekly monitoring of Regulatory VaR, IRC and SVaR, monthly monitoring of Stress Test Warning Level) under the coordination of the Parent company Market Risk Management function and the breaches are timely escalated locally to Senior Management and to the Parent company.
Ultimately, it has to be highlighted that detailed Global Rules on market risk strategy definition, limits setting, monitoring, escalation and reporting activities are in place and applied at Group level.

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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 "hedge-ability" 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;
- hedge-ability refers to positions for which a hedge could be put in place. The hedge-ability is meant to concern the "material" risks of a position which implies not necessarily that all the various risk features are to be hedge-able.

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 must 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 must 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/Legal Entities in order to collect their feedback. The competent Group function also assesses the compliance risks with reference to the regulations falling within its direct scope of competence. In addition, before the issuance, the owner of the rule submits to the competent Body/function for the approval.

The financial instruments (an asset or a liability, cash or derivative) held by the Group are exposed to changes over time driven by moves of market risk factors. The market risk factors are classified in the following five standard market risk asset classes:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes, issuer correlation and recovery rates;
- Equity risk: the risk that the value of the instrument decreases due to increase/decrease of index/stock prices, equity volatilities, implied correlation;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes, basis risk, interest rates volatility;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes, foreign exchange rates volatility;
- Commodity risk: the risk that the value of the instrument decreases due to changes of the commodity prices, for example gold, crude oil, commodity prices volatility

Market risk in UniCredit group is measured and limited mainly through two sets of metrics: Broad Market Risk measures and Granular Market Risk measures:

- **Broad Market Risk measures**: these measures are meant to set a boundary to the regulatory capital absorption and to the economic loss accepted for FVOCI and/or FVTPL exposures. Limitations on Broad Market Risk measures must be reviewed at least annually in the context of the drafting of the Group and Local Market Risk Strategies and must be consistent with assigned budget of revenues, the defined risk-taking capacity (ICAAP process) and Group Risk Appetite KPIs. The set of all limitations on Broad Market Risk measures assigned to a specific market risk taker must be consistent with each other.
- The consistency must be checked whenever a level for a Broad Market Risk Measure is defined. The legal entity Market Risk Function needs to provide evidence of such consistency when required. Broad Market Risk measures are:
  - Value at Risk ("VaR"), the potential 1-day loss in value of a portfolio for a 99% single-tail confidence interval; calculated through historical simulation in full revaluation using the last 250 equally weighted daily observations;
  - Stressed VaR ("SVaR"), the VaR of a portfolio calculated using a 250-day period of significant financial stress;

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- 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, Parent company monitoring is based on the set of scenarios defined in the Group Market Risk Strategy; legal entities are allowed to add specific scenarios for local monitoring purposes.

The Group has undertaken a progressive review of Market Risk measure scope and, starting from 2019, Warning Levels for 60 days PL and Worst Stress test result have been defined on FVtPL and FVtOCI perimeters.

- **Granular Market Risk measures:** these measures allow a more detailed and stringent control of risk exposures than Broad Market Risk measures. Limitations on Granular Market Risk measures (so-called Granular Market Limits, GMLs) are specific limits to individual risk factors or group of risk factors:
  - sensitivity levels, which represent the change in the market value of a financial instrument due to small moves of the relevant market risk asset classes/factors. Among others, and not limited to, particularly relevant considering the asset and liability structure of the commercial bank are the Basis Point Value Sensitivity, that measures the change in the present value of the interest rate sensitive positions resulting from a 1bp parallel shift to interest rate, and the Credit Point Value Sensitivity, that measure the change in the present value of the credit risk sensitive positions resulting from a 1bp parallel shift to credit spread (per issuer, rating or industry);
  - stress scenario levels, which represent the change in the market value of a financial instrument due to large moves of the relevant market risk asset classes/factors;
  - nominal levels, which are based on the notional value of the exposure.

The main objectives of Granular Market Limits are:
- supporting the management of market risk;
- ensuring desk's focus to exposure under their mandate;
- restricting risk concentration, i.e. preventing the build-up of positions that, although consistent with allocated VaR limits, could become unmanageable in case of turmoil or in case of reduced market liquidity;
- complementing VaR when it does not cover sufficiently a specific risk factor;
- facilitating interaction with traders, who manage their books according to sensitivities or scenario analysis;
- limiting P&L volatility due to a specific risk factor;
- complementing the compliance framework (e.g., Volcker rule and the German Trennbanken act).

The Granular Market Limits must be consistent with limitations on Broad Market Risk measures.

To cover also Amortised Cost securities, the new Market Risk Strategy has introduced new notional and CPV granular limits on Regulatory Banking book perimeter. This ensures the monitoring of Credit spread risk in the Banking book, which originates mainly from government bond portfolios held for liquidity purposes. The main credit spread exposure relates to Italian sovereign risk in the Italian perimeter.

As for Banking book FX risk, the FX Management & Control Global Policy in force requires every legal entity to setup local processes and controls to transfer the transactional exchange risk exposures to one single unit, generally in the Markets department, mandated to manage the open exposure within the allotted limits and the general market risk appetite.

Finally, the Group is exposed to FX risk in relation to the holding of subsidiaries, associates and joint ventures presenting their financial statements in currencies different than EUR (Structural FX Risk). The general policy is to hedge the foreign currency exposures from dividends and contributions to consolidate profit (loss) considering hedging cost and market circumstances. The FX exposure is hedged using forwards and options that are classified as Trading book. This general rule is valid for the Parent company. The hedge strategy is reviewed by the relevant risk committees on a regular basis.

Banking Book

The main components of market risk in the Banking book are: credit spread risk, FX risk and interest rate risk.

As for the first two components (Credit Spread risk and exchange rate risk), please refer to what is reported in this paragraph in the Trading Portfolio section.

With regards to the third component (interest rate risk), the exposure is measured in terms of sensitivity of the economic value and of the net interest income.

The Asset & Liability Committee is responsible for the definition of the interest rate risk strategy for the strategic position of the banking book, including the strategic management of the capital and structural gap between noninterest rate-sensitive assets and liabilities.

Part E - Information on risks and hedging policies

The management of Banking book interest rate main target is the reduction of the adverse impacts on net interest income due to interest rate volatility in a multiyear horizon, in order to achieve a flow of earnings and a return on capital coherent with the strategic plan. The strategy does not imply any intended directional or discretional positioning to generate additional earnings, unless approved by relevant bodies and separately monitored. The only exceptions is for those functions authorised to carry interest rates positions within an approved level of limitations from the relevant risk committees.
The Treasury functions manage the interest rate risk deriving from commercial transactions maintaining the exposure within the limits set by the relevant risk committees. Daily the exposure is monitored and measured from risk management functions.
The interest rate management strategy takes also into account the main impacts from clients' behaviors, which may impact on the value of interest margins or on the economic value of the banking book. Such are for instance the loans prepayment and the stability of sight deposits.

The prepayment risk is managed through the adaptation of the contractual profile on the basis of behavior of clients inferred from historical data In UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG e UniCredit Bank Czech Republic and Slovakia A.S. the interest of prepayment is modelled considering also, if relevant, the financial incentive linked to the trend of interest rates. The prepayment risk is considered also in the credit portfolios of AO UniCredit Bank, UniCredit Bank Hungary ZRT and UniCredit Bank S.A.

The stability of sight deposits is assessed trough an internal model which estimates the stable volume and that non-sensitive to interest rates. Starting from those volumes is built the hedging strategy, consistently with the maturity profile approved from the Asset & Liability Committee and coherently with the management strategy of interest rate risk of the banking book. The adoption of the internal models applied to the sight deposits is present across all the banks of the Group, with exception for UniCredit Bank Ireland p.l.c. and UniCredit International Bank (Luxembourg) S.A. The hedging strategy is enacted through fixed rate positions at medium long term (commercial loans, government bonds or alternatively financial derivatives as interest rate swaps). The composition of the hedging portfolio in terms of products and their maturities depends on their availability and their liquidity.

Structure and organisation

The Group Financial Risk department is responsible, at Group level, for the definition of the strategies of financial risk management of the Group to be submitted to the competent functions/Bodies (i.e. liquidity risk, balance sheet interest rate risk, market risk and counterpart risk), ensuring that the control of the risks taken by UniCredit S.p.A. Foreign Branches are monitored and reported to the Group Chief Risk Officer and to the Senior Management. In addition, the structure governs the Group activities aimed to ensure the independent control of the prices and of the Front Office relevant parameters, for the fair value calculation.
The development and maintenance of Group methodologies, models and architectures regarding financial and behavioural risks as well as the pricing models validation are in charge of Group Financial Risk Methodologies & Models which reports to Group Risk Models & Credit Risk Governance.

The structure breaks down as follows:

GROUP FINANCIAL RISK

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

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

Part E - Information on risks and hedging policies

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 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 and Banking book interest rate across Business Functions and legal entities, with the aim of optimizing the usage of financial resources (e.g., liquidity and capital) in line with Risk Appetite Framework and business strategies.

The committee’s involvement in interest rate risk management includes:
- the definition of granular interest rate Banking book limits;
- the initial approval and fundamental modifications for the measurement and control system of Banking book interest rate risks with the support of internal validation function (where necessary);
- the optimization of the Group profile for Banking book interest rate risk;
- the definition of the operational strategies of Balance sheet (e.g., replicating portfolio) and application of the internal transfer prices within the Italian perimeter;
- the role of 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 updates of behavioral models for Interest Rate Banking book and other important issues with potential impact on Banking book’ interest rate.

Risk measurement and reporting systems

Trading Book

In the first half of 2021, UniCredit group continued to improve and consolidate market risk models to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurements, further details can be reported in paragraph “Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading book”, while for both monthly and daily reporting process, Global Process Regulation are periodically updated.
Within the organisational context described above, the policy implemented by UniCredit group within the scope of market risk management is aimed at gradually adopting and using common principles, rules and processes in terms of appetite for risk, limit calculations, model development, pricing and risk model scrutiny.
The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.
The main tool used by UniCredit group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.
Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to the Senior Management and regulators regarding the market risk profile at consolidated level.
In addition to VaR and Basel 2 risk measures, stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

Part E - Information on risks and hedging policies

Banking Book

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking book lies in the bank's competent bodies. For instance, the Parent Company is in charge of monitoring market risks for the Banking book at consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.

The Banking book interest rate risk measures cover both the economic value and net interest income risk aspects. In particular, the different and complementary perspectives involve:

- Economic Value: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition, the economic value sensitivity for the Supervisory Outlier Test ("SOT") scenarios is also calculated according to EBA/GL/2018/02;
- Earnings at risk: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between the revenues generated by interest sensitive assets and the cost relating to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a parallel shock of rates. This measure is reported to the competent committees to the end of evaluating its impact on the interest income over the next 12 months. Additional stress test scenarios are performed and monitored including basis risk and non-parallel shocks with hypothesis of increase or decrease of interest rates levels under constant balance sheet assumption.

As for other sources of market risk, such as Credit Spread risk and FX risk, please refer to the information in the paragraph Risk management strategies and processes, relating to the Trading Book section.

Hedging policies and risk mitigation

Trading Book

The mitigation of Trading book risk is performed through the Market Risk Strategy, where Broad and Granular Limits are defined. The effective limit utilization is provided to Group Market Risk Committee (through the Market Risk Overview report) and related breaches are escalated to the competent Body, according to the severity assigned by the Market Risk Strategy. The escalation process is 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.
A set of risk indicators is also provided to the Group Risk and Internal Control Committee on a quarterly basis through the Integrated Risk Report, which includes VaR, Regulatory VaR, Stressed VaR and IRC limit usages, Sensitivities, Sovereign Exposure and Stress test results.
If required, focus is provided to relevant committees on the activity of a specific business line/desk to ensure the highest level of understanding and discussion of the risks in certain areas which are deemed to deserve particular attention.

Banking Book

Group Risk Management reports on a monthly basis to the Group Assets and Liability Committee on the Banking book risk measures both from a value and income perspective. Such function 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 relative Policy, to establish the most appropriate course of action to restore exposure within the approved limits.
The execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. The strategic transactions in the Banking book are managed by the Asset and Liability Management department, ALM.

Internal model for price, interest rate and exchange rate risk of the regulatory trading book

The current Market Risk internal model is based on Value-at-Risk (VaR) framework, integrated with other risk measures: incremental risk capital charge (IRC) and stressed Value-at-Risk (SVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk, in line with the European directives in force.
All the regulatory requirements in the contest of market risk 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) based on 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

Part E - Information on risks and hedging policies

portfolio, over the given time horizon, not exceeding this value (assuming no trading in the portfolio) has the given confidence level. Current configuration of the internal model defines VaR at a 99% confidence level on the 1-day P&L distribution obtained from equally weighted historical scenarios covering the last 250 days. Historical scenarios are built relying on proportional shocks for Equities and FX rates, and on absolute shocks for Interest Rates and Credit Spreads. UniCredit VaR Model simulates all the risk factors, both referring to general and specific risk, thus providing diversification in a straightforward approach. The model is recalibrated daily. 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 offset between different assets classes;
- facilitates comparisons of market risk both over time and against daily results.

Although a valuable guide to risk, VaR should always be viewed within its limitations:
- historical simulation relies on past occurrences to forecast potential losses. In case of regime shifts this might not be appropriate;
- the length of the time window used to generate the forecasted distribution will necessarily embed a trade-off between the responsiveness of the metric to recent market evolutions (short window) and the spectrum of scenarios that will embed (long window);
- assuming a constant one/ten-day horizon there is no discrimination between different risk-factor liquidity.

Stressed VaR calculation is based on the very same methodology and architecture of the VaR, and it is analogously calculated with a 99% confidence level and 1-day time horizon on a weekly basis, but over a stressed observation period of 250 days. The chosen historical period identifies the 1-year observation window which produces the highest resulting measure for the current portfolio.
Stress windows are recalibrated monthly and are tailored to the portfolio of each legal entity of the Group, plus the Group itself (relevant for RWA calculation on a consolidated level). The SVaR window at Group level, at UniCredit Bank AG and UniCredit Bank Austria AG level corresponds to the "Lehman Crisis" (2008/2009), while for UniCredit S.p.A. it is the "Covid-19 Crisis" (2019/2020). 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, to check if the 99% of the trading outcomes is covered by the 99th percentile of the risk measures.
The test is based on the last twelve months data (250 daily observations). In case the number of exceptions in the previous year exceeds what forecasted by the confidence level assumed, a careful revision of model parameters and assumptions is initiated. Group Internal Validation performed the periodic validation of the VaR/SVaR framework to assess the compliance with regulatory requirements including an independent back-testing analysis complemented with different parameterisations (e.g., different time horizon, percentile) and detailing the results for a set of representative portfolios of the Bank.

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

The following table summarises the main characteristics of the different measures that define the capital requirement for market risk in UniCredit.

MEASURE	RISK TYPE	HORIZON	QUANTILE	SIMULATION	CALIBRATION
VaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
SVaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
IRC	Rating Migration & Default	1Y	99.9%	Monte Carlo	Through-the-cycle (min 8Y)

Part E - Information on risks and hedging policies

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 is shocked and the impact on the IRC measure is computed.

“Group Internal Validation” performed its analyses to evaluate the conceptual soundness of the IRC model, to supplement the available analyses on that topic and to ensure the compliance of the resulting risk management environment with all the relevant regulatory requirements and internal standards. As already remarked by the regulation, traditional back-testing procedures, regarding the 99.9% one-year soundness standard for IRC, are not applicable due to the 1-year time horizon of the measure. Consequently, while validation of the IRC model relied heavily on indirect methods (including stress tests, sensitivity analysis and scenario analysis) in order to assess the qualitative and quantitative reasonableness of the model, special focus has indeed been given to the specific situation of UniCredit portfolios.

Group Internal Validation Unit kept the scope of their analyses as wide as possible in order to comprise the many diverse issues that are acting concurrently in such a model (general model design, regulatory compliance, numerical implementation, outcomes explanation). Group Internal Validation performed a full spectrum of validation analyses on the IRC measure calculation using its internal replica libraries. The replica allows a simple verification of the results provided by the productive environment, and in addition opens the door to a more dynamical and tailored implementation of the needed tests. The spectrum of analysis encompassed Monte Carlo stability, correlation analysis and stressing, assessment on portfolio concentration, calculation of parameters sensitivity, marginal contribution analysis, alternative models’ comparisons. All major parameters were tested, i.e., correlation matrices, transition probabilities matrices, transition shocks, recovery rates, probabilities of default, number of scenarios. To understand the overall performance of the model in replicating the real-world migration and default phenomena, Group Internal Validation also performed a historical performance exercise comparing the migrations and defaults predicted by UniCredit IRC model with the ones actually observed since 1981 (due to data availability).

Banca d’Italia authorised UniCredit group to use internal models for the calculation of capital requirements for market risk. As of today, CEE countries are the main entities of the Group that are using the standardised approach for calculating capital requirements relating to trading positions. However, the VaR measure is used for the management of market risk in the abovementioned entities.

For Trading book VaR the bank differentiates between regulatory and managerial views. The managerial measure is used for Risk monitoring and Business steering purposes as prescribed by Market Risk Framework: in particular VaR limits represent the main metric translating the Risk Appetite into the Market Risk framework.

The managerial VaR has a wider scope: it is used to monitor both Trading book and Banking book perimeter (specifically FVtPL and FVtOCI positions), also including legal entities for which the standardised measurement method is applied for Regulatory purposes, in order to have a complete picture of risk through PL and capital. Furthermore, the exposure coming from hedges of the XVA sensitivities is excluded from managerial VaR monitoring but included in the Regulatory VaR limits in order to allow a proper steering of MRWA; additionally, respective sensitivities are closely monitored against XVA risk.

The standardised measurement method is also applied to the calculation of capital covering the risk of holding Banking book exposure in foreign currencies for UniCredit S.p.A. That do not have an approval for FX Risk simulation under Internal Model.
In this respect the FX risk for both Trading and the Banking book is included in VaR and SVaR for Regulatory purposes as for the approved legal entities (UniCredit Bank AG and UniCredit Bank Austria AG); as regards the managerial view the FX Risk of Banking book is included in the Overall (Trading book and Banking book) VaR.
UniCredit Internal Model Approach includes the Risk Not In Model Engine framework, that provides an estimate on the completeness of the risk factors included in VaR, SVaR and IRC. Although RNIME program shows that UniCredit IMA captures adequately the material price risks, since fourth quarter 2019 UniCredit computes via Stress Test a prudential capital add-on.

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 sub-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 several risk factors. Both simple and complex scenarios are applied to the whole Trading book. Detailed descriptions are included in the paragraph on the Stress test.

Stress tests results are calculated in the Group Market Risk system, 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.

Part E - Information on risks and hedging policies

According to national regulations, some relevant scenarios are also a matter of regulatory reporting on a quarterly basis.
In addition, a set of scenarios is run monthly on overall Group perimeter, thus covering both Trading and Banking book positions. Results are discussed monthly in Market Risk Stress Test Open Forum involving Market Risk function's representatives of all the legal entities and Business' representatives. Results are analysed in depth in the monthly report "Monthly Overview on Market Stress Test".
Stress test Warning levels Usage is monitored monthly. More details on Warning Levels and Strategy are given in the previous paragraph Risk management strategies and processes.

Effects arising from Covid-19 pandemic
After the sharp increase of both managerial and regulatory market risk metrics caused by the outbreak of Covid-19 during the first half of 2020, the evolution of the crisis and the related risk metrics development is under strict monitoring by both risk and business functions. The cautious approach adopted in positions management since the beginning of the crisis resulted in a progressive relief in limits utilization.

VaR, SVaR and IRC
Diversified VaR, SVaR and IRC are calculated considering the diversification arising from positions taken by different entities within the I-mod perimeter (i.e., for which the use of the internal model for the risk calculation is approved). VaR is however in place for all the Legal Entities and its value is reported in Managerial VaR section for information purpose.
The VaR reduction, observed starting from March 2021, is mainly driven by the exit of Covid Scenarios from the 1y window, on which the VaR is computed.

Risk on trading book

Daily VaR on Regulatory Trading book

(€ million)

			2021			2020
I-MOD PERIMETER	END OF JUNE 2021	AVERAGE LAST 60 DAYS	AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	5.9	5.3	7.8	19.8	4.4	16.7

Risk on trading book

SVaR on Regulatory Trading Book

(€ million)

			2021			2020
I-MOD PERIMETER	END OF JUNE 2021	AVERAGE LAST 12 WEEKS	AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	21.3	21.1	21.1	25.6	17.4	31.5

Risk on trading book

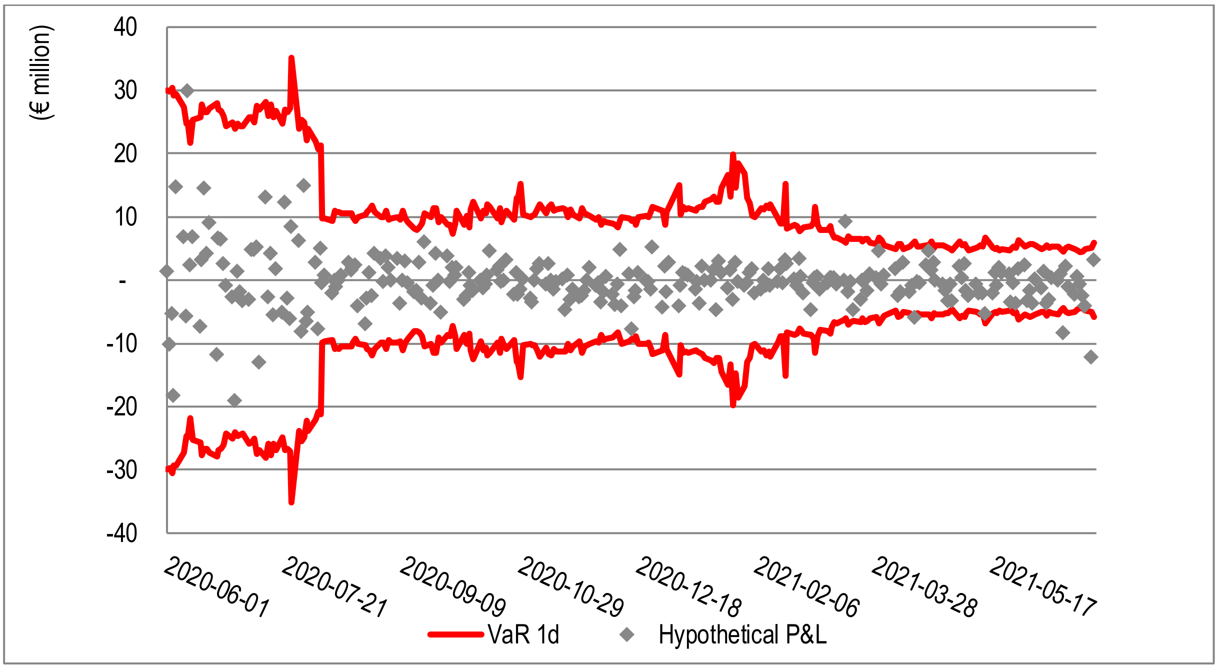
IRC on Regulatory Trading Book

(€ million)

			2021			2020
I-MOD PERIMETER	END OF JUNE 2021	AVERAGE LAST 12 WEEKS	AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	164.8	165.2	169.5	189.1	156.1	160.0

EU MR4 Comparison of VaR estimates with gain/losses
The following graph shows back-testing results referred to the market risk on the Trading book, in which VaR results for the last twelve months are compared to the hypothetical "profit and loss" results for Group (I-Mod Perimeter).
During the first half of 2021, two hypothetical PL's overdrafts and one actual PL's overdraft occurred at UniCredit group level:
- 06/16/2021 (hypothetical): the breach is mainly driven by a remarking of the Euro Cap/Floor volatilities and EUR/USD FX rate. Indeed, a significant USD currency appreciation is observed on 2021-06-17, as a consequence of the outcome of the most recent US Federal Reserve FOMC meeting, which reported an increase of the central bank's forecasts on growth, interest rate and inflation projections
- 06/28/2021 (hypothetical and actual): the overshooting is due to further updates (compared to June 17) in the Cap/Floor implied volatilities

Part E - Information on risks and hedging policies



Managerial VaR

Below are reported the Managerial Diversified Trading book VaR as of end of June 2021 at Group and Regional Centre levels and the Undiversified Trading book VaR at Group level, calculated as sum of the values of all Legal Entities (without considering diversification benefit). Difference with Regulatory Trading book was described above.

Daily VaR on Managerial Trading Book

(€ million)

TRADING BOOK	END OF JUNE 2021
Diversified UniCredit group as per internal model	**4.9**
RC Germany	3.9
RC Italy	1.0
RC Austria	0.1
RC CEE	1.2
Bosnia Herzegovina	0.0
Bulgaria	0.2
Croazia	0.1
Repubblica Ceca	0.3
Ungheria	0.3
Romania	0.7
Russia	0.6
Serbia	0.1
Slovenia	0.0
Undiversified UniCredit group	**7.2**

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)

	2021		2020
	Q1	Q2	Q4
Traded Debt Instruments	33.3	13.4	38.2
TDI - General Risk	21.4	13.8	23.2
TDI - Specific Risk	32.2	6.8	26.0
Equities	10.3	6.6	11.3
Equities - General Risk	-	-	-
Equities - Specific Risk	10.3	6.6	11.3
Foreign Exchange Risk	7.5	5.3	9.4
Commodities Risk	19.3	9.3	14.8
Total Amount For General Risk	**30.8**	**16.9**	**26.8**
Total Amount For Specific Risk	**20.5**	**6.8**	**20.7**

The VaR reduction across all the risk categories, observed starting from March 2021, is mainly driven by the exit of Covid Scenarios from the 1y window, on which the VaR is computed.

CVA

The CVA charge data values for the Group are reported below (as sum of the individual legal entities charges since the diversification benefit is not considered). The charge accounts for the credit-spread volatility affecting regulatory CVA.
It consists of a VaR figure computed over the current window (CVA VaR) and a VaR figure computed over a stressed window (CVA SVaR).
For exposures not covered by the CCR Internal model (used to calculate CVA exposure profiles) the standardised approach (SA) is used.
The mitigation of the XVA exposure across UniCredit group "Western Europe" perimeter is managed by a dedicated CVA Desk, whose mandate is to provide a centralised Front Office service function in Markets with the responsibility for XVA pricing & exposure management for OTC derivatives.
The CVA Desk actively hedges the exposure to risk factors within the prescribed limit framework in UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria AG.
The Advanced CVA reduction with respect of the first quarter in 2021, is mainly driven by the exit of Covid Scenarios from the 1y CVA VAR window, starting from March 2021.
This decrease has been compensated by the introduction of SA-CCR in the exposure computation for the Standardised CVA.

CVA Regulatory Capital Charge

(€ million)

	2021		2020
	Q1	Q2	Q4
CVA	**120.2**	**121.2**	**123.2**
CVA VaR	**28.0**	**7.2**	**37.6**
CVA SVaR	**48.6**	**50.2**	**48.0**
CVA SA	**43.5**	**63.8**	**37.6**

2.2.1 Interest rate risk and price risk - Regulatory trading book

Qualitative information

Interest rate risk

A. General aspects

Interest rate risk arises from financial positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion. Regardless of use of the internal models in calculating capital requirements on market risks, risk positions in the Group are monitored and subject to limits assigned to the portfolios on the basis of managerial responsibilities and not purely on regulatory criteria.

B. Risk management processes and measurement methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.
As regards Stress Test refer to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to Stress Test paragraph.

Part E - Information on risks and hedging policies

In addition to the monitoring of Granular Market Limits, Group Market Risk functions conduct sensitivity analysis at least on monthly basis, in order to determine the effect on the income statement of changes in the value of individual risk factors or several risk factors of the same type.
Additionally, to the sensitivity of financial instruments to changes in the underlying risk factor, the sensitivity to the volatility of interest rates is also calculated assuming positive and negative shifts of 30% in volatility curves or matrices.

Price risk

A. General aspects
Price risk relating to equities, commodities, investment funds and related derivative products included in the Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.
Price risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTCs and recourse to security lending. Volatility trading strategies are implemented using options and complex derivatives

B. Risk management processes and measurement methods
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models.
As regards stress test refers to the introduction on “Risk management strategies and processes” and for the complex scenarios’ description to the “Stress test” paragraph.

Quantitative information

1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives
The table is not reported since a table showing Interest Rate sensitivity is described below, in accordance with Internal Model.

2. Regulatory trading portfolio: distribution of equity exposures and equity indices for the main listing countries
The table is not reported since a table showing price risk sensitivity is described below, in accordance with Internal Model.

3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

Interest rate risk

Interest Rate Risk Sensitivity
Sensitivity to changes in interest rates is determined using both parallel shifts of interest-rate curves, and changes in the curve itself.
The curves are analysed using parallel shifts of ±1bp/±10bps and ±100bps.
For each 1bp shift, sensitivity is calculated for a series of time-buckets. Sensitivity for changes in the steepness of the rate curve is analysed by clockwise turning (Turn CW), i.e. an increase in short-term rates and a simultaneous fall in long-term rates, and by counter-clockwise turning (Turn CCW), whereby short-term rates fall and long-term rates rise.
In particular, clockwise and counter-clockwise turning use the following changes in absolute terms:
- +50bps/-50bps for the one-day bucket;
- 0bps for the one-year bucket;
- -50bps/+50bps for the 30-year plus bucket;
- for buckets between the above ones, the change to be set is found by linear interpolation.

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

Part E - Information on risks and hedging policies

The tables below show trading book sensitivities.

(€ million)

INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
Total	**-0.0**	**-1.1**	**0.9**	**-0.5**	**0.1**	**-0.4**	**-0.2**	**-1.2**	**10.8**	**-18.0**	**11.7**	**-140.1**	**-13.2**	**26.3**
of which:														
EUR	0.0	-1.1	0.9	-0.1	-0.2	-0.6	-0.3	**-1.5**	14.0	-12.9	50.9	-104.0	-3.0	16.3
USD	-0.1	0.1	0.2	0.1	0.3	-0.1	0.0	**0.5**	-1.3	1.5	-17.2	17.4	-0.7	1.0
GBP	0.0	-0.0	0.0	0.0	0.0	0.2	0.0	**0.3**	-3.0	2.9	-32.7	27.1	-9.8	9.3
CHF	0.0	-0.0	0.0	-0.0	-0.0	0.0	-0.0	**-0.1**	0.5	-0.5	5.2	-5.5	-0.3	0.3
JPY	0.0	-0.0	-0.0	0.0	-0.0	0.0	0.0	**-0.0**	0.1	-0.1	0.7	-1.0	-0.5	0.5

(€ million)

	-30%	+30%
Interest Rates	**1.7**	**-17.2**
EUR	1.1	-15.8
USD	0.6	-1.3

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	134.6	-	-	-	1.3	-	-
USA	4.5	-	-	-	0.0	-	-
Japan	-1.8	-	-	-	0.0	-	-
Asia ex-Japan	0.6	-	-	-	0.0	-	-
Latin America	0.3	-	-	-	0.0	-	-
Other	-48.2	-	-	-	-0.5	-	-
Total	**90.0**	**-111.6**	**-19.9**	**-0.4**	**0.9**	**11.1**	**10.3**
Commodity	**-27.1**	**-4.2**	**0.9**	**0.3**	**-0.3**	**-4.0**	**-9.6**

(€ million)

	-30%	+30%
Equities	**-8.1**	**20.4**

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

a) Interest rate risk refers to the current or future risk to the bank's capital and earnings arising from unfavorable movements in interest rates that affect the bank's positions. As interest rates change, the present value and timing of future cash flows change and this, in turn, changes the underlying value of a bank's assets, liabilities and off-balance sheet items and therefore its economic value. Changes in interest rates also affect the formation of the interest margin and, consequently, the bank's profits.
Interest rate risk monitoring and management procedures are applied to all positions sensitive to changes in interest rates, excluding:
- The banking book held for trading;
- Defined Benefit Obligations (DBO) portfolio.

b) The Asset & Liability Management Committee is responsible for defining the operational strategy for managing the interest rate risk of the banking book, including the strategy for managing the capital and the structural gap between assets and liabilities not sensitive to the interest rate.
The management of the interest rate risk of the Banking book is aimed at guaranteeing the reduction of the negative impacts on the long term interest margins, due to the volatility of interest rates, to achieve a flow of profits and a returns on capital consistent with the strategic plan. The strategy does not envisage any directional or discretionary positioning aimed at generating additional profits, unless approved by the competent bodies and monitored separately. The only exception is for the functions authorised to take positions on interest rates within the limits approved by the Risk Committees.
The treasury functions manage the interest rate risk deriving from commercial transactions while maintaining the exposure within the limits set by the Risk Committees.
Limits and alert thresholds are defined for each Bank or Group Company in terms of sensitivity to the economic value or interest margin. The set of metrics is defined according to the level of complexity of the Company's business.
Each of the banks or companies of the Group is responsible for managing the exposure to interest rate risk within the defined limits. At consolidated level, the Group Risk Management function is responsible for measuring interest rate risk, which reports to the Asset & Liability Management Committee the nterest rate risk of the banking book exposures and analysis, on a monthly basis.

The interest rate risk management strategy is established considering also the main impacts deriving from the behavioral aspects of customers, which can impact on the value of interest margins and the economic value of the banking book, such as the example of early repayments of disbursed loans ("prepayment") and the stability of on demand items.
The monitoring activity is coupled with constant Stress Testing aimed at verifying compliance with the limits under more servere stress scenarios from those expected and present by the market. The calibration and monitoring of stress test scenarios takes place at least annualy.

The Internal Validation functions periodically carries out an independent assessment of the correct application of the measurement methodology applied by the risk functions within the monitoring perimeter of the banking book including behavioral assumptions.
The Audt functions ensure the adequacy and compliance with regulatory and internal regulations, at least with an annual frequency.

c) The Group measures and monitors interest rate risk every day. The main sources of interest rate risk can be classified as follows:
- Gap" risk: arises from the term structure of the banking book; this is the risk that is generated from different timings in the rate changes of the instruments. The extent of the change in the "gap" also depends on the linearity of the change in the term structure of rates, which can occur consistently across the entire rate curve (parallel risk) or differently from period to period of the curve (non-parallel risk). The “gap” risk also includes the repricing risk, i.e. the risk of changes in the interest margin which occurs when the rate of a financial contract resets; the same also refers to the yield curve risk, which occurs when a shift in an interest rate curve impacts the economic value of the assets and liabilities sensitive to interest rate risk.
- Basis risk: it can be divided into two types of risk:
  - “tenor” risk: derives from the mismatch between the maturity of the instrument and changes in interest rates;
  - currency risk: derives from the potential lack of compensation between interest rate sensitivities emerging from different currencies;
- Option risk: derives from positions in derivatives or from optional elements incorporated in many assets, liabilities and off-balance sheet items of the bank, where either the bank or the customer have the right to change the amount and timing of cash flows.

d) The measurement of interest rate risk includes:
- the sensitivity analysis of interest margins to changes in interest rates: a constant balance sheet analysis (under the assumption that positions remain constant during the period), and a simulation of the impact on the interest margin for the current period, that also considering the elasticity assumptions for items on demand. Furthermore, with the simulation analysis is assessed the impact on income of different shocks of the interest

Part E - Information on risks and hedging policies

rate curves, including an instantaneous and parallel rate hike scenario of + 100bps and a rate fall scenario of -100bps or lower in a function of the level of rates in the individual currencies as required by the EBA regulations. Additional scenarios are simulated to consider basis risk and other non-parallel shocks.

- the analysis of the sensitivity of the Economic Value to changes in interest rates: it includes the calculation of duration measures, sensitivity of the economic value of the balance sheet items for the different points of the curve, as well as the impact on the economic value deriving from large changes in market rates, according to the scenarios of the Supervisory Outlier Test required by the EBA regulation (EBA/GL/2018/02).

The interest rate risk is monitored daily in terms of the sensitivity of the economic value, for an instantaneous and parallel shock of +1 basis point of the term structure of the interest rates. The function responsible for managing interest rate risk, checks on a daily basis the use of the limits for exposure to interest rate risk following a 1bp shock. The basis risk and the risk emerging from options are, respectively measured by the "IR Basis" and "IR Vega" metrics. On a monthly basis, the sensitivity of the Economic Value is monitored for more severe parallel and non-parallel shocks on the term structure of interest rates and that of the interest margin, as described in the previous paragraph.

e) The assumptions and parameters of the behavioral models used for the internal measurement systems are the same used to generate the regulatory exposures published in EU IRRBB1 tables.

f) The mitigation of the interest rate risk and the hedging activities of the banking book are carried out through the use of regulated or Over the Counter (OTC) derivatives with an underlying interest rate. The optimization of the natural hedge of the assets with the bank's liabilities is managed by the Group Treasury function and the single legal entities. The interest rate risk is mainly transferred within the trading book of UniCredit Bank AG, which optimises the UniCredit group's hedging costs and outsources them to the market.
Derivative contracts hedging the interest rate risk of the banking book not held for trading are recognised in the accounts as cash flow hedges or fair value hedges.

g) The presence and effects of behavioral options in the balance sheet are taken into consideration through the development and application of behavioral models. The maturity profile as well as the average maturity of repricing of maturity deposits take into account the identification of the "stable" portion of the balances, or the amount of the deposit that could represent a stable source of financing despite the short contractual maturity, or the identification of the "core" part of the deposits, that is the amount of the deposits which is stable and difficult to revalue even in the presence of significant changes in the context of interest rates, determined through the statistical evaluation of the stability of the volume and elasticity of the customer rate (i.e. the beta parameter).
The maturity profile, as well as the average repricing maturity of mortgages and retail loans, both take into account the optionality of the advance payment, which is assessed through the statistical estimate of the CPR (conditional early repayment rate) on the loan portfolio.

h) The changes in the sensitivity value of the Economic Value and of the interest margin in the first half of 2021, observable in the table EU IRRBB1, shown below, are due to the following phenomena:

- increase in the volumes of hedging derivatives of modeled sight items (NMD) in UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria AG;
- update of the NMD model in UniCredit Bank AG;
- increase in the “core” volumes of the NMD model of UniCredit S.p.A.;
- extension of the profile expiration of NMD models in UniCredit Bank Austria from 10 to 15Y;
- increase of operations in Repo\Reverse Repo in Central Bank of UniCredit Bank Czech Republic.

i) The scenarios used in the EU IRRBB1 template related to the change in economic value correspond to the scenarios of the Supervisory Outlier Test required by the EBA regulation (EBA/GL/2018/02). The scenarios used for the sensitivity of the interest margin reported in the EU IRRBB1 template were defined as follows:

- parallel up: parallel shock of + 100bps on all interest rate curves, the same for all currencies;
- parallel down: parallel downward shock in interest rates -100bps or lower depending on the level of interest rates in the individual currencies (CHF, EUR BAM and BGM -25bps; JPY, HRK -50bps; HUF RON -75bps).

j) The average repricing maturity assigned to non-maturity deposits is 2.1 years.

k) The longest repricing maturity assigned to non-maturity deposits is 20 years.

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.
For Stress Test refer to the introduction on Risk Management Strategies and Processes paragraph and for the complex scenarios' description to Stress Test paragraph.

2. Banking book: internal models and other methods for sensitivity analysis

Interest Rate Risk
The EU IRRBB1 template in the table below, contains the Interest rate risk exposure metrics on 30 June 2021 and 31 December 2020. For the descriptions of the scenarios refer to *Qualitative information - Interest rate risk*

Template EU IRRBB1 - Interest rate risks of non-trading book activities

(€ million)

		a	b	c	d
		Sensitivity of the economic value of equity		Sensitivity of the net interest income	
Interest rate risk scenarios		06.30.2021	12.31.2020	06.30.2021	12.31.2020
1	Parallel up	(2,809)	(210)	849	1,116
2	Parallel down	(701)	(1,137)	(252)	(351)
3	Steepener	(422)	(252)		
4	Flattener	(847)	(726)		
5	Short rates up	(1,370)	(512)		
6	Short rates down	(191)	(177)		

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.

Credit spread risk

Qualitative information

A. General aspects
Risk relating to credit spreads and related credit derivative products included in Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.
Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC.

Part E - Information on risks and hedging policies

B. Risk management processes and measurement methods
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to introduction on internal models.
As regards stress Test refer to the introduction on "Risk management strategies and processes" and for the complex scenarios' description to "Stress test" paragraph.

Quantitative information

Credit spread sensitivity
Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp/+10bp/+100bps in the credit spread curves.
These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

The table below shows Trading book sensitivities.

(€ million)

	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	+10BP	+100BP
Total	**-0.0**	**0.0**	**-0.0**	**0.0**	**-0.5**	**-0.2**	**0.1**	**-0.5**	**-4.6**	**-55.0**
Rating										
AAA	0.0	-0.0	-0.0	-0.0	0.2	-0.2	0.1	0.0	0.0	-11.6
AA	0.0	-0.0	-0.0	-0.0	-0.2	0.0	-0.0	-0.3	-2.8	-26.4
A	-0.0	-0.0	-0.0	0.1	-0.0	-0.1	0.0	0.0	0.3	3.3
BBB	-0.0	0.0	0.0	0.0	-0.4	0.1	0.0	-0.2	-1.7	-16.1
BB	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	-2.3
B	-0.0	0.0	-0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.1	-0.6
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-1.3
Sector										
Sovereigns & Related	-0.0	-0.0	-0.0	-0.2	-0.2	-0.0	0.0	-0.5	-4.5	-54.7
ABS and MBS	0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	-0.0	-0.0	-0.5
Financial Services	-0.0	0.0	0.0	-0.2	-0.2	-0.1	0.1	-0.3	-3.3	-31.5
All Corporates	-0.0	0.0	0.0	0.4	-0.0	0.0	-0.0	0.3	3.3	31.7
Basic Materials	-0.0	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.3	3.0
Communications	0.0	0.0	-0.0	0.1	-0.0	0.0	0.0	0.1	0.6	6.2
Consumer Cyclical	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.6	5.6
Consumer Non cyclical	0.0	-0.0	0.0	0.1	-0.0	-0.0	0.0	0.1	0.7	7.1
Energy	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.1	1.2
Technology	0.0	0.0	-0.0	0.0	-0.0	0.0	0.0	-0.0	-0.0	-0.1
Industrial	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	0.0	0.4	3.7
Utilities	-0.0	0.0	-0.0	0.1	-0.0	0.0	-0.0	0.0	0.5	4.6
All other Corporates	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4

Stress test
Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

The description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors is reported below.
For the description of simple scenarios, refer to the previous paragraphs.
As far as complex scenarios are concerned, different scenarios have been applied to the Trading book and Banking Book (specifically FVtPL and FVtOCI positions) on a monthly basis and reported to the Top Management.

Pandemic Scenario
In this scenario, we assume that virus mutation will cause Europe to face a further wave of the pandemic in 2H21, while the US will have to deal with a renewed increase in the number of infections that will force the new administration to reintroduce restrictions to mobility and business activity. We also assume that some sort of herd immunity is only reached towards the end of the forecasting horizon, as a non-small part of the population proves reluctant to get vaccinated.

After contracting by almost 7% in 2020, eurozone GDP would increase by 2.9% in 2021 (-0.6pp compared to baseline), followed by an expansion of 2.1% in 2022 (-2.3pp) and 1.2% in 2023 (-1.0pp).

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By the end of 2023, eurozone GDP would remain below its pre-crisis level.
Demand weakness prevails over supply-side disruption, leading to a widening of the output gap compared to the baseline scenario. Together with lower oil prices, this puts downward pressure on inflation, starting from already weak levels envisaged in the baseline. Throughout the forecasting horizon, eurozone headline inflation fluctuates within a 1.0-1.5% range, which is below the tolerance threshold of the ECB.

Monetary policy responds to the deterioration in the outlook for growth and inflation and to any potential threat to the transmission mechanisms of monetary policy. We assume that the ECB does not cut the depo rate as the central bank judges that the negative impact on banks' profitability in such environment would outweigh the positive effects of a rate cut on the real economy. Therefore, it is assumed that all the burden of the additional monetary expansion will be on asset purchases, most probably through an increase of the envelope of the Pandemic Emergency Purchase Programme (PEPP), and on TLTRO. Favorable conditions for TLTRO are likely to remain in place throughout 2023 to preserve low funding costs for the banking sector.

The shock would lead to deteriorating market sentiment. As a result, we assume richening of core sovereign bonds relative to swaps and more in general wider credit spreads, both for weaker sovereigns and for corporates (around 150bp for Auto and Industrials while 80bp for Pharma and Telecom). Equity markets are expected to come under pressure as well, with drawdowns of 15/20%. Because of the central bank reaction, we expect that part of the initial shock would be reabsorbed during the first year.
In FX, the EUR-USD would decline by 8% as soon as the shock materialises, to recover some ground over the exercise horizon. We also expect the EUR-CHF to decline, but by a more moderate 4%. In both cases, FX moves would reflect the deterioration in risk appetite.

Pandemic Scenario + Sovereign Stress
In this scenario, we assume that virus mutation will cause Europe to face a further wave of the pandemic in 2H21, while the US will have to deal with a renewed increase in the number of infections that will force the new administration to reintroduce restrictions to mobility and business activity. We also assume that immunity achieved through vaccination proves to be short-lived, while a relatively high number of adverse reactions make an increasing share of the population reluctant to get their shot. Governments will have no choice but to continue to push ahead with strongly expansionary policies to mitigate the pace of job-shedding, to slow the rise in corporate defaults and to preserve social stability.
The ECB is expected to remain in the market with the PEPP and TLTRO with generous conditions throughout the three-year horizon. Despite ongoing large-scale ECB intervention, the further build-up of public sector debt and prospects of a slow recovery put downward pressure on the sovereign rating of the weakest eurozone countries.

In this context, after contracting by almost 7% in 2020, eurozone GDP would expand by 2.4% in 2021 (-1.1pp compared to baseline), followed by a 0.1% contraction in 2022 (4.5pp) and only meager growth of 0.5% in 2023 (-1.7pp). By the end of 2023, no eurozone country would recover its pre-crisis level of economic activity.
Demand weakness clearly prevails over supply-side disruption, leading to a sizeable widening of the output gap which, together with lower oil prices, puts material downward pressure on inflation, starting from already weak levels envisaged in the baseline scenario.
After averaging 1.4% in 2021, headline inflation settles at or below 1% in 2022-23.This is well below any tolerance threshold of the ECB.

Monetary policy responds forcefully to the deterioration in the outlook for growth and inflation, and to the rising risks to the transmission mechanisms of monetary policy as sovereign stress pushes spreads wider. We assume that the ECB does not cut the depo rate as the central bank judges that the negative impact on banks' profitability in such environment would outweigh the positive effects of a rate cut on the real economy. Therefore, it is assumed that all the burden of the additional monetary expansion will be on asset purchases, most probably through a big increase of the envelope of the Pandemic Emergency Purchase Programme (PEPP), and on TLTRO. With its flexibility, the PEPP is the ideal tool to face a combination of negative macro developments coupled with intensification of sovereign stress. Given that the ECB remains fully committed to preserving a reasonably smooth functioning of the transmission mechanism, it is assumed that front-loading of purchases after a rating shock allows bringing the BTP-Bund spread down to an acceptable level that is consistent with such transmission not being derailed. Favorable conditions for TLTRO are likely to remain in place throughout 2023 to preserve low funding costs for the banking sector.

The shock would lead to deteriorating market sentiment. As a result, we assume richening of core sovereign bonds relative to swaps and more in general wider credit spreads, both for weaker sovereigns and for corporates (around 300bp for Auto and Industrials while 150bp for Pharma and Telecom). Equity markets are expected to come under pressure as well, with drawdowns of 30/40%. Because of the central bank reaction, we expect that part of the initial shock would be reabsorbed during the first year.

In FX, the EUR-USD would decline by 15% as soon as the shock materialises, to recover some ground over the exercise horizon. We also expect the EUR-CHF to decline, but by a more moderate 5%. In both cases, FX moves would reflect the deterioration in risk appetite.

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Stress Test on Trading book

(€ million)

	END OF JUNE 2021	
	PANDEMIC SCENARIO	PANDEMIC SCENARIO + SOVEREIGN STRESS
UniCredit group Total	**-178**	**-737**
RC Germany	-140	-672
RC Italy	-23	-37
RC Austria	0	0
RC CEE	-16	-29

Conditional losses of Managerial Trading Book, as defined above, have been reported.
Conditional losses are mainly coming from UCB AG and are driven by CIB Equity and Commodity Trade business line in all scenarios, due to negative shocks on Equities.
In UniCredit S.p.A. conditional losses are mainly driven by CIB Fixed Income & Currencies business line due to widening of Italian Government Credit Spread.
Conditional losses in RC CEE are mainly due to widening of Credit Spread for local Governments, especially Romania, Russia, and Serbia.

2.4 Liquidity risk

Qualitative information

A. General aspects, operational processes and methods for measuring liquidity risk
Liquidity risk is defined as the risk that the Group may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardising its day-to day operations or its financial condition.

The key principles

The liquidity reference banks
The Group aims at maintaining liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.
To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.
In addition to local legal and regulatory requirements, the Parent company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at Group level, to ensure that liquidity position of any entity meets the requirements of the Group.
For these reasons, the Group is organised on a managerial perspective, according to the concept of the liquidity reference bank.
The liquidity reference banks are Legal Entities that act in their responsibility as liquidity hub. They are in charge:
- of the liquidity management and concentration process of liquidity flows of the Legal Entities falling within their perimeter of responsibility;
- of the funding optimisation carried out on the relevant local markets and are responsible to coordinate the access to short-term and medium-long-term markets of the Legal Entities belonging to their perimeter;
- finally, of the implementation of the Group's liquidity rules at local level in line with Group's Governance Guideline and Policy and with local regulations.

A particularly important role is played by the Parent company, as a "supervisory and overarching liquidity reference bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Parent company has the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or Legal Entities. In particular, the Parent company functions are responsible for the following:
- outlining Group overall liquidity risk management strategies;
- developing liquidity risk metrics and methodologies;
- setting specific limits for liquidity risk exposures, in line with the Group risk appetite;
- optimising liquidity allocation amongst Legal Entities, in compliance to the local regulations and transferability limitation;
- coordinating access to financial markets for liquidity management;
- outlining the yearly Group funding and contingency funding plan, coordinating and monitoring their execution;
- assessing the adequacy of the liquidity reserves buffers at Legal Entity and Group level;
- coordinating the refinancing transactions with the ECB;
- defining, periodically reviewing the Group ILAAP and approving the Group ILAAP Report on yearly basis.

The Parent company moreover, acts as the liquidity reference bank for the Italian perimeter.

Part E - Information on risks and hedging policies

The principle of "self-sufficiency"

This organisational model allows self-sufficiency of the Group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Parent company, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so-called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group[45].

As a general rule, the large exposure regime, which came into force on 31 December 2010, limits interbank exposures to a maximum of 25% of Own Funds: this rule is also applicable to intra-group exposures.
However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many CEE countries the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the National law, the 25% of Own Funds limit is not applied to exposures towards the Parent company, if located in the European Economic Area; finally, in Germany the national Regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.
In the absence of official limits valid at national level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their national banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.
For these reasons, the "Liquidity management & control group policy" provides for a further principle in order to enhance a sound liquidity risk management; each Legal Entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition, the Group rule states that each LE (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This self-sufficiency principle is reflected in a specific "limit structure": limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among Legal Entities.

This type of organisation promotes the self-sufficiency of the Legal Entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimising: i) the liquidity surpluses and deficits within the Group's Legal Entities ii) the overall costs of funding across the Group.

The adoption of the Single Point of Entry by the Group implies that the Holding provides internal MREL to all the other subsidiaries within Europe, representing the only exception to the self-sufficiency principle.

Roles and responsibilities

At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the Group Financial Office competence line, and the Treasury function (within the "Markets" Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d'Italia).

Specifically, the Risk Management function is responsible for the independent control of liquidity risk and of balance sheet interest rate and FX risk at Group level and for the internal and regulatory stress testing. In detail:

- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independent internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the risk tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the risk appetite framework;
- assessing and monitoring liquidity risk exposure trends at Group and Country level and confronting them with the respective limits and triggers;
- verifying the correct implementation of the agreed mapping rules;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- developing and performing the liquidity stress test at Group level, analysing the outcome, delineating new scenarios to be taken into account and centralising the action plan relating to the stress test results; it is also responsible of periodically reviewing the liquidity stress test framework;
- monitoring the liquidity risk and producing regular risk reporting at Group level in alignment with Basel Committee's "Principles for effective risk data aggregation and risk reporting", setting common standards in terms of presentations and communications.
- performing internal validation activities at Group level on systems for measuring liquidity risks on related processes and data quality and IT components, as well as on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;

45 Also, Banca d'Italia Rules, Circular 285, foresees that the Group should ensure the maintenance through the time of adequate reserves in each Legal Entity, in order to take into account possible regulatory constraints (First Part, Title IV, Chapter 6, Section III, paragraph 7).

Part E - Information on risks and hedging policies

- 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 fund's movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.
Group Financial Office competence line is responsible for the coordination of the overall financial planning process at Group, liquidity reference banks and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term Group's funding strategy (including securitisation operations), coordinating the access to national and international capital markets for all the liquidity reference banks and relevant LEs, exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources. In addition to this, the function performs first level controls on liquidity positions managed by Group Finance and Group Treasury aimed at ensuring the proper P&L and liquidity workflow of the operations and defines conditions and rules for transfer price application.

All the relevant issues that concern the liquidity risk and management perspective of the Group are discussed in GALCO (Group assets & liabilities committee). The main responsibilities of GALCO are:
- participating by advising and proposing the definition of the strategies, policies, methodologies and limits for liquidity risk, fund transfer pricing, funding plan and contingency funding plan;
- contributing to the definition of the Risk Appetite in terms of thresholds for liquidity risk, interest rate risk of the banking book and FX risk;
- optimising the liquidity risk profile of the Group within the defined limits;
- controlling the liquidity risk, including the periodical reports that have to be delivered to regulators;
- approving and validate the liquidity stress test scenarios and the related assumptions;
- approving the ILAAP proposal and the regulatory reporting to be submitted to Group risk & internal control committee (GR&ICC);
- approving the operational strategies for the evolution of the balance sheet and the application of fund transfer price for the Italian perimeter.

The optimisation of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual liquidity reference banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the Group's Risk Management to ensure that they comply with the metrics and the objectives of the Group's liquidity framework.
In addition, the regional rules must comply with national laws and regulatory requirements.

Risk measurement and reporting systems

Techniques for risk measurement
The different types of liquidity risk managed by the bank are:
- short term liquidity risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year);
- market liquidity risk is the risk that the bank may face a considerable (and unfavourable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions;
- intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions";
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution;
- contingency risk, or stress liquidity relates to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business;
- intragroup liquidity risk, that might generate from an excessive exposure or dependency towards/from specific Group counterparts;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems;
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

Part E - Information on risks and hedging policies

The exposure of the Group and its Legal Entities to any of these risks is measured by associating to any of them a metric or a set of metrics. Every Legal Entity of the Group is exposed to the above-mentioned risks at a different extent: a materiality analysis is performed in order to define the perimeter of the liquidity risk management and control.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators, among which: loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:
- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1 year maturity onwards.

Strategies and processes to manage the liquidity risk
The Group's liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterised by the following fundamental principles:
- short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;
- structural liquidity risk management (structural risk), which considers the events that will impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimising the cost of funding;
- stress tests: Liquidity risk is a low probability, high impact event. Therefore, stress testing is an excellent tool to reveal potential vulnerabilities in the Balance sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks relating to the transformation of maturity.

In addition, the liquidity risk is included in the Group's risk appetite framework through some specific liquidity indicators.

Short-term liquidity management
Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.
The standard measures taken for such purposes are the following:
- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilisation (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the liquidity reference banks.

The *operative maturity ladder* is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.
The *operative maturity ladder* is composed of the following building-blocks:
- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The counterbalancing capacity is considered at its "liquidity value" (i.e. the market value minus the applicable haircut).
- cumulative gap, which is the sum of the previous components;
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the Group risk appetite framework, with a limit of 0 on the 3 months bucket.

The Group also adopts the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

Part E - Information on risks and hedging policies

Structural liquidity management

The Group's structural liquidity management aims at limiting refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, national markets, currencies of issuance and instruments used (realisation of the yearly funding plan).

The main metric used to measure the medium/long-term position has been the net stable funding ratio, as described by Basel 3, until June 2021 where CRR-2 entered into force.

In general, the net stable funding ratio is calculated as the ratio between liabilities and assets. All the balance sheet items are mapped according to their contractual maturity. In addition, they are assigned a weight that reflect, for the liabilities, their stability within the balance sheet and, for the assets, the portion that is rolled over by the bank or that, more in general, cannot be traded on the market in exchange of liquidity that would generate relief to the institution. The internal limit set at 102.5% for 2021 means that stable liabilities have to fully cover the requirements of funding generated by the assets.

A key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap (an improved loans-to-deposits gap). It measures the need of funding the bank has to finance on the wholesale market. The indicator is integrated in the risk appetite framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through Treasury/Finance activity.

Liquidity under stress

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward-looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular, the results of the stress tests are used to:

- determine liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the liquidity reference banks, the Group has a centralised approach to stress testing, requiring each local liquidity reference bank to run the same scenario set under the coordination of the Group risk management. The Group runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

The Group identifies three different types of potential liquidity crisis:

- market (systemic, global or sector): market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events relating to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or another legal entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the committed lines is considered.

The *combined scenario* is defined as a general negative development in the market environment and also as a factual or market-hypothesised problem specific to the Group.

In the first half of 2021 the Group liquidity stress test result on the combined scenario was always positive on the time horizon relevant for the internal limit system.

In addition to the internal stress test, the bank adopts and also monitors the liquidity coverage ratio (LCR), calculated in accordance with the provisions of Implementing Regulation (EU) 2016/322 in force from 1 October 2016 as amended by DR (EU) 2018/1620. 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%.

Part E - Information on risks and hedging policies

Among the liquidity outflows that occur in a stress scenario, the bank monitors on a monthly basis the impact in terms of additionally required collaterals that the bank may be required to provide given a downgrade of its own credit rating. All the relevant rating agencies are taken into account.
The testing is carried out on a Legal Entity level, but consolidated reporting is available to analyse the impact on group wide basis. Specific attention is dedicated to exposures towards special purpose vehicles (SPV).

At Group level the amount of material outflows due to deterioration of own credit quality, included in the components of the Liquidity Coverage Ratio, amount to €7,460 million as of 30 June 2021.

Risk mitigation

Monitoring and reporting
In the Group the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions managerial and regulatory aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels.
The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

In case of limit breach or warning level activation at Group level, the Group risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

Mitigation factors
Liquidity risk is considered a relevant risk category for the risk appetite determination of the Group. The practices and processes are included in the "Liquidity management & control Group policy", that defines the principles that the Parent company and the Legal Entities have to apply for hedging and mitigating this risk and the roles to be interpreted by the different committees and functions.
Additionally to an adequate liquidity buffer to face unexpected outflows and robust and regular up-to-date stress testing performed on a regular basis, the main liquidity mitigation factors for UniCredit group are:
- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective contingency liquidity policy with feasible and up-to-date contingency action plan to be executed in case of crisis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Group to restore its safe liquidity profile.

Funding plan
The funding plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The funding plan, defined at each level (i.e., Group, liquidity reference bank and Legal Entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position. The funding plan is updated at least on a yearly basis and is approved by the Board of Directors. In addition, it is aligned with the budgeting process and the risk appetite framework.
The Parent company accesses the market for Group capital instruments.

The Parent company coordinates the market access of the liquidity reference banks and Legal Entities, while the liquidity reference banks coordinate the access of the Legal Entities falling within their perimeter.
Each Legal Entity or liquidity reference bank can access the markets for medium and long-term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialisation, safeguarding the optimisation of cost of funds of the Group.
Group Financial Office competence line is responsible for the elaboration of the funding plan. Risk management is responsible for providing an independent assessment of the funding plan.

Group contingency liquidity management
The liquidity crisis usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.
The ability to act in time is essential to minimise the potentially disruptive consequences of a liquidity crisis. The analysis of the stress tests will form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with the early warning Indicators the organisation may be able to reduce the negative liquidity effects in the initial stages of a crisis.

Part E - Information on risks and hedging policies

Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined. In order to be able to proceed timely, a set of mitigating actions have been pre-defined. Depending on the situation some of these actions can then be approved for execution.
The *Group contingency liquidity management* global policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions and communications.
This is achieved through:
- a set of early warning indicators that may help to identify emerging vulnerabilities in the Group liquidity risk position;
- activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- a set of available standby mitigating liquidity actions;
- consistent internal and external communication.

A relevant part of the contingency liquidity management is the contingency funding plan. This plan consists of a set of potential but concrete management actions to be performed in time of crisis. These actions are described in terms of size, instrument, and timing of execution aimed at improving the bank's liquidity position during time of crisis. The contingency funding plan is developed on the basis of the annual Funding Plan.
A specific early warning indicators dashboard is in place, both at Group and Legal Entities level, in order to continuously monitor situations of stress, which may, among others, be originated by market, sector or name specific events. They are based either on macroeconomic or market indicators that also reflect the monetary policy stance of the Central Banks variables, or on specific internal metrics. The system of early warning indicators helps to identify emerging vulnerabilities in the Group's liquidity risk position or potential funding needs, triggering a potential response by the Senior management. A "traffic light approach" is adopted for each metric in order to have sufficient time to inform senior management of a deteriorating situation and allow to put in place adequate actions aimed at restoring the business-as-usual state.

Adequacy of the Liquidity Risk Management
In the yearly process of the ILAAP, the Senior management is requested to give a judgement on the adequacy of the liquidity position and stability of funding, called Liquidity Adequacy Statement (LAS). This assessment aims at showing the main drivers that had modified the liquidity position throughout the year and provides comment also on the evolution of the main metrics that are used to steer the different aspects of the liquidity risk.
In the first half of 2021, the Group liquidity situation is deemed adequate, and the liquidity risk management arrangements of the institution ensure that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The framework of measurement systems and of limits in place aims to ensure that the Group has always an internal liquidity buffer/reserve that allows it to face expected and unexpected payments.

In the daily Treasury activity, the (managerial) liquidity reserve is represented by the Counterbalancing Capacity (CBC).
Group Treasury, in its role of operational liquidity management function is entitled to monetise also the bonds belonging to the trading book, if this is necessary to restore the liquidity positions, prevailing on any existing business or risk management strategies.

From a regulatory perspective, the liquidity reserve is represented by the amount of high quality liquid assets (HQLA). This is the numerator of the LCR and is made of assets, which can be easily and immediately converted into cash at little or no loss of value even in periods of severe idiosyncratic and market stress. These assets are unencumbered, which means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign them.

The adequacy of the liquidity reserve under both perspectives is monitored and controlled through the limitations set on the operative maturity ladder (managerial) and on the liquidity coverage ratio (regulatory), as described above.

In the first half of 2021, 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.

Part E - Information on risks and hedging policies

In the first half of 2021, 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.

Effects arising from Covid-19 pandemic
The slowdown in economic activity caused by lockdowns across Europe and the measures the Governments have taken to face the effects of the current health and economic emergency impacted the Group operations in the different countries of its perimeter. The business continuity management plans were activated in order to ensure the regular execution of Treasury activities and the proper information flows to the senior management and the Supervisors.
Despite the overall liquidity situation of the Group is safe and under constant control, some risks may materialize in the coming months, depending on the length of the current lockdown and expected economic recovery.
The most relevant risks that the Group may face are: i) an exceptionally high usage of the committed and uncommitted lines granted to corporate customers; ii) the capacity to roll over the expiring wholesale funding and the potential cash or collateral outflows the Group may suffer in case of rating downgrades of both the banks or the sovereign debt in the geographies in which it operates.
In addition to this, some risks may arise from the limitations applied to the cross-border lending among banks, which have been increased in some countries.
An important mitigating factor to these risks are the contingency management policies in place in the Group system of rules and the measures announced by the European Central Bank, which have granted a higher flexibility in the management of the current liquidity situation by leveraging on the available liquidity buffers.

2.5 Operational risks

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition
Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel systems or caused by external events. This definition includes legal and compliance risks but excludes strategic and reputational risk.
For example, losses arising from the following can be defined as operational internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damages to the company's physical assets, business disruption and system failures, process management.

Group operational risk framework
UniCredit group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and of the controlled Entities.
The operational risk policies, applying to all Legal Entities, are common principles defining the roles of the company bodies, the operational risk management function, as well as the relationship with other functions involved in operational risk monitoring and management.

The parent company UniCredit S.p.A. coordinates the Legal Entities according to the internal regulation and the Group operational risk control rulebook. Specific Risks Committees (Group Risk & Internal Control Committee, Group Operational and Reputational Risks Committee) are set up to monitor risk exposure, mitigating actions, measurement and control methods within the Group. With particular reference to UniCredit S.p.A. the "Italian Operational & Reputational Risk Committee" (IORRIC) meets with the aim of monitoring the exposure to operational and reputational risks and evaluating the events with significant impact and the related mitigation actions with reference to UniCredit S.p.A. perimeter and its Italian subsidiaries. The methodologies for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement are set by the Group Operational & Reputational Risks department and applied to all Legal Entities. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, which is under the responsibility of the Group Internal Validation department of the Group and is independent from the Group Operational & Reputational Risks Department.

Since March 2008 the UniCredit group applies the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main Legal Entities of the Group.

Part E - Information on risks and hedging policies

Effects arising from Covid-19 pandemic
Referring to operational risks, analysis was carried out in order to identify risks arising from process changes adopted time by time to protect the health of employees and customers.
With reference to the operational risks identified, the effectiveness of the risk mitigation measures was then assessed also through a comparative analysis between different Group Legal Entities.
In addition, specific second-level controls were activated to oversee those areas that were subject to the most significant changes. A specific monitoring of operational incidents linked, even indirectly, to the entire Covid-19 epidemic has been created in order to promptly intercept potential process criticalities or inappropriate behaviors.

Organisational structure
Senior Management is responsible for approving all aspects related to the Group operational risk framework and verifying the adequacy of the measurement and control system it is regularly updated on changes to the risk profile and operational risk exposure, with the support of the appropriate risk committees if required.

The “Group Operational & Reputational Risks Committee” is responsible for the evaluation and monitoring at Group level of operational risks (including ICT and Cyber) and of the related reputational risks. The Committee enables the coordination among the control functions in identifying and sharing Group priorities concerning Operational (e.g. emerging risks) and monitors the effectiveness of initiatives put in place to safeguard them.

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, for:
- sharing the overall strategies for operational risk optimisation, as well as monitoring the initiatives put in place for the related implementation;
- evaluating:
  - relevant Group and local Legal Entities issues concerning operational and reputational risks escalated by Group Legal Entities committees or highlighted by other control functions or by Co-COO structures (including situations leading to emergencies);
  - best practices and potential synergies with reference to the actions plans - aiming at mitigating main operational risks - defined by Group Legal Entities;
  - external operational events having potential impact on Group risk profile;
  - the periodical Group reporting provided by the competent structures on operational losses (with particular focus on events having relevant financial impacts), near misses, Regulatory Capital, Risk Weighted Assets, Indicators and Scenario Analysis, ICT & Cyber risk analysis;
  - evidences on relevant ICT & Cyber Risks and Security incidents (in particular, Major with L3 and L4 level);
  - relevant assessments performed on topics with potential impacts on operational risks;
  - evaluating Group Compliance function evidences on second level controls carried out, as well as on current and expected impacts of regulations monitored;
  - main Group risks/criticalities highlighted by Internal Audit function;
  - the annual 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 and reputational risks.

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 risk evidences and evaluations on specific actions proposed or activated.

The Group Operational & Reputational Risks Committee/GORRIC receives from the Group Operational & Reputational Risks function a periodical aggregated reporting concerning Holding or Group Entities reports on Business transactions inherent reputational risks evaluations, including transactions reported by competent Committees (e.g. GMRC, GTCC, ITCC, INPCC, DCMCC) - and on material/not material events assessments, based on current Global Rules on reputational risk.

The Group Operational & Reputational Risks structure reports to the Head of Group Risk Management and is responsible for the governance and control of operational and reputational risks of the Group (including operational risks bordering on credit risk, alias Cross Credit risks); the department is also responsible for the evaluation of the exposure to operational and reputational risks, grating their continual and independent monitoring, as well as of the definition of strategies to mitigate such risks and contain related losses for UniCredit S.p.A. perimeter.
In addition, the department is responsible for the definition of operational risk losses optimisation program, leveraging on specific risk models and methodologies it has furthermore the responsibility of coordinating the activities performed by the subsidiaries of UniCredit S.p.A. that apply the AMA model (limited to Legal Entities not included in other Hub perimeter) according to Group Operational and Reputational Risks Framework and of coordinating, for the perimeter of competence, the corresponding functions within the Group Legal Entities, according to Group Managerial Golden Rule (“GMGR” and “GMGR Evolution”).

Part E - Information on risks and hedging policies

Furthermore, the department ensure that risk control activities on related risks assumed in the foreign branches of UniCredit S.p.A. are monitored and reported to the Group Chief Risk Officer and is responsible for ensuring integrated reporting between the control functions (e.g. Compliance, Audit) on the main operational and reputational risks of the Group.

The structure is additionally responsible for the governance and control of ICT/Cyber Risks, through:
a) the definition of the framework for the management of ICT/Cyber risks, the coordination and monitoring of the Legal Entities in the implementation of it;
b) the measurement, assessment and control of ICT/Cyber risks for UniCredit S.p.A.;
c) the monitoring at Group level of the implementation and results of mitigation actions to oversee ICT/Cyber risks in cooperation with the competent functions (e.g. "Group Information & Security Office"), also through the analysis of risk indicators.

The structure is organised as follows:
- "Operational Risk Analytics and Oversight" responsible for defining the principles and rules at Group level for identification, assessment and control of operational risk, monitoring their correct application by the Legal Entities with focus on operational losses data collection and scenario analysis activity. The unit is responsible for defining risk capital measurement methodologies, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group's exposure to operational risk also based on operational risks analytics models. The unit is furthermore responsible for the reporting of operational risks and of the definition process of the Risk Appetite Framework/RAF metrics for competence risks, as well as the related periodical monitoring;
- "Operational & Reputational Risks Assessment and Strategies" responsible for defining and monitoring the strategic areas for the management of operational risk consistent with the RAF and the Group's strategic objectives, keeping the responsibility for coordinating/monitoring risk mitigation actions and coordinate the monitoring of operational risks in the CEE perimeter, directly supporting the "CRO CEE" structure. The unit furthermore develops ad hoc analysis on specific issues of operational and reputational risk. Finally it is responsible of defining methodologies for assessing reputational risk by verifying its correct implementation and controlling the risk assessment activities for Italian transactions within the scope of the Global Rules related to reputation risk (e.g. weapons and nuclear energy sectors);
- "Operational Risks Management Italy & Lending Processes" responsible for overseeing the operational risks of UniCredit S.p.A., supports the business functions of the Italian perimeter with the inclusion of the foreign branches of UniCredit S.p.A. perimeter, in the identification, management and monitoring of operational risks, also by executing specific risk assessment activities (e.g. on relevant transactions). Furthermore, it is responsible for the governance, identification and monitoring of the operational and reputational risk in the underwriting processes and management of the credit risk for the Group ("cross credit risk"), with the aim of reducing operational losses (including those driven by external frauds). Moreover, the structure has a steering role on the Group Legal Entities for what concerns the specific perimeter, giving relevant information in the related committees, as well as in the appropriate context.

The Operational Risk Management functions of the controlled Entities provide specific operational risk training to the staff, realised also through intranet training programs, and are responsible for the correct implementation of the Group framework elements.

Internal validation process

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up for the Group and for the relevant Legal Entities in order to verify the compliance with regulations and Group standards. This process is under the responsibility of Group Internal Validation department.
Group methodologies for measuring and allocating the capital at risk and the IT system are validated at the Group level by the above mentioned department, as well as the implementation of the operational risk control and management system within the relevant Entities, which is firstly analysed through a self-assessment performed by local Operational Risk Management functions, following the technical instructions and policies issued by Group Internal Validation. The results of the local self-assessments are annually verified by Group Internal Validation, which also performs additional analysis on data and documentation. Such evidences are the basis for the release of specific Validation Reports to the relevant subsidiaries. The local self-assessment, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Legal Entities' competent governing bodies.
The validation outcomes on the operational risk control and measurement system, both at the Group and controlled Entities level, are annually consolidated with the annual validation report which, with the annual Internal Audit report, is presented to the UniCredit S.p.A. Board of Directors.

Reporting

A reporting system has been developed by the Group to keep senior management and the Management Body regularly informed on the Group operational risk exposure and the risk mitigation actions.
In particular, weekly reports are provided on operational losses trend, the main initiatives undertaken to prevent or mitigate operational risk in the various business areas and main operational risk events. Quarterly updates are provided on capital-at-risk estimations and RAF metric monitoring. Moreover, an operational loss trend report is provided monthly to Regulators.

Operational risk management and mitigation

The identification of the Group and Legal Entity Operational Risk Mitigation Strategies (Group and Legal Entity ORMS) is performed by the Operational Risk functions through a set of recurring yearly activities at Group and Legal Entities level to assess the Group and Legal Entities relevant risks and define the most appropriate mitigation actions in their scope to reduce such risk.

Part E - Information on risks and hedging policies

Group ORMS constitute a steering instrument for Group and Local Entities, aimed at assuring operational risk sustainability through a structured and proactive approach to risk mitigation and at strengthening the controls framework for specific process areas. Group ORMS are submitted for approval to GR&ICC and the Holding Company Board of Directors: once approved, the Group ORMS become effective and shall be sent to the LEs to be submitted for approval to the Legal Entity competent Bodies.

The **Group ORMS** are defined through:
- the **Preliminary Self-Risk Assessment**, a qualitative evaluation on selected forward-looking key risk drivers performed yearly by local ORMs leveraging on a list of key risk drivers provided by ORRAS;
- the definition of **Group Top Operational Risks**, which are based on the identification of the most relevant operational risks, chosen after the qualitative evaluation on selected forward-looking key risk drivers and the analysis of risks highlighted by Legal Entities, performed yearly - jointly with Group Operational and Reputational Risk, Group Compliance and Internal Audit - aimed at shaping an integrated view of risk control activities;
- the identification of **Group ORMS**, which define the mitigation actions linked to the Top Operational Risks and to their main weak points/points of concerns.

The **Local ORMS** are identified through the definition of the mitigation actions linked to both the Top Operational Risks with their main weak points/points of concerns and the specific additional Operational Risks, relevant at local level.

The **Group ORMS** are then proposed by the Head of Operational & Reputational Risk and by the Group CRO to Group BoD for its approval; afterwards, the Group ORMS are sent to the Legal Entities for the validation by Local Risk Committee and by Local competent Bodies, together with the Local ORMS proposed by the local ORM and/or by the Local CRO.

Group and **Local ORMS** are implemented with projects, initiatives and activities designed to mitigate the identified key operational risks areas (at Legal Entity level, for Local and applicable Group ORMS).

Group and **Local ORMS** are also monitored on a regular basis, by checking state of their implementation with focus on the main points of attention regarding the original plan of mitigation actions at Group and Local level.

Operational Risk Permanent WorkGroup (PWG)
The "Global Operational Regulation Group Operational Risk Mitigation Strategies" rules the PWG, an inter-functional working group established in the Legal Entities, which aims at identifying the root causes of Operational Risks and reduce the Operational Risk exposure of the Legal Entity, leveraging mainly on the expertise of the Operational Risk and the other competent functions (e.g. Compliance, Security, Business functions, etc.) involved time by time.
The meetings, called at least quarterly, contribute to identify the risks, propose the mitigation actions and monitor their implementation.

Insurance as risk mitigation
The Operational Risk Management function is involved in the decision process related to insurance coverage with analyses regarding the exposure to operational risks, effectiveness of deductibles and of policy limits. It regularly informs management on insurance related matters connected to operational risks. The role of the Operational Risk Management function in insurance management is defined in in the "Global Operational Regulation Group Operational Risk Mitigation Strategies".
Any relevant change to insurance hedging strategies is jointly proposed by Group Operational and Reputational Risks structure and Group Insurance Management structure to Group Operational & Reputational Risks Committee (GORRIC) under its advisory function and, in case of its positive opinion, is submitted to GR&ICC for approval.
The operational risks commonly insured in the Group are damages to physical assets, fraud and liability toward third parties.
On the basis of a risk classification, the Group has insurance policies according to the following forms:
- internal fraud: BBB policy, according to Employee Dishonesty insuring clause;
- external fraud: BBB policy, according to the following insuring clauses: On Premises and In Transit (including loss of property resulting directly from theft & robbery), Forgery or Alteration, Computer Manipulation, included the cases of "fraudulent impersonation of counterparty" aimed at the execution of fraudulent transactions (e.g., "CEO frauds");
- ICT and cyber breach: Cyber policy, coverage for liability claims (including legal expenses and customer notification costs), business interruption costs (included also damages to UniCredit group caused by the system failure of the external IT providers) and some commercial initiatives offering a compensation to damaged customers. The coverage is extended also to group multimedia liability (i.e., infringement of the copyright, defamation and general negligence in the course of publication);
- protection for the personal liabilities of the management including legal expenses: Directors and Officers Liability (D&O) policy;
- employer's liability (E.L.): protection for the Bank against claims for damages suffered by employees;
- third Party Liability policy (TPL): protection for the bank against claims for damages suffered by third parties;
- external occurrences: Property ALL RISKS policy as well as EDP ALL RISKS policy are provided in respect of buildings and other assets extended to natural events, catastrophic losses, vandalism and terrorism, Fine Art policy to cover entrusted or owned works of art.

Part E - Information on risks and hedging policies

AMA includes the effect of the "Bankers Blanket Bond" coverage on ET1 ("Event Type 1") "Internal Frauds". In particular, its impact is recognised by applying the following haircuts (aimed at considering uncertainty and mismatching elements theoretically linked to an insurance), which are updated on annual basis:
- residual Term of Policy - longer than 1 year aims to keep coverage stability;
- cancellation Terms - longer than 1 year aim to keep coverage stability (as well as for residual terms);
- probability of Insurance Recovery (PoIR) - its calculation addresses uncertainties and responsiveness of insurance policies related to "mismatches in coverage";
- recovery Rate - it considers the split of fines and penalties in internal losses (other deviations from full recovery already included in PoIR);
- probability of Default of Insurers - it contributes to estimate the ability of insurer to pay in a timely manner, considering the potential credit risk associated with the insurance asset and the related time delay;
- discount factor - applied to the recoveries, considers that the final payment is expected with a delay defined by the time delay.

ELOR (Expected Losses on Revenues) Monitoring
ELOR is a ratio estimated, for the Group and for the main Legal Entities, with a statistical model, based on the historical losses time series and forward-looking factors, as numerator, and the budget revenues, as denominator.
ELOR is monitored on quarterly basis using the actual losses on actual revenues booked in each quarter. The comparison between the thresholds estimated at the beginning of the year and the actual calculated on each quarter allows a close monitoring by the Parent Company of changes or reactions put in place by the Legal Entities to reduce and prevent risks. These analyses are also used to evaluate the impact of mitigation actions implemented in the past and as a base for future strategies and mitigation activities, as well as the improvement of existing ones.
A disciplined approach in monitoring expected losses and implementing remedial actions will ensure consistency with best practice standards, increasing accountability and alignment between business and risk control functions.

Stress test
Starting from 2017, the Group is performing regular stress testing for operational risk, including complex scenarios as part of the Firm-wide Stress test exercise defined within the Group Stress Test Council, with the aim to verify the response of the loss model and the resulting capital at risk to changes in the underlying macroeconomic factors data set. Scenarios are proposed by Research Department, discussed and finalised within the Group Stress Test Council.
Firm wide Scenarios will be run twice a year, or on demand if it is required, in order to assess the potential risks driven by changes in the macroeconomic environment.

Risk capital measurement and allocation mechanism
Description of the risk measurement methodology (AMA)
UniCredit group developed an internal model for measuring the capital requirements. It is based on internal loss data, external loss data (collected from the international consortium ORX - Operational Risk data exchange Association), scenario loss data and risk indicators.

Capital requirement is calculated at Group level, considering the risk classes. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution.

The severity distribution is estimated on internal, external and scenario data, while the frequency distribution is determined using only the internal data. The severity distribution is selected among a portfolio of parametric distribution (truncated lognormal, truncated Weibull, truncated loglogistic, generalised Pareto, shifted lognormal) applying a decision tree on internal data to identify the set of distribution/threshold best describing the tail severity data for each risk class.
Frequency of loss data is modelled by a Poisson distribution. For each risk class, the annual loss distribution is obtained from severity and frequency through Monte Carlo simulation. An adjustment for key operational risk indicators is applied to the annual loss distribution estimated for each risk class.

Annual loss distributions of risk classes are aggregated considering correlation among monthly loss data of risk classes. Correlation is estimated through a Student-t copula function and the overall annual loss distribution is obtained though Monte Carlo simulation, considering also insurance coverage. Group AMA capital requirement is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes and for economic capital purposes. Expected loss, for each risk class, is calculated as the minimum between median of loss distribution and available specific provisions related to ordinary internal loss data. Deduction for expected loss is calculated summing up the expected losses of the risk classes without exceeding the median of overall distribution.

Through an allocation mechanism, the individual Legal Entities' capital requirements are identified, reflecting the Entities exposure to operational risk.

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The allocation mechanism is based on two steps:
- the Group capital requirement is allocated to sub consolidating Entities (model hubs) proportionally to their relative Standardised Approach (TSA), Operational losses and stand-alone capital at risk figure;
- the Hub capital at risk is then allocated to individual Legal Entities on the basis of their TSA, historical loss profile and scenarios.

The Advanced Measurement Approach (AMA approved by the Supervisory Authority in 2008 has been upgraded and deeply revised (starting from 30 June 2014 reporting) leading to a second-generation model newly approved by competent authorities in 2014. The findings resolution on second generation model led to the last model version, starting from 31 December 2015 reporting. Key operational risk indicators adjustment has been fine-tuned, from 31 December 2017 reporting, to incorporate some observations included in the letter by ECB “follow-up review of AMA 2 findings” submitted in July 2016. A model change has been applied from 31 December 2018 reporting date, in order to improve the accuracy and the risk sensitivity of the Operational Risk capital requirement calculation, including an add-on, while the Supervisory Authority was completing the investigation. This model change has been finalised from the 30 June 2019 reporting, in order to address the Supervisory Authority findings, remove the add-on, and make the model compliant with the EU Regulatory Technical Standards (EU Regulation 2018/959 of 14 March 2018).
The Legal Entities not yet authorised to use the advanced methods contribute to the consolidated capital requirement on the basis of the Standardised Approach (TSA) or Basic Indicator Approach (BIA) model.

B. Legal risks

The parent company UniCredit S.p.A. and other UniCredit group companies are named as defendants in several legal proceedings. In particular, as at 30 June 2021, the parent company UniCredit S.p.A. and other UniCredit group companies were named as defendants in about 48,200 legal proceedings, of which approximately 8,800 involving the parent company UniCredit S.p.A. (excluding labour law cases, tax cases and credit recovery actions in which counterclaims were asserted or objections raised with regard to the credit claims of Group companies). In addition, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which UniCredit group may not lawfully know about or communicate.
The Group is also required to fulfil appropriately various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, EU, US and international sanctions, client assets, competition law, privacy and information security rules and others.
Actual or alleged failure to do so may lead to additional litigation and investigations and subject the Group to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more Group companies and/or their current and/or former directors are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which the Group operates. These include investigations and/or proceedings relating, inter alia, to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant Group companies and/or its clients. Given the nature of UniCredit group’s business and its reorganisation over time, there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.
In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of possible losses. Where it is possible to estimate reliably the amount of possible losses and the loss is considered as more likely than not, provisions have been made in the financial statements to the extent the parent company UniCredit S.p.A., or any of the Group companies involved, deemed appropriate based on the circumstances of the case and in compliance with the International Accounting Standards (IAS).
To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labour law and tax cases), as at 30 June 2021, UniCredit group set aside a provision for risks and charges of €690.8 million, of which €345.8 million for the parent company UniCredit S.p.A.
As at 30 June 2021, the total amount of claimed damages relating to judicial proceedings other than labour, tax and debt collections proceedings amounted to approximately €9.8 billion, of which approximately €6.5 billion for the proceedings involving the parent company UniCredit S.p.A. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which UniCredit group companies are named as defendants.
The estimate for reasonably possible liabilities and the provisions are based upon the available information, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. Therefore, any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.
Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving UniCredit group which are not considered groundless or in the ordinary course of the Group companies’ business.

Part E - Information on risks and hedging policies

This section also describes pending proceedings against the parent company UniCredit S.p.A. and/or other UniCredit group companies and/or employees (even former employees) that the parent company UniCredit S.p.A. considers relevant and which, at present, are not characterised by a defined claim or for which the respective claim cannot be quantified.
Unless expressly mentioned below, labour law and tax claims or debt collections proceedings are excluded from this section and are described elsewhere in the notes of this section. In accordance with IAS37, information that would seriously prejudice the relevant company's position in the dispute may be omitted.

Proceedings which involve the parent company UniCredit S.p.A.

Madoff
The parent company UniCredit S.p.A. and several of its direct and indirect subsidiaries (the "Companies") have been sued in the wake of a Ponzi scheme perpetrated by Bernard L. Madoff through his company Bernard L. Madoff Investments Securities LLC ("BLMIS"), which was exposed in December 2008. The Companies were principally connected with Madoff as investment manager and/or investment adviser for the Primeo Fund Ltd (now in liquidation) and other non-US funds of funds that had invested in other non-US funds with accounts at BLMIS.
Specifically, the Companies (together with a variety of other entities) were named as defendants in a variety of proceedings (both in the US and in non-US jurisdictions), for a total damage compensation claims of over $6 billion (to be later determined over the course of the proceedings). At present, most of the claims brought before US Courts and referring to the Companies have been rejected without any possibility of appeal or dismissal. However, the bankruptcy administrator of BLMIS (the "SIPA Trustee") responsible for the Madoff's company liquidation continues to pursue claims related to transfers of money made by BLMIS pre-bankruptcy to an affiliated company, BA Worldwide Fund Management Ltd ("BAWFM"), and other similarly situated parties. The potential claim for damages against BAWFM is non-material and, therefore, there are no specific risk profiles for the Companies.

In addition, certain current or formerly affiliated persons named as defendants in a proceeding in the United States may seek indemnification from the Companies and its affiliated entities.
As at 30 June 2021, there were several pending civil proceedings against UniCredit Bank Austria AG ("UCBA AG") for the total claimed damages amount of €5 million. While a large majority of the judgments have been favourable to UCBA AG, the impact of the remaining cases cannot be predicted with certainty, as the related future rulings may be adverse to UCBA AG. UCBA AG has made adequate provisions related to the Madoff's matter.
Furthermore, UCBA AG had been named as a defendant in criminal proceedings in Austria concerning the Madoff case, on allegations that it breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund while other allegations relate to the level of fees and embezzlement. In November 2019 the criminal investigation against UCBA AG and all individual defendants was closed by the public prosecutor. The Criminal Court in Vienna decided to dismiss several private parties' requests to continue the investigation by the prosecutor. Hence, the criminal investigation against UCBA AG and individual defendants remains closed. There is no further right to appeal for the private parties.

Proceedings arising out of the purchase of UniCredit Bank AG ("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 to have a review of the price paid to them by the parent company UniCredit S.p.A., equal to €38.26 per share, in the context of the squeeze out of minority shareholders (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the price to be paid to the former minority shareholders. At present the proceeding is pending in the first instance.

Squeeze-out of UniCredit Bank Austria AG's minority shareholders (Appraisal Proceeding)
In 2008, approximately 70 former minority shareholders of UCBA AG commenced proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them, equal to €129.4 per share, was inadequate, and asking the court to review the adequacy of the amount paid (Appraisal Proceeding). At present the proceeding is pending in the first instance. In parallel, five contentious proceedings in which plaintiffs claim damages have been initiated, involving however only insignificant amounts in dispute.

Financial sanctions matters
Following the settlement in April 2019, the U.S. and New York Authorities required an annual external review regarding the evolution of the process implementation. In light of the request, in 2020 the Group appointed an external independent consultant. Following the interaction with the independent consultant and also considering the mandatory commitments towards the Authorities, the parent company UniCredit S.p.A., UCB AG and UCBA AG have implemented additional requirements and controls, about which the banks make periodic reports to the Authorities.

Part E - Information on risks and hedging policies

Euro-denominated bonds issued by EU countries
On 31 January 2019, the parent company UniCredit S.p.A. and UCB AG received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extended to certain periods from 2007 to 2011 and included activities by UCB AG between September and November 2011. The European Commission concluded its investigation by issuance of its decision on 20 May 2021. The decision provides for the imposition of a fine of €69.4 million on the parent company UniCredit S.p.A. and UCB AG; the amount of the fine is broadly in line with the provision previously recognised, thus accordingly it has not caused any material impact on the second quarter 2021 Group's accounts.
The parent company UniCredit S.p.A. and UCB AG maintain that the findings do not demonstrate any wrongdoing on the part of the group. They strongly object to the allegations made in the decision and to the imposition of the fine and will challenge the decision by filing an appeal in front of the General Court of the European Union.

On 11 June 2019, UCB AG and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. On 23 July 2020, the court granted motions to dismiss the third amended complaint by certain defendants, including UCB AG and UniCredit Capital Markets LLC, without prejudice. Plaintiffs filed their fourth amended class action complaint on 9 February 2021, repleading their claim against UCB AG and UniCredit Capital Markets LLC and other financial institutions. Like earlier pleadings, the fourth amended class action complaint does not include a quantification of damages claimed. Exchange of correspondence concerning motions to dismiss the fourth amended complaint has been completed, and in June 2021 defendants have requested a pre-motion conference with the court.

Proceeding relating to certain forms of banking operations
The UniCredit group is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to UniCredit group, rather affect the financial sector in general.
In this regard, as at 30 June 2021 (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 €1.1 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 €754 million, mediations included) and the German market (for which the claimed amount against UCB AG was €28 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CEE countries (for which the claimed amount was around €163 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. At present, the parent company UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.

With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, the parent company UniCredit S.p.A. and the involved Group companies have made provisions deemed appropriate based on the best estimate of the impact which might derive from such proceedings.

With respect to proceedings relating to foreign currency ("FX") loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out these types of loans and mortgages denominated in a foreign currency. In a number of instances customers, or consumer associations acting on their behalf, have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against subsidiaries of the parent company UniCredit S.p.A. in a number of CEE countries including Croatia, Slovenia and Serbia.
In 2015, the Republic of Croatia enacted amendments to the Consumer Lending Act and Credit Institutions Act mandating the conversion with retroactive effect of Swiss franc (CHF)-linked loans into Euro-linked (the "Conversion Amendments").
In September 2016, UCBA AG and Zagrebačka Banka ("Zaba") initiated a claim against the Republic of Croatia under the Agreement between the Government of the Republic of Austria and the Government of the Republic of Croatia for the promotion and protection of investments in order to recover the losses suffered as a result of the Conversion Amendments. In the interim, Zaba complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so. Following a hearing, the arbitral tribunal ruled on part of the

Part E - Information on risks and hedging policies

Respondent's jurisdictional objections. The Government of the Republic of Croatia reached an agreement with six local banks, including ZABA and UCBA AG, as a result of which on 30 June 2021 the parties have jointly requested the arbitral tribunal to discontinue the proceedings.
In 2019, the Supreme Court of the Republic of Croatia ruled that the CHF currency clause contained in certain loan and mortgage documentation was invalid. Accordingly, in the course of 2019, court decisions, recent court practice related to FX matters along with the expiration of the statute of limitation for filing individual lawsuits in respect of the invalidity of the interest rate clause, led to a significant increase in the number of new lawsuits against Zaba. In March 2020, the Supreme Court ruled that agreements entered into following the Conversion Amendments whereby customers converted their CHF mortgages and/or loans into EUR are valid and accordingly no additional payments are due. In October 2020 the Supreme Court, as well as one additional lower court, approached the European Court of Justice with a request for preliminary ruling asking for an interpretation on the applicability of the Directive on unfair terms in consumer contracts and consequently whether a consumer who converted its loan in accordance with the terms of the of the Conversion Amendments is entitled to additional payments. The Supreme Court withdrew its request, while the other case is still pending. In March 2021 the Constitutional Court rejected Zaba's application related to the invalidity of the Swiss franc currency clause. In light of the above, provisions have been booked which are deemed appropriate.

Vanderbilt related litigations

Claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds
Vanderbilt Financial LLC ("VCA") related litigations, where Pioneer Investment Management USA Inc., Pioneer Global Asset Management S.p.A. ("PGAM"), at the time controlled by UniCredit S.p.A. and incorporated by the latter in 2017, and the parent company UniCredit S.p.A. (the "Defendants") were named as additional defendants by virtue of their corporate affiliation with VCA, including in legal proceedings brought by a former employee of the State of New Mexico (the "Public Authority"), who claimed to act as representative of the Public Authority for the losses suffered by the State of New Mexico during the 2006-08 market downturn on investments managed by VCA (mainly CDOs). The total amount of losses claimed in those proceedings is approximately $365 million. In 2012, the Defendants reached a settlement agreement for an amount of $24.25 million and the settlement amount was deposited into escrow at the beginning of 2013.

The settlement is contingent on the Court's approval, but that process was temporarily delayed pending the determination by the New Mexico Supreme Court of a legal matter in a separate lawsuit brought against a different set of defendants in other proceedings. The New Mexico Supreme Court issued its ruling on the awaited legal matter in June 2015 and in December 2015 the Defendants and the State of New Mexico renewed their request for Court approval of the settlement. The Court held a hearing in April 2016 and in June 2017 approved the settlement and directed that the claims against VCA and the Defendants be dismissed. A judgment to that effect was entered in September 2017 and a motion by the former State employee seeking to set aside that judgment was denied by the Court in October 2017. Appeals from the judgment and the subsequent order were taken in October and November 2017 and in June 2020, the New Mexico Court of Appeals affirmed that judgment. A motion for rehearing was subsequently denied. In October 2020 the New Mexico Supreme Court declined to hear a further appeal, but the former State employee subsequently petitioned for rehearing, and that motion remains pending. The settlement cannot be effectuated while the appeal remains pending. If the judgment continues to be upheld on appeal, the escrowed amount will be paid over to the State of New Mexico and the Defendants, including UniCredit S.p.A., will all be released from all the claims that were or could have been brought by or on behalf of the State or any of its agencies or funds.

Divania S.r.l.
In 2007, Divania S.r.l. (now in bankruptcy) ("Divania") filed a lawsuit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) alleging violations of law relating, inter alia, to financial products in relation to certain rate and currency derivative transactions entered into between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now UniCredit S.p.A.), demanding damages in the amount of €276.6 million, legal fees and interest. Divania also seeks the nullification of a 2005 settlement reached by the parties in which Divania had agreed to waive any claims in respect of the transactions. In 2017, the Court of Bari ordered the parent company UniCredit S.p.A. to pay approximately €7.6 million plus interests and part of the expenses in favour of Divania's bankruptcy trustee and found that it did not have jurisdiction to rule on certain of Divania's claims. The parent company UniCredit S.p.A. appealed.
Divania filed two additional lawsuits before the Court of Bari: (i) one for €68.9 million in 2009 (subsequently increased to €80.5 million), essentially mirroring the claims brought in its lawsuit filed in 2007; and (ii) a second one for €1.6 million in 2006. With respect to the first lawsuit, in May 2016, the Court of Bari ordered the parent company UniCredit S.p.A. to pay approximately €12.6 million plus costs. The parent company UniCredit S.p.A. appealed. With respect to the second lawsuit, in 2015, the Court of Bari rejected Divania's original claim and the judgment has res judicata effect.

I Viaggi del Ventaglio Group (IVV)
In 2011, IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee of IVV INTERNATIONAL S.A. filed a lawsuit against the parent company UniCredit S.p.A. in the Court of Milan demanding approximately €68 million in damages. In 2014, the bankruptcy trustees of IVV Holding S.r.l. and IVV S.p.A. filed two additional lawsuits against the parent company UniCredit S.p.A. in the Court of Milan demanding €48 million and €170 million,

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respectively, in damages. In October 2019, the bankruptcy trustee of I Viaggi del Ventaglio Resorts Ventaglio Real Estate S.r.l. filed an additional lawsuit in the Court of Milan against the parent company UniCredit S.p.A. demanding a total of €12.8 million in damages.
The four lawsuits - two of which were settled - pertain to allegedly unlawful conduct with regard to certain loans and certain derivative transactions. At present, (i) the parent company UniCredit S.p.A. won the first case both in the first-instance and on appeal and the case has been settled; (ii) the Bankruptcy Trustee and the parent company UniCredit S.p.A. reached a settlement agreement approved by the Court for the second case; (iii) the third case is pending in the first-instance and in July 2020 the bankruptcy trustee and the parent company UniCredit S.p.A. reached a settlement agreement by which the bankruptcy trustee waived its claims against the Bank; the case will continue between the parent company UniCredit S.p.A., on one side, and the former statutory auditors and guarantors of the plaintiff, on the other, in light of the contribution claims raised by the latter against UniCredit S.p.A. in the context of the same proceedings; and (iv) in the fourth case the Court is to rule on the evidentiary requests submitted by the parties. The settlement of the first two cases led to a reduction of the overall claimed amount to €13.5 million.

Lawsuit brought by "Paolo Bolici"
In May 2014, the company wholly owned by Paolo Bolici sued the parent company UniCredit S.p.A. in the Court of Rome asking for the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. The company then went bankrupt. The parent company UniCredit S.p.A. won the case in the first instance and the appeal is pending.
On 31 July 2020, Mr. Bolici's business partner sued the parent company UniCredit S.p.A., seeking damages based on analogous facts to those alleged in the 2014 proceedings.

Mazza
In 2005 the parent company UniCredit S.p.A. filed a criminal complaint against a Notary, Mr. Mazza, representatives of certain companies and disloyal employees of the parent company UniCredit S.p.A. in relation to unlawful lending transactions in favour of certain clients for approximately €84 million. The criminal court of first instance acquitted the defendants.

This decision was reversed by the Court of Appeal of Rome, which found all the defendants guilty. Following a further appeal, while stating that some accusations were time-barred, the Supreme Court confirmed the court of Appeal's findings on the civil law requests raised by the Bank. Following the acquittal in the first-instance criminal proceedings, Mr. Mazza and other persons involved in the criminal proceedings filed two lawsuits for compensation claims against the parent company UniCredit S.p.A.: (i) the first (commenced by Mr. Mazza with a claimed amount of approximately €15 million) was won by the Bank at first-instance and is now pending before the Court of Appeal of Rome ; (ii) in the second (commenced by Como S.r.l. and Mr. Colella with a claimed amount of approximately €379 million) case the Court of Rome ruled in favour of the parent company UniCredit S.p.A. and the plaintiffs have appealed. In the view of the parent company UniCredit S.p.A., these lawsuits currently appear to be unfounded, in particular in light of the criminal judgment by the Court of Appeal of Rome and the civil judgment by the Court of Rome.

So.De.Co. - Nuova Compagnia di Partecipazioni S.p.A.
As part of a restructuring, in 2014, Ludoil Energy S.r.l. ("Ludoil") acquired the "oil" business from Nuova Compagnia di Partecipazione S.p.A. ("NCP"). In March 2016, So.DeCo., a wholly owned subsidiary of Ludoil, filed a lawsuit in the Court of Rome against its former directors, NCP, the parent company UniCredit S.p.A. (in its capacity as holding company of NCP) and the external auditors (PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A.) claiming damages of approximately €94 million for allegedly failing to provision properly for supposed environmental risks and thereby causing the inflation of the sale price paid by Ludoil. In November 2019, the Court rejected So.De.Co.'s claims in their entirety and ordered it to pay costs in favour of the defendants. So.De.Co. appealed the judgment and reduced its claim to approximately €17 million. In November 2017, So.De.Co. filed a separate lawsuit against NCP and its former directors. The case is ongoing. In February 2019, NCP commenced an arbitral proceeding against Ludoil (So.De.Co.'s sole shareholder). The proceedings are ongoing.

Criminal proceedings
Certain entities within UniCredit group and certain of its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the parent company UniCredit S.p.A. is aware, are under investigation by the competent authorities with regard to various cases linked to banking transactions, including, specifically, in Italy, the offence pursuant to Art.644 (usury) of the Italian Criminal Code.
At present, these criminal proceedings have had no significant negative impact on the operating results and capital and financial position of the parent company UniCredit S.p.A. and/or the Group, however there is a risk that, if the parent company UniCredit S.p.A. and/or other UniCredit group entities or their representatives (including those no longer in office) were to be convicted, these events could have an impact on the reputation of the parent company UniCredit S.p.A. and/or UniCredit group.
In relation to the criminal proceedings pertaining to the Diamonds offer topic see the paragraph "Diamond offer" of Explanatory notes Part E - Information on risks and hedging policies, Section - 5 Operational risks, Qualitative information, E. Other claims by customers.

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Other proceedings

Proceedings related to claims for withholding tax credits
On 31 July 2014, the Supervisory Board of UCB AG concluded its internal investigation into the so-called "cum-ex" transactions (the short selling of equities around dividend dates and claims for withholding tax credits on German share dividends) at UCB AG. The findings of the Supervisory Board's investigation indicated that the bank sustained losses due to certain past acts/omissions of individuals.
The Supervisory Board has brought proceedings for compensation against three individual former members of the management board, not seeing reasons to take any action against the current members. In line with the suggestion of the Regional Court of Munich I, the conflicting parties settled the dispute out of court.
In addition, criminal investigations have been conducted against current or former employees of UCB AG by the Prosecutors in Frankfurt am Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. UCB AG cooperated, and continues to cooperate, with the aforesaid Prosecutors who investigated offences that include alleged tax evasion in connection with cum-ex transactions both for UCB AG's own book as well as for a former customer of UCB AG. Proceedings in Cologne against UCB AG and its former employees were closed in November 2015 with, inter alia, the payment of a fine of €9.8 million by UCB AG. The investigations by the Frankfurt am Main Prosecutor against UCB AG under section 30 of the Administrative Offences Act (the Ordnungswidrigkeitengesetz) were closed in February 2016 with the payment of a fine of €5 million. The investigation by the Munich Prosecutor against UCB AG was closed in April 2017 with legally binding effect following the payment of a forfeiture of €5 million.
In December 2018, in connection with an ongoing investigation against other financial institutions and former bank employees, UCB AG was informed by the Cologne prosecutor of the initiation of an investigation in connection with an administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). In April 2019, these investigations were extended to so called Ex/Ex-transactions, in which an involvement of the bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are being examined internally. UCB AG is cooperating with the Authority.
The Munich tax authorities are currently performing a regular field audit of UCB AG for the years 2013 to 2016, which includes, among other things, a review of other transactions in equities around the dividend record date. During these years, UCB AG performed, among other things, securities-lending transactions with different domestic counterparties which include, but are not limited to, different types of security transactions around the dividend date. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the dividend record dates, and what the further consequences for the bank will be in the event of different tax treatment. It cannot be ruled out that UCB AG might be exposed to tax-claims in this respect by relevant tax-offices or third party claims under civil law. UCB AG is in constant communication with relevant regulatory authorities and the competent tax authorities regarding these matters. UCB AG has made provisions.

Schahin Group
UCB AG, together with several other financial institutions, has been named as a defendant in complaints filed by the judicial administrator and foreign representative of a Brazilian oil and gas conglomerate in July 2021 in the United States District Court, Southern District of New York claiming damages in connection with the repayment of a syndicated loan for two oil drilling rigs UCB AG participated in that defendants are alleged to have unlawfully obtained.

Medienfonds/closed-end funds
Various investors in Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG to whom UCB AG issued loans to finance their participation, brought legal proceedings against UCB AG. In the context of the conclusion of the loan agreements, the plaintiffs claim that the Bank provided inadequate disclosure about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of UCB AG's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz) which is pending at Munich Higher Regional Court, will affect only a few pending cases.

Alpine Holding GmbH
Legal proceedings against UCBA AA arose from bondholders' claims commenced in June/July 2013. The claims stemmed from the insolvency of Alpine Holding GmbH, as UCBA AG acted as joint lead manager, together with another bank, for the undertaking of Alpine Holding GmbH bond issues in 2010 and 2011. Bondholders' claims are mainly referred to prospectus liability of the joint lead manager, whereas a minority of the cases is based on misselling due to allegedly unlawful investment advice. The damage claims amount to €20.26 million. These proceedings are mainly pending in the first instance and may be adverse to UCBA AG.
Most recently, the expert appointed by the Court in the majority of the civil proceedings has issued a report largely in favour of UCBA AG and the other issuing banks. Investors have a different reading of the report and have requested that the expert answers supplementary questions, as did the issuing banks. The processing of the supplementary questions is still pending. Therefore, the final outcome of the expert report cannot be assessed as of yet.
In addition to the ongoing proceedings against UCBA AG 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 UCBA AG.

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Despite the favourable expert opinion mentioned above, at the moment it is impossible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any.

Valauret S.A.
Civil claim filed in 2004 by Valauret S.A. and Hughes de Lasteyrie du Saillant for losses resulting from the drop in the share price, between 2002 and 2003, including allegations on alleged fraudulent actions by members of the company's Board of directors and others. UCBA AG (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 based on the fact that it was banker to one of the defendants. The total claimed amount is equal to €129.86 million (plus costs €4.39 million). Furthermore, in 2006, before the action was extended to UCBA AG, the civil proceedings were suspended following the opening of criminal proceedings by the French State that are underway. In December 2008, the civil proceedings were also suspended against UCBA AG. UCBA AG has been informed by the Paris Commercial Court that the case was removed from the Court's register on June 17, 2021, at Valauret's request. Valauret's claim is likely time-barred.

C. Risks arising from employment law cases
UniCredit is involved in employment law disputes. In general, all employment law disputes are supported by provisions made to meet any disbursements incurred and, in any case, UniCredit does not believe that any liabilities relating to the outcome of the pending proceedings could have a significant impact on its economic and/or financial standing.

Lawsuits filed against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund
Lawsuits brought against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund aimed to reconstitute the patrimony of the fund, ascertain and quantify social security individual position of each member. Claims' value is about €384 million. The litigation is now pending before the Supreme Court after two degrees decisions favorable to the Bank. No provision has been made as these claims are considered groundless.

D. Risks arising from tax disputes
The following information pertains to the most relevant litigations born in 2021 and to those already pending at the beginning of the fiscal year, which have been decided or otherwise defined. For the litigations which are not mentioned, reference must be made to the financial statements of previous fiscal years.

Pending cases arising during the period
In June 2021 UniCredit S.p.A. (as incorporating entity of UniCredit Banca di Roma S.p.A.) filed claims with the Civil Court of Milan (competent for the matter), challenging the payment injunctions for COSAP (fee for the occupation of public areas) notified by the Municipality of Milan with reference to the fiscal years 2009, 2010 to 2012 and 2014. By means of that claims the bank objected that the requests made by the Tax Authority for the years subject to assessment became time-barred. Total contested amount €0.12 million.
In March 2021, UniCredit S.p.A. challenged before the first-degree Tax Court No.4 payment notices and penalty assessment notices issued by the Salerno Customs Office, notified in February 2021 to UniCredit S.p.A., in its capacity as alleged domiciliary in Italy of a German bank for EU transit of goods and jointly liable party, concerning excise duties and related VAT for the fiscal year 2018, plus interest and penalties for a total amount of €1.24 million. An application was recently submitted to combine these proceedings with other proceedings already started by UniCredit S.p.A., regarding similar payment notices served at the end of 2019, for a total value of €0.10 million.
With regard to two notices of assessment for mortgage tax and stamp duty on renewal of mortgages issued by Istituto Neurotraumatologico Italiano S.p.A. ("INI S.p.A.") in favour of UniCredit S.p.A. (formerly Banca di Roma S.p.A.) on two building complexes securing INI S.p.A.'s overall debt to Banca di Roma, both notices were appealed by UniCredit S.p.A. to the first-degree Tax Court. On a preliminary basis, the bank claimed that the deeds are null and void as the Tax Authority's assessment powers have expired, and, subsequently, that the payment request is illegitimate. At present, the judgment is pending. Total contested value €0.28 million.

Updates on pending disputes and tax audits
With regard to the dispute brought by former Banco di Sicilia S.p.A. for denial of a refund request for IRPEG 1984 credit, total value €56,72 million, of which €21.13 million for taxes, receivables accounted in the financial statements for the same amount, in April 2021 the second-degree Tax Court, as the referring Court, following the ruling of the Supreme Court No.18412/2017, that had overturned the appealed decision with referral to the second-degree Tax Court ("cassazione con rinvio"), issued decision No.3401/12/2021 which rejects the Bank's appeal and confirms the first instance judgement stating the denial of the tax refund request. In June 2021 the Bank appealed the latter judgement to the Supreme Court.
As requested by IAS37 and taking into account the ruling of the second-degree Tax Court the virtual certainty of the receivables related to refund request for IRPEG 1984 of former Banco di Sicilia S.p.A. was re-assessed leading to their entire derecognition. At the same time, also considering other recent sentences by the Supreme Court (Corte di Cassazione) about specific and similar topics, an overall re-assessment of main active and passive tax claims was conducted with no material impact on income statement.

With regard to a set of litigations brought by former Banca Popolare del Molise, regarding a denial of a refund request for IRPEG - ILOR credits, fiscal years 1983, 1985, 1986, 1987 and 1988, as a result of the proceedings brought by UniCredit S.p.A. before the Supreme Court against five decisions of the second-degree Tax Court that upheld the Tax Authority's appeal, the Supreme Court acknowledged that the limitation period for the bank's claim had not expired at the time of the refund request and, consequently, overturned the appealed decisions and referred the case back to

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the second-degree Tax Court. The proceedings will be brought before the second-degree Tax Court within the time period provided by law. Total contested amount €1.86 million.

Litigation pertaining to a notice of assessment served by the Tax Authority of Caserta for registration tax on an injunction issued by a Civil Court in favour of UniCredit S.p.A. against the main debtor and its guarantors for the recovery of sums due on the basis of an overdraft facility and of a loan agreement. The Tax Authority, by such notice, requested the registration tax at a proportional rate, rather than on a fixed basis. UniCredit appealed the notified deed, obtaining favorable decisions in both first and second instance. The Tax Authority filed a claim with the Supreme Court that, in January 2021, issued a decision by which it overturned the appealed decision and referred the case back to the second-degree Tax Court. The proceedings will be brought before the second-degree Tax Court within the time period provided by law. Total contested amount €0.07 million.

An opposition proceeding had been brought in 2010 by former Banco di Santo Spirito (now UniCredit S.p.A.) before a Civil Court against the Tax Authority and the Ministry of Finance connected to a payment order relating to a penalty provided for by Art.17, Law No.576/1975 for a claimed amount of €5.76 million. The penalty was allegedly due for late transfer by the bank, as paying agent for the payment of taxes on behalf of the taxpayers, to the Tax Authority, of the amounts paid by said taxpayers. The Court of Appeal rejected the main appeal of the bank and upheld the appeal raised by the Tax Authority and the Ministry of Finance in the same judgement, irrespective of the fact that the bank had already paid the amounts allegedly due, following the service of notice of a payment order. In February 2021, the Bank appealed the decision before the Supreme Court. The Attorney General of the State notified a counterclaim, asking for the termination of the matter in dispute for lack of interest, as it had already received the payment of the claimed amounts.

As to a set of litigations regarding notices of additional assessment by which the Tax Authority requested a higher registration tax at a proportional rate for the fiscal year 2008 on No.7 transfer agreements of business units from some banks of the UniCredit group to several Italian banks and, particularly, a deed of transfer from UniCredit Banca S.p.A. to Banca Popolare dell'Etruria e del Lazio S.p.A., at the end of the proceedings brought before the Supreme Court by each bank with separate claims, then combined in a single proceeding, in March 2021, a decision was rendered in favour of the banks, by which the appealed decision was overturned and the parties were referred back to the second-degree Tax Court. Accordingly, the proceeding has been brought before the second-degree Tax Court and is actually pending. Total contested amount €0.02 million.

With regard to a litigation relating to a notice of assessment served to UniCredit S.p.A. (as incorporating entity of UniCredit Banca S.p.A.) for VAT - fiscal year 2004, referred to the costs paid by some legal entities of the UniCredit group for company meetings abroad, that has been mentioned in the financial statements as at 31 December 2020, in March 2021, the bank brought the proceeding before the second-degree Tax Court. Total contested amount €2.27 million.

With reference to the settlement of tax litigations, the following information is reported:
- as to a notice of assessment, served to UniCredit S.p.A. (as incorporating entity of Capitalia S.p.A.), for the registration tax allegedly due at a proportional rate on a civil judgement, the Supreme Court, with the definitive decision No.16783/2021, overturned the appealed decision without referral to the second-degree Tax Court, upholding the claim of the bank and acknowledging as due the registration tax on a fixed basis. The decision was notified to the Tax Authority in order to achieve the refund of the improperly paid tax. Total contested amount €1.68 million;
- the Supreme Court, with the definitive decision No.16204/21, rejected, without referral to the second degree Tax Court, the appeal of the Tax Authority against a decision of the second-degree Tax Court that had declared null and void a notice of assessment requesting the registration tax at a proportional rate on several deeds entered into between UniCredit and SocGen, through its subsidiary SGSS, that have been requalified by the Tax Authority, jointly, according to Art.20, D.P.R. No.131/1986, in terms of transfer of a business unit. The decision of the Supreme Court will be notified to the Tax Authority in order to achieve the refund of the tax paid and no longer due following the cancellation of the tax assessment. Total contested amount: €4.88 million;
- UniCredit S.p.A. filed claims with the first-degree Tax Court against No.4 notices of assessment served in December 2020 by the Municipality of Palermo for municipal property tax ("IMU"), fiscal years 2015-2018, challenging that the higher tax requested is unlawful, total contested amount €1.74 million, of which €1.32 million for taxes. The litigations, for all the contested fiscal years, have been settled out-of-court on May 25, 2021, by the payment of the lower total amount of €0.19 million, of which €0.15 million referred to taxes;
- with regard to a notice of assessment by which the Tax Authority requested the registration tax on an agreement entered into between UniCredit Private Banking S.p.A. and UniCredito Italiano S.p.A. in 2003 relating to the compulsory minimum reserves for credit institutions, provided for at regulatory level by the ECB, the Supreme Court, with the definitive decision No.17486/21, rejected without referral the claim raised by the Tax Authority against the decision of the second-degree Tax Court that had found that the registration tax was not due on the grounds of lack of taxable income. Total contested amount €0.13 million;
- as to a set of litigations pertaining 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", that have been mentioned in the financial statements of previous years, a dispute for a total value of €4.09 million is now definitive following a decision of the Supreme Court in favour of the position of the bank, according to which the guarantees mentioned in the civil judgement, on which the registration tax is levied, are free from the latter tax (as provided for by Art.15 of D.P.R. No.601/1973) and rejected without referral the appeal of the Tax Authority.

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With regard to a set of No.6 litigations concerning tax refund claims filed by Banca Farmafactoring S.p.A. and referred to UniCredit S.p.A. following the exercise by Banca Farmafactoring of the right to transfer back the receivables previously transferred to it by UniCredit S.p.A., the following is reported:

- denial of refund request for IRPEG 1989 submitted by former Cassa di Risparmio Reggio Emilia, for an amount of €1.89 million for IRPEG tax and €1.82 for interests: UniCredit joined the proceeding before the second-degree Tax Court in February 2021 and the hearing has been set for July 9, 2021;
- denial of refund request for IRPEG 1997 submitted by former Banca di Roma, for a total amount of €43.5 million (the receivables accounted in the financial statements are equal to €25.30 million), that was mentioned in the financial statements as at 31 December 2020: at present, the proceeding before the second-degree Tax Court is ongoing;
- denial of higher interests refund request for an amount equal to €0,31 million accrued on the IRPEG 1990 credit of former Cassa di Risparmio di Reggio Emilia, in April 2021, the first-degree Tax Court issued a decision that declared the bank's claim not admissible, arguing that the appealed deed is not challengeable. Given that the Tax Court did not issue a decision specifically on the bank's right to be refunded, the bank decided not to appeal said decision before the second-degree Tax Court as the time period provided by law for submitting a renewal of the refund request is still pending.

With regard to the other disputes concerning the same matter, UniCredit S.p.A. became a party in the proceedings and, at the same time, requested the exclusion of Banca Farmafactoring according to Art.111, Code of Civil Procedure.

In relation to the tax audit carried out by the Italian Tax Police ("Guardia di Finanza") on UniCredit Leasing S.p.A. for VAT for the fiscal years from 2014 to 2017, that has been mentioned in the financial statements as at 31 December 2020, with specific reference to the fiscal year 2016, in March 2021, the company was served with a tax audit report. The remarks raised concern alleged VAT infringements in relation to nautical leasing contracts while, for IRES purposes, any violation was found. At present, the company has not been notified with a notice of assessment. As to the fiscal year 2017, the tax audit is ongoing.

Tax proceedings in Germany

Reference is made to the paragraph of Explanatory notes in Part E - Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risk - Qualitative information - B Legal risks.

E. Other claims by customers

Supporting the business structures, the Compliance function oversees the regulatory environment evolution relating to banking services and products in areas like transparency, financial and investment services and anti-usury. Compliance, as control function, develops rules, checks processes and procedures and monitors complaints trends. The Compliance function, along with the Legal one, also supports analysis and evaluation stages of adequacy of potential "customer care" actions or other initiatives designed to compose particular situations in which UniCredit S.p.A. might be involved in order to define them.

Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at baking system level.

Concerning the financing of consumer credit, the EU Directive 2008/48 establishes that "the consumer shall be entitled at any time to discharge fully or partially his obligations under a credit agreement. In such cases, he shall be entitled to a reduction in the total cost of credit, such reduction consisting of the interest and the costs for the remaining duration of the contract".

Following the decision of the European Court of Justice in September 2019 (judgment C-383/18 referring to the "Lexitor" case) and the communication of the Banca d'Italia issued in December 2020, UniCredit S.p.A. proceeded to adapt to the most recent interpretation of this legislation. Therefore, in the event of a request for early repayment of the loan, the consumer is entitled to pay off his debt net of costs not yet accrued on the repayment date.

In consideration of the above, as well as the interpretations prior to the aforementioned communication of the National Central Bank, the Bank noted the guidelines issued by the Authority adapting to the framework outlined, and has carried out the appropriate assessments, also to preserve the quality of the customers relationship.

The German Federal Court of Justice (BGH) decided in a case against a German bank on 2 clauses which since decades form part of the General Business Terms used by all banks in Germany. These clauses enabled banks by using a mechanism with a fictitious consent of the customer to amend contract terms and fees in a very efficient way. BGH found that the scope of these clauses has to be defined in more detail, i.e. not to enable banks to change the nature of a contract or the equivalence of the benefits for the respective services. Consequently, all amendments based on this mechanism are retroactively null and void. The ruling applies inter alia to fee increases on current accounts, custody accounts, safe deposit boxes that have not been accepted by the clients. In light of the above, UniCredit Bank AG has recognised adequate provisions in order to cover the best estimate of the reimbursements to customers arising from the mentioned ruling.

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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. 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 S.p.A. 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 the responsibility of UniCredit S.p.A. 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. The Bank has filed an appeal to the Council of State. With a sentence of 11 March 2021, the Council of State accepted the appeal brought by UniCredit S.p.A. against the fine imposed by reducing the amount of the fine to €2.8 million and sentenced AGCM to return 1.2 million, amount reimbursed in June 2021.

For the sake of completeness, it should be noted that on 8 March 2018, a specific communication was issued from Banca d'Italia concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies.

As at 30 June 2021, UniCredit S.p.A. received reimbursement requests for a total amount of about €408 million (cost originally incurred by the Clients) from No.12,152 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 above (€408 million), reimbursed No.10,039 customers for about €360 million (equivalent value of original purchases), equal to about 88% of the reimbursement requests said above.
In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Provision for risks and charges was set up; its quantification was also based on the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value.
Finally, the gems purchased are recognised for about €87 million in item "130. Other assets" of the balance sheet. This value is consistent with the main parameters of the reference market, and also reflects the likely effects associated with the liquidity crisis in the sector.

On 19 February 2019, the judge in charge of the preliminary investigation at the Court of Milan issued an interim seizure directed to UniCredit S.p.A. and other financial institutions aimed at: (i) direct confiscation of the amount of €33 million against UniCredit S.p.A. for the offence of aggravated fraud and (ii) indirect as well as direct confiscation of the amount of €72 thousand for the offence of self-laundering against UniCredit S.p.A. From the seizure order it emerges that investigations for the administrative offence under Art.25-octies of Legislative Decree No.231/2001 are pending against UniCredit S.p.A. for the crime of self-laundering.
On 2 October 2019, the Bank and certain individuals received the notice of conclusion of the investigations pursuant to Art.415-bis of the Italian Code of criminal procedure. The notice confirmed the involvement of certain current and former employees for the offence of aggravated fraud and self-laundering. With regard to the latter, self-laundering serves as a predicate crime for the administrative liability of the Bank under Legislative Decree No.231/2001.
In September 2020, a new notice pursuant to Art.415-bis of the Italian code of criminal procedure was served on certain individuals already involved in the proceedings. The allegations against the UniCredit S.p.A. individuals only pertain to the offence of fraud. Such new allegations do not modify the overall investigative framework as per the notice served in the autumn of 2019. In June 2021 the public prosecutor issued the formal request of indictment against certain current and former employees and the preliminary hearing has commenced.

Quantitative information

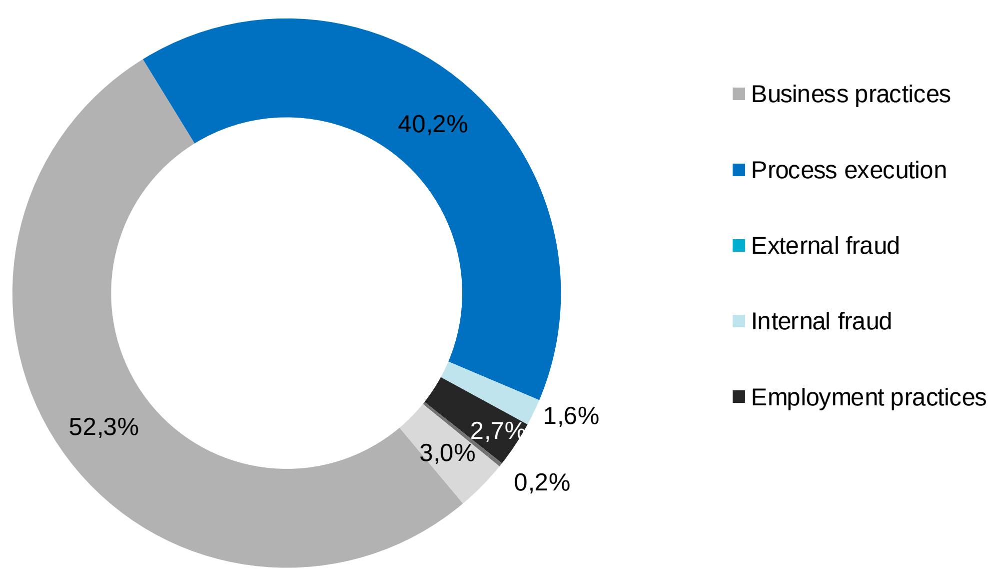
UniCredit Group mainly uses the advanced method (AMA) for calculating the capital against operational risks. Companies not yet authorised to use the advanced method contribute to the consolidated capital requirement on the basis of the Standardised Approach (TSA) or Basic Indicator Approach (BIA) method.
The weight of the different methods, expressed in terms of contribution to the total relevant indicator of the Group, is as follows: AMA 85.45%, TSA 8.93%, BIA 5.62%.
The AMA perimeter embeds Group main legal entities in Italy, Germany, Austria, as well as UniCredit Services and UC Ireland. AMA is also applied to main legal entities of CEE countries including Slovenia, Czech Republic, Slovakia, Romania, Croatia, Bulgaria and Hungary.
Main TSA and BIA legal entities are UC Russia and UniCredit Factoring S.p.A.

Part E - Information on risks and hedging policies

Detailed below is the percentage composition at Group Level, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2013 (Circular No.285/2013 and following updates).

The risk categories for event type are the following:
- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- clients, products and business practices: losses arising from non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- damage to physical assets: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

Operational losses 1H 2021 divided by risk category



"External fraud" is not shown in the chart since it has a positive impact in the reference period due to the effects of recoveries and releases of funds.

In the first half of 2021, the main source of operational risk was "clients, products and business practices", 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.
The second largest contribution is the category is "errors in process management execution and delivery" due to operational or process management shortfalls.
There were also, in decreasing order, losses stemming from "Business disruption and technology system failures", "employment practices", "internal fraud" and "damage to physical assets".

Information on Operational risk are reported in "Consolidated First Half Financial Report as at 30 June 21", Part E, Section 2 "Risks of the prudential consolidated perimeter", paragraph 2.5 "Operational risks", Part B "Legal Risks", Part C "Risks arising from employment law cases" and Part D "Risks arising from tax disputes.

Part E - Information on risks and hedging policies

2.6 Other risks

Other risks included in Economic Capital

As reported in the paragraph Introduction (Part E - Information on risks and hedging policies), among the Group's risks there are other risks relating to Pillar II that are Business Risk, Real Estate Risk, Financial Investment Risk and Reputational Risk (the latter is described in the paragraph Reputational Risk, Part E - Information on risks and hedging policies). For each risk, the Economic Capital calculation is performed adopting a confidence level equal to the regulatory level (99.90%) and a one-year time horizon.

1. Business risk

Business Risk is defined as adverse, unexpected changes in business volumes and/or 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 can result, above all, from changes in the competitive situation or customer behaviour, but may also result from changes in the reference regulatory framework.
The exposure data used to calculate Business risk are taken from the income statements of each Entity of the Group for which the risk is significant. Volatility and correlations are estimated from the time series of the relevant items of the Income statement reports.
The Business Risk calculation is performed on a quarterly basis for monitoring and for planning purposes according to the relevant time schedule.

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 includes general information relating to properties and area or regional rental price indexes for each property to enable calculation of volatility and correlation in the model.
The Real Estate Risk calculation is performed on a quarterly basis for monitoring purposes with a portfolio updated semi-annually and for planning purposes according to the relevant time schedule.

3. Financial investments risk

Financial investments risk stems from the equity investments held in companies not included in the Group consolidation perimeter and not encompassed in the Market Risk managerial framework.
The relevant portfolio mainly includes listed and unlisted shares, private equity, units of mutual, hedge and private equity funds. For all the Group equity positions, capital charges may be calculated using either a PD/LGD-based approach or a market-based one. Listed equity holdings and funds, which are a subset of Financial Investment risk are part of UGRM calculation. The unlisted component is evaluated into the Group Credit Portfolio Model (GCPM). The calculation of the risk is based on the maximum potential loss, i.e., Value at Risk (VaR), and is executed inside credit and market risk models according to the nature of the underlying portfolio. The Financial Investments Risk is calculated on a quarterly basis for monitoring and for planning purposes according to the relevant time schedule.

Risk measurement methods

1.Internal Capital

As described in the paragraph Introduction (Part E - Information on risks and hedging policies), within the Internal Capital Adequacy Assessment Process (ICAAP) and in line with the proportionality principle defined in Pillar II of Basel II, the risk profile of the Group and the main Group Legal Entities is assessed for all the Pillar II risk types (Credit, Market, Operational, Reputational, Business, Financial Investments and Real Estate risks).

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and takes into consideration all the Pillar II risk types reported above that are quantifiable in terms of Economic Capital. The effect of the diversification among risk types ("inter-risk diversification") and of the diversification at portfolio level ("intra-risk diversification") is also considered. In addition, a Capital add-on is calculated as prudential cushion in order to account for Model Risk uncertainty.

As for its components, the Internal Capital is calculated on a one-year time horizon and adopting a confidence level equal to the regulatory level (99.90%). For monitoring purposes, the Internal Capital is calculated quarterly and disclosed to Senior Management quarterly through RAF Monitoring & Integrated Risk reporting; it is also calculated for planning purposes according to the relevant time schedule.

Consistently with the corporate governance system, the function Group Integrated Risks of UniCredit S.p.A. is responsible for the Group Economic and Internal Capital methodology development and their measurement, as well as for the setting and implementation of the Group related processes. The "Group Rules", after the approval, are submitted to relevant Legal Entities for approval and implementation.

Part E - Information on risks and hedging policies

2.Stress Testing
The multidimensional nature of risk requires to supplement the measurement of economic capital with stress testing, not only in order to estimate losses in certain scenarios, but also to assess their impacts in terms of capital requirements. Stress testing is a key risk management tool for the management of the relevant risks in order to assess the bank's vulnerability with respect to exceptional but plausible events, providing additional information to the monitoring activities.
Stress testing activities, in compliance with regulatory requirements, are performed on the basis of a set of internally defined stress scenarios, that include the Group main geographies where the Group is active and are carried out at least twice a year.

In the context of the activities of risk measurement prescribed by Pillar II, the Group stress test methodology considers the impacts on the various risks generated from the materialization of the macroeconomic adverse scenarios. These scenarios are drawn analysing both current macroeconomic events and plausible future events that could take place and that are considered penalizing for the Group.

The stress test exercise is performed both with reference to single risk types and as an overall considering possible interactions. The results of the exercise are represented by the additional expected losses and by the stressed Economic Capital. The overall results consider both the single risk variations as well as any possible benefit of diversification.

Since 2017, two complementary approaches are considered in stress testing activities: the so called “Normative Perspective” focuses on the impacts of stressed scenarios on regulatory capital metrics while the “Economic Perspective” quantifies impacts of scenarios on the Economic Capital.

The Group Senior Management is involved in the Group-wide stress test in the following phases:
- macroeconomic stressed scenarios approval used to estimate the impacts on regulatory and economic capital;
- after the exercise is finalised, with the approval of the results and impacts and a potential discussion of actions to return into the predetermined limits of capital.

The adequacy of the risk measurement methodologies supporting the ICAAP, including stress testing and risk aggregation, is checked by internal validation functions.

Consistently with the corporate governance system, the function Group Integrated Risk of UniCredit S.p.A. is responsible for the Group Economic and Internal Capital methodology development and their measurement, as well as for the setting and implementation of the Group related processes. The "Group Rules", after the approval, are submitted to relevant legal entities for approval and implementation.

Reputational risk
Reputational risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debtholders, market analysts, other relevant parties), shareholders/investors, regulators or employees (stakeholders).
Reputational risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g., business risk, strategy risk, ESG risk which considers the environmental, social and governance aspects of responsible investments). Reputational risk could also be generated from material events.

Since 2010 UniCredit group has ruled the reputational risk and the policy currently in place is the Group Reputational Risk management policy which aims at defining a general set of principles and rules for assessing and controlling reputational risk. In addition, since 2017 the Global Process Regulation “Reputational Risk management for Material Events” has been in force with the aim of defining a straightforward escalation process to the Parent Company’s Senior Management for events not managed via existing Reputational Risk processes in order to allow it to react promptly in managing the potential consequences.
The reputational risk management is in charge to the Group Operational & Reputational Risks Department of UniCredit S.p.A. and to dedicated functions within the Group legal entities.

The Group Reputational Risk Committee (GRRC) is in charge of evaluating possible Reputational risks inherent transactions, on the basis of the current Reputational risk guidelines and policies. In particular, is responsible for the assessment:
- of all the Group transactions in the defence sector (in case of export of high risky goods/assets in risky countries;
- of the reputational risks of initiatives/transactions banking/projects/customers and other topics [business activities] originated by:
  - UniCredit S.p.A. and evaluated, by the reputational risk function, as cases with a high reputational risk;
  - Group legal entities, evaluated as high reputational risk by the local Reputational Risk Committees and to submit to a Group transactional committee (e.g., Group Transactional Credit Committee/GTCC, Italian Transactional Credit Committee/ITCC);
- the reputational risk related to material events.

Part E - Information on risks and hedging policies

The GRCC meets with approval functions, before the files are submitted to any other decisional Committee, for decisions concerning UniCredit S.p.A. business activities and for issuing non-binding Opinions on other Group legal entities, and with consulting and suggestion functions in order to support the Group Chief Risk Officer on the governance guidelines for the management of the reputational risk and on other relevant topics referred to the reputational risk.

In addition, the setup of the Group Risk & Internal Control Committee ensures consistency in Reputational risk policies, methodologies and practices controlling and monitoring the Group Reputational risk portfolio.

The current policies mitigating specific Reputational risk topics regard “Defense/Weapons Industry”, “Nuclear Energy”, “Mining”, “Water Infrastructure (dam)” “Coal fired power generation” and Non-Conventional Oil & Gas and Arctic Region Oil &Gas Industry Sector. In 2020, it has been completed the update of the “Coal fired power generation” policy of November 2019, which provides a total exit from the coal industry in all markets by 2028.

UniCredit group developed a proprietary methodology for the quantification of reputational risk and the consequent calculation of the Value-at-Risk (VaR) for such a risk.
The methodology estimates the semi-elasticity between the “media sentiment” referred to UniCredit (summarised into the Media Tonality Index, provided by an external company, PRIME Research, qualified in Reputation Intelligence and Media Monitoring) and the market expectations regarding the Group expected future profits, which are derived from equity prices via the reverse engineering of a dividend discount model, once sterilised from the effects affecting the whole European banking sector.
The Reputational VaR represents the maximum (at 99.9% confidence level) potential reduction of future earnings as derived from the estimated model parameters and the distribution of the Media Tonality Index.

Effects arising from Covid-19 pandemic
The measures already put in place last year to protect the health of employees and clients have also effectively prevent negative impacts on the Group reputation.

Top and emerging risks
In UniCredit, the management and monitoring of risks is based on a dynamic approach; Top Management is promptly informed on top risks and/or emerging risks through a strict monitoring process embedded in the risk assessment process.
The Risk Management identifies and estimates these risks and submits them regularly to senior/top management and Board of Directors which take the appropriate actions to manage and mitigate risks.
The following top and/or emerging risks have been considered relevant during 2021:
1. Covid-19 pandemic evolution impacts;
2. Macroeconomic and (geo)political challenges;
3. Climate and environmental risks;
4. Cyber security risks;
5. Risks stemming from the current Regulatory developments.

1. The Covid-19 pandemic evolution impacts
The economic recovery started to gain momentum in light of the progress of vaccination campaigns started to come through in the first half of the year, as expected. The latter goes together with the gradual lifting/lightening of the restriction measures favouring business activities as well as revival of the international travel, still only to a certain extent. latter However, there are still important points of attention present, one is linked with the uneven speed of the vaccination and population coverage across different parts of the world, also in light of production/distribution capacities issues. Another one is represented by the risk of new variants of the virus that could be more contagious and more vaccine-resistant as it is currently observed with the Delta variant causing new spikes of Covid-19 cases in many countries.
The outlook of the pandemic evolution remains very much dependant on the vaccination progress and its effectiveness, especially against new variants of the virus, on a global scale.
Naturally, some industries and sectors remain still more vulnerable to the eventual worsening of the pandemic evolution and new stringency measures and this vulnerability may translate into the impacts on the households via employment prospects. At the same time, businesses’ try to become as much resilient as possible in the context of prolonged pandemic.
Households’ resilience still benefits from the increased precautionary savings, to be seen if they translate into higher future consumption/investment as large share of them are currently in deposit accounts.
The governments supporting measures and monetary policy response of the supervisors deployed in the 2020 have had a substantial positive impact in addressing the Covid-19 crisis. As far as ECB’s jurisdiction is concerned, it is likely the monetary policy remains accommodative in the medium-term perspective. At the same time, the institutions should be prepared for the phase out of central bank facilities in order to address the risk of being too much dependant on them.
The accelerated digitalization and substantial shift towards remote-based operating model started last year continue to pose risks related to the cyber security environment as well as those linked with IT malfunctioning.

Part E - Information on risks and hedging policies

Since the pandemic outbreak, UniCredit addressed the crisis putting in place and constantly enhancing pre-emptive measures and guidelines to face the Covid-19 emergency, proactive managing the evolving situation across all dimensions of its risk profile. The Group ensures any uncertainties, including those conditioned by the context, described above, are properly addressed via its comprehensive risk management framework (e.g., ICAAP stress testing).

2. Macroeconomic and (geo-)political challenges

After the substantial immediate impact of the Covid-19 crisis holding back the global economy throughout the whole 2020, now signs of faster growth start emerging with oil prices moving up, unemployment rates going down as businesses getting back on track, stock markets welcoming positive profitability trends of many listed companies. However, these signs have to be considered together with some key potential drawbacks linked to: 1) the abovementioned issue with uneven vaccination progress around the globe is crucial for determining how stable and fast will be the economic recovery; 2) potential imbalances between supply and demand as observed during last year (e.g. also sharply rise in cross-continental shipping costs), higher inflation also in light of the increasing house prices; 3) impact of withdrawal of state and monetary policy stimulus that has to be addressed without shaking the capital markets by tightening too fast.

In addition to those factors, the following global trends and challenges on the geopolitical arena continue to be considered relevant.

As anticipated, the new president of the United States Joe Biden is taking substantial reverse of the previous president's administration policies on some key issues impacting domestic and international business operating in the US and abroad. At the same time, the global sentiment versus the US internal and foreign policy and, in particular, the perception of the solidity of the democratic system, taking into account the 2020 events characterised the presidential turnover, remains an important factor.

The US-China tensions to remain under watch, in particular, regarding Taiwan with positions shift on all sides. The US negotiations to rejoin the Iran nuclear deal are making progress with attention needed on the tensions between Iran, Israel, and Saudi Arabia around the subject. As far as the US-Russia relations are concerned, the dialogue between the two countries is being gradually established that may help to ease tensions over the Russia's Nord Stream 2 natural gas pipeline to Germany, situation with Ukraine and other issues.

At the end of the year the deal on the UK's future trading and security relationship with the European Union has been agreed between the sides just a week before the end of the Brexit transition period. While partially reducing the uncertainty on the way forward for both sides and being definitely better than the "no-deal" scenario, some crucial implications remained yet to be assessed. EU and UK reached an agreement over the memorandum of understanding meant to provide a forum for discussion on financial regulation, should pursue "a robust and ambitious bilateral regulatory cooperation" in the area of financial services going forward but should not establish the formal cooperation framework demanded by the industry, as the joint forum would be of a more informal nature. Nevertheless, the commitment to sharing information on anti-money laundering and terrorist financing remained.

3. The climate-related and environmental risks

Climate change-related risks (both physical and transition) and the accompanying shift towards sustainable finance are mounting challenges to the financial sector and may impact other types of risks.

In context of an evolving regulatory framework that since 2020 have been putting even more emphasis on the climate risk topic, the Group aims to continue to proactively address these challenges by means of increased commitment to sustainability and tangible initiatives aimed at improving the management of risks to anticipate the possible increases in the riskiness of specific sectors and to analyse the possible requests of the regulatory Authorities.

A very first step in the achievement of this important aspiration was in 2020 the setting up of a dedicated team within the Group Risk Management (GRM) function, responsible for the supervision and management of issues related to climate change and environmental risks and UniCredit's approach to sensitive sectors. A major step forward put in place by the team is the definition of a dedicated internal methodology aimed at assessing Climate and Environmental exposure and vulnerability of the lending portfolio. Furthermore, UniCredit was one of the participating banks to the Paris Agreement Capital Transition Assessment (PACTA) methodology developed by 2° Investing Initiative (2°ii) to measure the level of alignment to Paris Agreement targets of certain climate sensitive sectors. The Group also voluntary joined the European Banking Authority 2020 pilot sensitivity exercise as a first best effort tentative to calculate the Green Asset Ratio of the Bank's lending portfolio. With reference to physical risk, it has been also performed a preliminary estimation at Group level of potential impact of some chronic (i.e., sea-level rise) and acute (i.e. landslide and flooding) hazards on the value of mortgage collaterals related to properties located on the most exposed areas. UniCredit group endorsed the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, signed up to the Principles for Responsible Banking (PRB), launched by the United Nations Environment Program to help banks align their business strategy with society's goals.

It is worth to highlight that a key milestone of the Bank's Climate journey is the launch in May 2021 of a comprehensive Climate & Environmental Road Map in line with ECB requirements. The Road Map designed will also strengthen the Bank position towards the future climate challenges further incorporating Climate and Environmental factors into the Strategy and Business environment as well as into the Risk Management framework.

For further details on climate change's impact refer also to the Integrated Report published on UniCredit website.

Part E - Information on risks and hedging policies

4. Cyber Security Risk

Along with the continuous digitalisation of banking services, that has been accelerated in light of the Covid-19 pandemic outbreak, both the financial industry and its clients are increasingly exposed to cyber risks. This requires reinforced governance with a continuous strong focus on data protection and cyber security. The impact of cyber risks can cause service interruptions, as well as the loss of integrity and availability of data and information.

UniCredit group have in the past years been subject to cyber-attacks which led, even though only in a few limited cases, to the theft of data; taking into account the type of risks detected, UniCredit carried out a wide and in-depth assessment of the effects that may derive also for financial statements purposes. To address cyber risks, UniCredit continuously enhances its cyber security program aiming at further strengthening the security controls.

5. Developments in the Regulatory environment

Over the last few years, the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity has further increased following the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system. All these changes might significantly affect UniCredit and introduce additional challenges for the general banking sector profitability and capital requirements.

The most relevant changes are the following:

- revision to the Basel 3 framework for the calculation of risk weighted assets for credit, operational, credit valuation adjustment (CVA) risks published in December 2017 (known as Basel 4). The regulator's ultimate goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and to return to a more stringent standardised approach as well as to eliminate internal models for operational risks. Basel 4 also introduces an aggregate output floor. These revisions are complemented by the change to the market risk framework (Fundamental Review of Trading Book - "FRTB") finalised in January 2019, which envisages the introduction of more stringent and sophisticated internal models and standardised approaches for measuring market risk in the trading portfolios. The Basel Committee issued in July 2020 a set of targeted changes to the credit valuation adjustment (CVA) risk framework issued in December 2017 in order to ensure a better alignment with the more recent FRTB;
- on 27 March 2020, the Basel Committee's oversight body, the group of central bank Governors and Heads of Supervision (GHOS) changed the implementation timeline of the outstanding Basel III standards. In particular the implementation date of the Basel III standards finalised in December 2017 (credit risk and operational risk) has been deferred by one year to 1 January 2023. The EU Commission, also due to Covid-19 related delays, is deemed to publish the proposals to implement Basel III in the EU by late September or October 2021, the publication in the Official Journal is currently expected not earlier than in 2024;
- in March 2018 the ECB published the "Addendum to the Guidance on Non-Performing Exposures" ("NPEs") which sets out supervisory expectations for the provisioning of exposures reclassified from performing to non-performing exposures after 1 April 2018. In April 2019 however the European Commission's amendment to Capital Requirements Regulation (CRR) introduced a minimum loss coverage ratio for new loans becoming NPEs after 26 April 2019 (the "statutory backstop"). On 22 August 2019, the ECB decided to revise its supervisory expectations for prudential provisioning of new non-performing exposures. The decision was made after considering the adoption of the new EU regulation that outlines the Pillar I treatment for NPEs. The initiatives that originate from the ECB are strictly supervisory (Pillar II) in nature. In contrast, the European Commission's requirement is legally binding (Pillar I). The above-mentioned developments result in three "buckets" of NPEs based on the date of the exposure's origination and the date of NPE's classification:
  - NPEs classified before 1 April 2018 (Pillar II - Stock): 2/7 years vintage buckets for unsecured/secured NPEs, subject to supervisory coverage recommendations and phase-in paths as communicated in SREP letters;
  - NPEs originated before 26 April 2019 (Pillar II - ECB Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%;
  - NPEs originated on or after 26 April 2019 (Pillar I - CRR Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%;
- in May 2020 the European Banking Authority (EBA) published its Guidelines on loan origination and monitoring that expect institutions to develop robust and prudent standards to ensure newly originated loans are assessed properly. The Guidelines also aim to ensure that the institutions' practices are aligned with consumer protection rules and respect fair treatment of consumers. In the context of the Covid-19 pandemic, institutions need to maintain good credit risk management and monitoring standards that is essential for supporting lending to the economy. To address the current circumstances the new Guidelines, contain additional transition periods for recently renegotiated loans to help institutions better focusing on their immediate operational priorities. The Guidelines will apply from 30 June 2021. But positively, institutions will benefit from a series of transitional arrangements: (1) the application to the already existing loans and advances that require renegotiation will apply from 30 June 2022, and (2) institutions will be allowed to address possible data gaps and adjust their monitoring frameworks and infrastructure until 30 June 2024;
- on 1 July 2020 the European Banking Authority (EBA) published its final Guidelines on the treatment of structural FX positions, applicable from 1 January 2022. The aim of these Guidelines is to establish a harmonised framework for the application of the structural FX waiver and identify objective criteria to assist Competent Authorities in their assessment of the structural nature of a foreign-exchange position and to understand whether such position has been deliberately taken for hedging the capital ratio;

Part E - Information on risks and hedging policies

- entry into force from June 2021 of a binding 3% minimum leverage ratio, an additional regulatory requirement compared to the risk-based indicators envisaged in the Basel 3 package. The leverage ratio aims to constrain the building up of financial leverage in the banking industry, as well as to reinforce the capital requirements with a supplementary measure not based on risk parameters. The final regulation for the European Union (CRR2), including the binding leverage ratio, has been published in June 2019. In March 2020, the group of central bank Governors and Heads of Supervision revised the implementation timeline of the final elements of the Basel III framework. The leverage ratio buffer requirement for global systemically important institutions has already been implemented through the amendments introduced by Regulation (EU) 2019/876. Therefore, and in order to ensure a level playing field internationally for institutions established in the Union and operating also outside the Union, the date of application for the leverage ratio buffer requirement set out in that Regulation has been deferred by one year to 1 January 2023. With the application of the leverage ratio buffer requirement postponed, during the postponement period there would be no consequences resulting from a failure to meet that requirement as set out in article 141c of Directive 2013/36/EU and no related restriction on distributions set out in article 141b of that Directive;
- in addition to changes implemented in the CRR2, also the revision to the leverage ratio calculation (mainly on the exposure measure) introduced by the Basel 4 package will have to be implemented in Europe through the further revision of the CRR (CRR2) and enter into force not earlier than the beginning of 2024;
- entry into force of the liquidity requirements envisaged in Basel 3: a short term indicator (Liquidity Coverage Ratio - “LCR”), with the goal to have banks 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 has been in force for some time now, the NSFR has been introduced as a requirement in the CRR2 published last June 2019 and now applies from June 2021;
- TLAC/MREL introduction: the Total Loss Absorbing Capacity (“TLAC”) introduced by the Financial Stability Board as a global standard for G-SIBs, and aimed at ensuring that institutions maintain a sufficient amount of financial resources to absorb losses and recapitalise in case of stress, was implemented in Europe through the CRR2/CRDV, published in June 2019.
- The European transposition of TLAC, i.e., the “Pillar 1” Minimum Requirement for Own Funds and Eligible Liabilities (Pillar 1 MREL) applies to all G-SIIs; “Pillar 2” MREL instead is bank-specific and was introduced by the BRRD in 2014 and later amended in June 2019 (BRRD2). TLAC (Pillar 1 MREL) has become binding in June 2019 as a transitional requirement, equal to 16% of Risk Weighted Assets (RWAs) + the Combined Buffer Requirement and will reach its fully loaded level (18% of RWAs + Combined Buffer Requirement) in January 2022. MREL, instead, is being phased-in and reaches its fully loaded level in January 2024 (with an intermediate binding target in January 2022);
- discussion of preferential treatment of sovereign exposure in banks’ banking book: banks’ exposures to the home sovereign currently benefit of a zero-risk weight. There is no concrete proposal under consultation yet, but policy makers and regulators are discussing which approach to adopt, if any, to remove this preferential treatment. On the one hand, the European Commission (DG FISMA) is drafting a document which allegedly sets out EC's priorities for completing the Banking Union: these include the revision of the treatment of sovereign exposure which might foresee application of concentration charges. On the other hand, in 2018 the European Parliament issued a proposal, on which discussions have stalled, to allow preferential treatment to a new class of State Bond-Backed Securities (“SBBS”), to encourage diversification of banks’ holdings of euro zone bonds. SBBS would be a new type of asset created by the private sector based on a pre-defined pool of sovereign bonds of the Euro area Member States;
- Climate risk and environmental risk regulation updates:
  - ECB issued in November 2020 a Guide with supervisory expectations, based on current regulations, on how banks should incorporate climate-related and environmental risks into business strategy, governance, credit-granting process, Risk Appetite Frameworks, risk management framework, liquidity and capital adequacy processes, through dedicated stress testing scenarios;
  - EBA, EIOPA and ESMA published joint consultation paper on the proposed Environmental, Social and Governance (“ESG”) disclosure standards. EBA also published in November 2020 a discussion paper on ESG risks’ management and supervision, resulting in a final report published in June 2021. Further EBA Guidelines are expected in 2021 and 2022;
  - in 2022 ECB will conduct a Climate Risk Stress Test exercise with the aim to identify banks’ vulnerabilities to climate-related risks. The results of the Stress Test will be integrated into the 2022 Supervisory Review and Evaluation Process (SREP) letter.

Part F - Consolidated shareholders’ equity

Section 1 - Consolidated shareholders’ equity

A. Qualitative information

UniCredit group deems as priority the activities of capital management and capital allocation based on the risks taken, with the aim of expanding the Group’s operations in a value creation perspective. These activities are structured in the different phases of the Group planning and monitoring process and, in particular, in:

- planning and budgeting processes:
  - proposals of risks appetite and capitalisation objectives;
  - analysis of risks associated with value drivers and allocation of capital to business areas and units;
  - assignment of risk-adjusted performance objectives;
  - analysis of the impact on the Group’s value and the creation of value for shareholders;
  - preparation and proposal of the equity plan and dividend policy;
- monitoring processes:
  - analysis of performance achieved at Group and business unit level and preparation of managerial reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and single entities.

The Group has committed itself to generate income in excess to the one necessary to remunerate risk (cost of equity) and to create value for its shareholders by allocating capital to the various business areas and business units on the basis of specific risk profiles. In order to support the planning and monitoring processes, the Group adopts a methodology based on risk-adjusted performance measurement (RAPM) which provides a number of indicators that combine and summarise the operating, financial and risk-related variables to be considered.

Therefore, the Group capital and its allocation are of paramount importance in the definition of corporate strategies, as, on the one hand, the Group Capital represents the shareholders’ investment in the Group, which needs to be adequately remunerated, and on the other hand, it is a scarce resource subject to the external constraints set by the regulators.

In the allocation process, the definitions of capital adopted are the following:

- risk or employed capital: this is the equity component provided by shareholders (employed capital) which must be remunerated through an income generation higher than or equal to expectations (cost of equity);
- capital at risk: this is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) the risks taken to pursue the objective of creating value.

If capital at risk is measured through risk management methods, then it is defined as internal capital; if it is measured through regulatory provisions, then it is defined as regulatory capital.
Internal capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of the exposure taken, while the latter is based on schedules specified in regulatory provisions.
Internal capital is set at such a level to cover adverse events with a high level of probability, while regulatory capital is quantified on the basis of a CET1 target ratio in line with the one of major international banking groups and taking into account the impacts of the supervisory regulations in force or that will be adopted. Capital Allocated to Business Segment is quantified by regulatory capital.

The capital management activity, performed by the Capital Management unit of Group Planning and Capital Management, aims at defining the target level of capitalisation for the Group and its companies in line with supervisory regulations and the risk appetite.
UniCredit group has identified a Common Equity Tier 1 Ratio MDA buffer target between 200 and 250 basis points, as announced during the “Team 23” Capital Markets Day held in London on 3 December 2019 (https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/Capital-Markets-Day/2019/UniCredit_PR_Team23_ENG.pdf).

In the dynamic activity of capital management, the Capital Management unit defines the capital plan and monitors the regulatory capital ratios.
The monitoring activity is focused, on the one hand, on capital, according to both accounting and regulatory definition (Common Equity Tier 1, Additional Tier 1, Tier 2 Capital and TLAC), and, on the other hand, on the planning and performance of Risk-Weighted Assets (RWA).
The dynamic approach to the capital management activity aims at identifying the most suitable investment and capital instruments (ordinary shares and other capital instruments) for achieving the defined targets. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their cost and efficiency are measured through the RAPM methodology. In this context, value analysis is enhanced by the joint role played by the Capital Management unit in the fields of, among others, regulatory, accounting, financial, tax-related, risk management, etc. and with respect to the changing regulations affecting these aspects; in this way, the Capital Management unit will be able to perform the necessary assessments and to provide with the necessary instructions the other Group HQ areas or companies asked to perform these tasks.

Part H - Related-party transactions

Introduction

For the purposes of financial disclosure, in accordance with the Commission Regulation EU 632/2010 of 19 July 2010, the text of IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure should include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Pursuant to IAS24, UniCredit S.p.A.'s related parties include:
- companies belonging to UniCredit group and companies controlled by UniCredit S.p.A. but not consolidated[46];
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "Key management personnel";
- close family members of "key management personnel" and companies controlled (or jointly controlled) by key management personnel or their close family members;
- UniCredit group employee post-employment benefit plans.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer.

Also for the management of related-party transactions refer to the discipline established by Consob Regulation No.17221/2010 and following amendments and updates and by Banca d'Italia Circular No.285/2013 (Part 3, Chapter 11), as well as the provisions pursuant to Art.136 of Legislative Decree No.385/1993, under which corporate officers may assume obligations towards the bank they manage, direct or control, only upon unanimous approval of the board of the bank and the favorable vote of the Board of Statutory Auditors.

In this regard, UniCredit S.p.A., as a listed issuer and subject to Banca d'Italia regulations, has adopted the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex Art.136 CBA", approved by UniCredit's Board of Directors with the positive opinion of the Related-Parties Committee and of the Board of Statutory Auditors, which is published on UniCredit S.p.A. website (www.unicreditgroup.eu), designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit S.p.A., including those conducted through subsidiaries, with related parties, and the manner in which information is disclosed to corporate bodies, the supervisory authorities and the market. Specific guidelines contained in the Global Policy have been distributed to the company's functions and Group Legal Entities in order to systematically abide to the abovementioned reporting requirements.
UniCredit S.p.A. has also established, in accordance with those guidelines, the abovementioned Related-Parties Committee, consisting of three members appointed by the Board of Directors among its members qualified as "independent" pursuant to Art.3 of the Corporate Governance Code. In addition, UniCredit S.p.A. applies specific procedures regarding internal controls on risk activities with subjects in conflict of interests regulated in the abovementioned Global Policy.

During the first half of 2021 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.

46 For the purposes of this Consolidated first half financial report as at 30 June 2021 transactions and outstanding balances between consolidated companies were written off as described in Part A

Part H - Related-party transactions

Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

Related-party transactions: balance sheet items

(€ million)

	AMOUNTS AS AT 06.30.2021								
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
Financial assets at fair value through profit or loss	-	-	131	-	-	131	0.14%	257	0.28%
a) Financial assets held for trading	-	-	52	-	-	52	0.07%	257	0.33%
c) Other financial assets mandatorily at fair value	-	-	79	-	-	79	0.56%	-	-
Financial assets at fair value through other comprehensive income	-	-	125	-	-	125	0.18%	-	-
Financial assets at amortised cost	10	20	1,957	2	1	1,990	0.32%	-	-
a) Loans and advances to banks	-	-	1,218	-	-	1,218	1.01%	-	-
b) Loans and advances to customers	10	20	739	2	1	772	0.15%	-	-
Non-current assets and disposal groups classified as held for sale	-	-	13	-	-	13	1.74%	-	-
Other assets	9	-	104	-	-	113	1.66%	-	-
Total assets	**19**	**20**	**2,330**	**2**	**1**	**2,372**	**0.30%**	**257**	**0.03%**
Financial liabilities at amortised cost	36	2	8,841	7	68	8,954	1.13%	269	0.03%
a) Deposits from banks	-	-	7,020	-	-	7,020	3.76%	9	-
b) Deposits from customers	36	2	1,821	7	68	1,934	0.38%	139	0.03%
c) Debt securities in issue	-	-	-	-	-	-	-	121	0.13%
Financial liabilities held for trading and designated at fair value	-	-	28	-	-	28	0.05%	77	0.13%
Other liabilities	18	-	6	-	-	24	0.13%	-	-
Total liabilities	**54**	**2**	**8,875**	**7**	**68**	**9,006**	**1.03%**	**346**	**0.04%**
Guarantees given and commitments(**)	6	-	1,798	-	1	1,805	-	1	-

Notes:
(*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.
(**) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

Part H - Related-party transactions

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

Related-party transactions: profit and loss items

(€ million)

	AMOUNTS AS AT 06.30.2021								
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
10. Interest income and similar revenues	-	1	43	-	-	44	0.72%	-	-
20. Interest expenses and similar charges	-	-	(13)	-	-	(13)	0.75%	(4)	0.23%
30. Net interest margin	**-**	**1**	**30**	**-**	**-**	**31**	**0.70%**	**(4)**	**0.09%**
40. Fees and commissions income	-	-	390	-	-	390	9.87%	41	1.04%
50. Fees and commissions expenses	-	-	(2)	-	-	(2)	0.34%	-	-
60. Net fees and commissions	**-**	**-**	**388**	**-**	**-**	**388**	**11.52%**	**41**	**1.22%**
70. Dividend income and similar revenues	2	-	110	-	-	112	56.00%	11	5.50%
80. Net gains (losses) on trading	-	-	(44)	-	-	(44)	4.64%	7	0.74%
100. Gains (Losses) on disposal and repurchase of	-	(23)	-	-	-	(23)	12.71%	-	-
a) Financial assets at amortised cost	-	(23)	-	-	-	(23)	38.98%	-	-
120. Operating income	**2**	**(22)**	**484**	**-**	**-**	**464**	**5.23%**	**55**	**0.62%**
130. Net losses/recoveries on credit impairment relating to	-	15	8	-	-	23	4.32%	-	-
a) Financial assets at amortised cost	-	15	8	-	-	23	4.30%	-	-
190. Administrative expenses	(1)	-	(210)	-	(5)	(216)	4.07%	(5)	0.09%
a) Staff costs	-	-	1	-	(5)	(4)	0.13%	(1)	0.03%
b) Other administrative expenses	(1)	-	(211)	-	-	(212)	9.11%	(4)	0.17%
230. Other operating expenses/income	1	-	(25)	-	-	(24)	8.25%	(2)	0.69%
240. Operating costs	**-**	**-**	**(235)**	**-**	**(5)**	**(240)**	**4.66%**	**(7)**	**0.14%**

Note:
(*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.

The “Other related-parties IAS” category includes:
- close family members of key management personnel (i.e. those family members who, as is expected, may influence, or be influenced by, the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

Part H - Related-party transactions

The main related-party transactions are the following:

- In 2012 the subsidiary UniCredit Services S.C.p.A. (UCS) formerly UniCredit Business Integrated Solutions S.C.p.A. (UBIS), assumed the role of operating sub-holding to provide the Group's support services both in Italy and abroad.
- On 19 April 2013, the Board of Directors of UCS approved the executive plan of the project aimed at establishing a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data center, etc.) to Commercial Banking. The transaction was completed when UCS 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, UCS holds 49% of V-TServices's share capital; the remaining 51% is held by IBM (which is therefore the controlling shareholder).
- On 23 December 2016, the "Restatement and Amendment Agreement" was signed between UniCredit Services and V-TS with the aim of increasing value creation and ability to catch new opportunities from technological evolution, with the extention of the term until 2026.
- The "Second Restatement and Amendment Agreement" between UniCredit Services and V-TS was signed on 22 December 2019, with effect from 1 January 2020, with the extension of the term of the 3-year contract until 2029.
- The services provided to UniCredit group by the abovementioned companies result in an exchange of fees (administrative costs).
- In 2018, through a competitive auction process, UniCredit S.p.A. has signed long-term partnership with Allianz for the exclusive distribution of Life and Non-Life bancassurance products (excluding Credit Protection products) in Bulgaria, Croatia, Hungary, Romania, Slovenia, Czech Republic and Slovakia. The partnership was implemented in these countries, through local distribution agreements, in compliance with the all the local regulations, in the second half of 2018.
- It should be noted that distribution agreements concerning insurance products were signed with the following associates:
  - Aviva S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - Creditras Assicurazioni S.p.A.;
  - Creditras Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit S.p.A. employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

Part L - Segment reporting

Organisational structure

On 12 May 2021 the new organizational structure and the Managerial Team that has the responsibility to drive the business and to develop the new Strategic plan was announced .As already evidenced in the paragraph "Main results and performance for the period" of the Consolidated interim report on operations", although some intermediate steps were already carried out, the new organization will become fully operational during the second half of the year, therefore, as at 30 June 2021, the performance and the results of the Group were measured and monitored on the basis of the pre-existing business divisions.

The format for segment information reflects the organisational structure currently used in management reporting for monitoring the Group's results, which is broken down into the following business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Corporate & Investment Banking (CIB), Central and Eastern Europe (CEE), Group Corporate Centre and Non Core. Figures in Section A - Primary segment and referring to 2020 were recast, where necessary, on a like-to-like basis to consider changes in scope of business segment and methodological rules.

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network limited to Core clients (excluding Corporate clients, supported by Corporate and Investment Banking Division and clients supported by Foreign Branches), Leasing (excluding Non Core clients), Factoring and UniCredit S.p.A. structures included in local Corporate Centre that support the Italian business network. In relation to individual clients (Mass market, Affluent, Private and Wealth), Commercial Banking Italy' s goal is to offer a full range of products, services and consultancy to fulfill transactional, investments and credit needs, relying on branches and multichannel services provided thanks to new technologies. The territorial organisation promotes a bank closer to customers and faster decision-making processes, while the belonging to UniCredit group allows to support companies in developing International attitudes.

Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Individual Clients segment) that serves retail and private banking customers with banking and insurance solutions across all areas of demand and all-round advisory services reflecting the individual and differentiated needs in terms of relationship model and product offering;
- "Unternehmerbank" (Corporate segment) that employs a different "Mittelstand" bank model to its competitors in that it serves both business and personal needs across the whole bandwidth of German enterprises and firms operating in Germany;
- local Corporate Centre.

Different service models are applied in line with the needs of its various customer groups: retail customers, private banking customers, small business and corporate customers, real estate customers and wealth management customers. Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Private Customer Bank) that covers private individuals, ranging from mass-market to affluent customers, high net-worth individuals and business customers; it includes Schoellerbank, a well-established subsidiary servicing wealthy customers;
- "Unternehmerbank" (Corporate Customer Bank, excluding CIB clients) servicing the entire range of SMEs, medium-sized and large companies, which do not access capital markets (including real estate and public sector); it includes the product factory Leasing;
- local Corporate Centre.

A broad coverage of individual clients and companies is ensured through its nation-wide branch network.
Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.
Commercial Banking Austria applies an integrated service model, allowing clients to decide when, where and how they contact UniCredit Bank Austria. This approach combines classic branches which are continuously modernised, new formats of advisory service centers and modern self-service branches, internet solutions, mobile banking with innovative apps and contact to relationship managers via video-telephony.

Part L - Segment reporting

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 the Group. CIB serves UniCredit group's clients across 31 countries with a wide range of specialised products and services, combining geographical proximity with a high expertise in all segments in which it is active.
Moreover, CIB acts as products and solutions provider for the commercial network, provides structured financing, hedging and treasury solutions for corporate and investment products for private and retail, according to the "CIB fully plugged-in concept". In the light of a more integrated client offering, Joint Venture between Commercial Banking and CIB division have been set up in Italy and Germany, with the objective to increase cross selling of investment banking products (M&A, Capital Markets and derivatives) to commercial banking clients.
The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive commercial network in Western Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines that consolidate the breadth of the Group's CIB know-how).
The dedicated commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network, Financial Institutions Group) are responsible for the relationships with corporate clients, banks and financial institutions as well as the sale of a broad range of financial products and services, ranging from traditional lending and merchant banking operations to more sophisticated services with high added value, such as project finance, acquisition finance and other investment banking services and operations in international financial markets.
The three following Product Lines supplement and add value to the activities of the commercial networks:

- **Financing and Advisory (F&A)** - F&A is the expertise center for all business operations related to credit and advisory services for corporate and institutional clients. It is responsible for providing a wide variety of products and services ranging from plain vanilla and standardised products, extending to more sophisticated products such as Capital Markets (Equity and Debt Capital Markets), Corporate Finance and Advisory, Syndications, Leverage Buy-Out, Project and Commodity Finance, Real Estate Finance, Structured Trade and Export Finance.
- **Markets** - Markets is the center specialised for all financial markets activities and serves as the Group's access point to the capital markets. This results in a highly complementary international platform with a strong presence in emerging European financial markets. As a centralised product line, it is responsible for the coordination of financial markets-related activities, including the structuring of products such as FX, Rates, Equities and credit related activities.
- **Global Transaction Banking (GTB)** - GTB is the center for Cash Management, e-banking, Supply Chain Finance, Trade Finance products, Factoring and global securities services.

Moreover, the controlled company UCI International Luxembourg operates in Global Family Office.

Central and Eastern Europe (CEE)

The Group, through the CEE business segment, offers a wide range of products and services to retail, corporate and institutional clients in 10 Central and Eastern Europe countries: Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia. UniCredit group can offer its retail customers in the CEE countries a broad portfolio of products and services similar to those offered to its Italian, German and Austrian customers.
With respect to corporate clients, UniCredit group is constantly engaged in standardizing the customer segments and range of products. The Group shares its business models on an international level in order to ensure access to its network in any country where it is present. This approach is vital due to the variety of global products offered, particularly cash management and trade finance solutions to corporate customers operating in more than one CEE country.

Group Corporate Center

The Group Corporate Centre's objective is to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence. In this framework, an important objective is to optimise costs and internal processes guaranteeing operating excellence and supporting the sustainable growth of the Business Lines. In the Group Corporate Centre are included also the Group's Legal Entities that are going to be dismissed.

Non Core

Starting from the first quarter 2014 the Group decided to introduce a clear distinction between above described activities defined as core segment, meaning strategic business segments and in line with risk strategies, and activities defined as non-core segment, including non-strategic assets and those with a poor fit to the Group's risk-adjusted return framework, with the aim of reducing the overall exposure of this last segment in the course of time and to improve the risk profile. Specifically, the non-core segment includes selected assets of Commercial Banking Italy (identified on a single deal/client basis) to be managed with a risk mitigation approach and some special vehicles for securitization operations.

Part L - Segment reporting

A - Primary segment

A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2021
Net interest	1,289	717	282	1,114	1,165	(167)	(18)	4,383
Dividends and other income from equity investments	73	0	70	11	10	73	-	237
Net fees and commissions	1,936	400	294	361	387	(19)	2	3,362
Net trading income	31	57	53	221	713	0	(12)	1,064
Net other expenses/income	14	21	13	15	(4)	(22)	1	39
OPERATING INCOME	**3,343**	**1,195**	**712**	**1,724**	**2,271**	**(135)**	**(26)**	**9,084**
Payroll costs	(1,004)	(480)	(251)	(378)	(318)	(535)	(10)	(2,975)
Other administrative expenses	(987)	(363)	(223)	(283)	(457)	747	(36)	(1,603)
Recovery of expenses	205	7	0	21	1	26	4	264
Amortisation, depreciation and impairment losses on tangible and intangible assets	(40)	(7)	(13)	(97)	(8)	(396)	(0)	(561)
Operating expenses	**(1,826)**	**(843)**	**(487)**	**(737)**	**(781)**	**(158)**	**(42)**	**(4,874)**
OPERATING PROFIT	**1,517**	**353**	**225**	**987**	**1,490**	**(293)**	**(68)**	**4,209**
Net writedowns of loans and provisions for guarantees and commitments	(442)	(53)	(9)	(127)	33	2	69	(527)
OPERATING NET PROFIT	**1,074**	**299**	**216**	**860**	**1,523**	**(291)**	**0**	**3,682**
Other charges and provisions	(91)	(109)	(67)	(130)	(293)	(193)	(33)	(916)
Integration costs	(0)	0	-	(0)	(3)	(3)	0	(7)
Net income from investments	21	6	18	9	18	(261)	10	(181)
PROFIT BEFORE TAX	**1,004**	**196**	**167**	**739**	**1,244**	**(749)**	**(23)**	**2,578**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2021
CUSTOMERS LOANS (NET REPOS AND IC)	136,927	89,693	43,236	64,142	81,466	3,298	717	**419,478**
CUSTOMERS DEPOS (NET REPOS AND IC)	170,423	102,805	51,225	74,641	54,738	3,011	462	**457,306**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	80,962	35,948	20,297	56,203	88,278	40,790	5,237	**327,714**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2021
STAFF								
Employees (FTE)	26,373	8,573	4,614	23,697	3,428	14,006	188	**80,879**

Part L - Segment reporting

A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2020
Net interest	1,534	803	323	1,190	1,187	(136)	(15)	4,887
Dividends and other income from equity investments	56	0	23	13	(6)	77	-	164
Net fees and commissions	1,687	365	283	360	313	(15)	3	2,997
Net trading income	(1)	12	4	234	264	29	(12)	530
Net other expenses/income	(35)	27	20	11	14	(68)	(3)	(34)
OPERATING INCOME	**3,241**	**1,208**	**653**	**1,809**	**1,772**	**(113)**	**(26)**	**8,544**
Payroll costs	(1,049)	(482)	(266)	(390)	(302)	(532)	(13)	(3,034)
Other administrative expenses	(938)	(352)	(221)	(292)	(455)	710	(56)	(1,604)
Recovery of expenses	192	6	-	21	1	26	6	253
Amortisation, depreciation and impairment losses on tangible and intangible assets	(44)	(10)	(4)	(94)	(7)	(390)	(0)	(548)
Operating expenses	**(1,838)**	**(837)**	**(490)**	**(754)**	**(764)**	**(187)**	**(63)**	**(4,933)**
OPERATING PROFIT	**1,403**	**371**	**162**	**1,055**	**1,008**	**(300)**	**(89)**	**3,610**
Net writedowns of loans and provisions for guarantees and commitments	(1,096)	(225)	(84)	(495)	(400)	14	89	(2,198)
OPERATING NET PROFIT	**308**	**146**	**78**	**559**	**609**	**(286)**	**(1)**	**1,412**
Other charges and provisions	(92)	(53)	(78)	(148)	(157)	(188)	3	(713)
Integration costs	(1,029)	(1)	(0)	(15)	(28)	(265)	(14)	(1,352)
Net income from investments	(8)	0	(56)	(4)	(77)	(1,090)	(120)	(1,353)
PROFIT BEFORE TAX	**(821)**	**92**	**(56)**	**392**	**348**	**(1,829)**	**(132)**	**(2,007)**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2020
CUSTOMERS LOANS (NET REPOS AND IC)	132,311	87,638	43,308	61,879	85,814	3,068	775	**414,793**
CUSTOMERS DEPOS (NET REPOS AND IC)	172,372	102,957	52,121	71,287	58,229	2,459	518	**459,944**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	83,011	34,415	21,251	55,016	84,422	39,909	7,642	**325,665**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2020
STAFF								
Employees (FTE)	26,743	9,030	4,687	23,828	3,448	14,160	211	**82,107**

Condensed Interim consolidated financial statements certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned Andrea Orcel (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, hereby **certify**:
- the adequacy in relation to the Legal Entity's features, and
- the actual application of the administrative and accounting procedures employed to draw up the Condensed interim consolidated financial statements, in the first half of 2021.

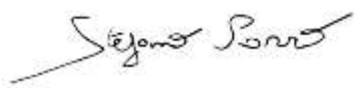
2. The adequacy of administrative and accounting procedures employed to draw up the 2021 Condensed interim consolidated financial statements has been evaluated by applying a model devised by UniCredit S.p.A. in accordance with "Internal Control - Integrated Framework (CoSO)" and "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and, specifically, for financial reporting.

3. The undersigned also **certify** that:
   3.1 the 2021 Condensed interim consolidated financial statements:
      a) were prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;
      b) are consistent with accounting books and records;
      c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and the group of companies included in the scope of consolidation;
   3.2 the Interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, 29 July 2021

Andrea ORCEL

Stefano PORRO



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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
UniCredit S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements of UniCredit S.p.A. and subsidiaries (the "UniCredit Group"), which comprise the balance sheet as of June 30, 2021 and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the six month period then ended and the related explanatory notes. The Directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of UniCredit Group as at June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
August 5, 2021

This report has been translated into the English language solely for the convenience of international readers.

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.
As an explanation of the criteria adopted for the main reclassification followed for the Reclassified consolidated accounts refer to Consolidated interim report on operations included in this document.

Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
ASSETS	**06.30.2021**	**12.31.2020**
Cash and cash balances	122,819	101,707
Item 10. Cash and cash balances	*122,819*	*101,707*
Financial assets held for trading	78,991	72,705
Item 20. Financial assets at fair value through profit and loss: a) Financial assets held for trading	*78,991*	*72,705*
Loans to banks	113,436	111,814
Item 40. Financial assets at amortised cost: a) Loans and advances to banks	*121,068*	*117,489*
less: Reclassification of debt securities in Other financial assets	*(7,690)*	*(5,735)*
+ Reclassification of loans from Other financial assets - Item 20 c)	*59*	*60*
Loans to customers	438,401	450,550
Item 40. Financial assets at amortised cost: b) Loans and advances to customers	*499,500*	*506,012*
less: Reclassification of debt securities in Other financial assets	*(63,361)*	*(57,277)*
less: Reclassification of leasing assets IFRS16 in Other financial assets	*(58)*	*(60)*
+ Reclassification of loans from Other financial assets - Item 20 c)	*2,321*	*1,876*
Other financial assets	158,590	153,349
Item 20. Financial assets at fair value through profit and loss: b) Financial assets designated at fair value	*241*	*226*
Item 20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value	*14,153*	*14,894*
less: Reclassification of loans in Loans to banks	*(59)*	*(60)*
less: Reclassification of loans in Loans to customers	*(2,321)*	*(1,876)*
Item 30. Financial assets at fair value through other comprehensive income	*71,195*	*72,737*
Item 70. Equity investments	*4,271*	*4,354*
+ Reclassification of debt securities from Loans to banks - Item 40 a)	*7,690*	*5,735*
+ Reclassification of debt securities from Loans to customers - Item 40 b)	*63,361*	*57,277*
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	*58*	*60*
Hedging instruments	5,907	7,687
Item 50. Hedging derivatives	*3,156*	*3,802*
Item 60. Changes in fair value of portfolio hedged items (+/-)	*2,751*	*3,886*
Property, plant and equipment	9,674	9,939
Item 90. Property, plant and equipment	*9,674*	*9,939*
Goodwill	-	-
Item 100. Intangible assets of which: goodwill	-	-
Other intangible assets	2,170	2,117
Item 100. Intangible assets net of goodwill	*2,170*	*2,117*
Tax assets	12,484	13,097
Item 110. Tax assets	*12,484*	*13,097*
Non-current assets and disposal groups classified as held for sale	749	2,017
Item 120. Non-current assets and disposal groups classified as held for sale	*749*	*2,017*
Other assets	6,824	6,473
Item 130. Other assets	*6,824*	*6,473*
Total assets	**950,046**	**931,456**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2021	AMOUNTS AS AT 12.31.2020
Deposits from banks	186,742	172,465
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	*186,751*	*172,473*
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	*(9)*	*(8)*
Deposits from customers	505,716	498,440
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	*507,897*	*500,750*
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	*(2,181)*	*(2,310)*
Debt securities issued	95,973	102,524
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	*95,973*	*102,524*
Financial liabilities held for trading	49,798	47,787
Item 20. Financial liabilities held for trading	*49,798*	*47,787*
Other financial liabilities	12,013	12,887
Item 30. Financial liabilities designated at fair value	*9,823*	*10,568*
+ Reclassification of leasing liabilities IFRS16 from Deposits from banks	*9*	*8*
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	*2,181*	*2,310*
Hedging instruments	8,041	11,764
Item 40. Hedging derivatives	*4,417*	*5,699*
Item 50. Value adjustment of hedged financial liabilities (+/-)	*3,624*	*6,065*
Tax liabilities	1,151	1,358
Item 60. Tax liabilities	*1,151*	*1,358*
Liabilities included in disposal groups classified as held for sale	565	761
Item 70. Liabilities associated with assets classified as held for sale	*565*	*761*
Other liabilities	28,245	23,529
Item 80. Other liabilities	*18,243*	*12,750*
item 90. Provision for employee severance pay	*557*	*592*
Item 100. Provisions for risks and charges	*9,445*	*10,188*
Minorities	447	435
Item 190. Minority shareholders' equity (+/-)	*447*	*435*
Group shareholders' equity:	61,356	59,507
- Capital and reserves	59,435	62,292
Item 120. Valuation reserves	*(5,590)*	*(6,160)*
Item 140. Equity instruments	*6,841*	*6,841*
Item 150. Reserves	*31,133*	*31,167*
Item 160. Share premium	*6,098*	*9,386*
Item 170. Share capital	*21,133*	*21,060*
Item 180. Treasury shares (-)	*(181)*	*(3)*
- Net profit (loss)	1,921	(2,785)
Item 200. Profit (Loss) for the period (+/-)	*1,921*	*(2,785)*
Total liabilities and shareholders' equity	**950,046**	**931,456**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

Consolidated income statement

(€ million)

	H1	
	2021	**2020**
Net interest	4,383	4,887
Item 30. Net interest margin	*4,421*	*4,924*
less: Reclassification net Interest contribution deriving from Trading Book instruments	*(12)*	*(13)*
+ Derivatives instruments - Economic Hedges - Others - Interest component	*(27)*	*(25)*
less: Purchase Price Allocation effect	*1*	*-*
Dividends and other income from equity investments	237	164
Item 70. Dividend income and similar revenue	*200*	*132*
less: Dividends from held for trading equity instruments included in Item 70	*(147)*	*(91)*
less: Dividends on equity investments, shares and equity instruments mandatorily at fair value	*(35)*	*(25)*
Item 250. Gains (Losses) of equity investments - of which: Profit (Loss) of equity investments valued at equity	*219*	*148*
Net fees and commissions	3,362	2,997
Item 60. Net fees and commissions	*3,367*	*3,006*
+ External services costs related to credit cards in Austria	*-*	*(4)*
+ Non-recoverable expenses incurred for customers financial transactions taxes (from Item 190 b)	*(6)*	*(6)*
Net trading income	1,064	530
Item 80. Net gains (losses) on trading	*948*	*(364)*
less: Derivatives instruments - Economic Hedges - Others - Interest component	*27*	*25*
Item 90. Net gains (losses) on hedge accounting	*42*	*(18)*
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	*(3)*	*10*
Item 100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income	*125*	*127*
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit and loss	*(292)*	*456*
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities (from Item 100 a)	*61*	*73*
+ Dividends from held for trading equity instruments (from Item 70)	*147*	*91*
+ Dividends on equity investments, shares and equity instruments mandatorily at fair value (from Item 70)	*35*	*25*
+ Net results from trading of gold and precious metals (from Item 230)	*(38)*	*92*
+ Reclassification net Interest contribution deriving from Trading Book instruments	*12*	*13*
Net other expenses/income	39	(34)
Item 230. Other operating expenses/income	*291*	*343*
less: Integration costs	*1*	*-*
less: Recovery of expenses	*(247)*	*(236)*
less: Transitional revenues	*-*	*(1)*
less: Net value adjustments/write-backs on leasehold improvements (on non-separable assets)	*29*	*30*
less: Other operating income - Other income from invoicing JVs	*(17)*	*(16)*
less: Net results from trading of gold, precious stones and metals	*38*	*(89)*
+ Result of industrial companies	*(6)*	*(1)*
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	*(4)*	*(1)*
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	*(49)*	*(64)*
+ Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	*3*	*1*
OPERATING INCOME	**9,084**	**8,544**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	H1	
	2021	2020
OPERATING INCOME	**9,084**	**8,544**
Payroll costs	(2,975)	(3,034)
Item 190. Administrative expenses: a) staff costs	*(2,977)*	*(4,386)*
less: Integration costs	*2*	*1,352*
Other administrative expenses	(1,603)	(1,604)
Item 190. Administrative expenses: b) other administrative expenses	*(2,326)*	*(2,255)*
less: Administrative expenses: b) other administrative expenses of industrial companies	*1*	*1*
less: Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	*744*	*671*
less: Integration costs	*1*	*(1)*
less: Non-recoverable expenses incurred for customers financial transactions taxes	*6*	*6*
less: External services costs related to credit cards in Austria	*-*	*4*
+ Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets" (from Item 230)	*(29)*	*(30)*
Recovery of expenses	264	253
+ Recovery of expenses (from Item 230)	*247*	*236*
+ Transition revenues (from Item 230)	*-*	*1*
+ Other operating income - Other income from invoicing JVs	*17*	*16*
Amortisation, depreciation and impairment losses on intangible and tangible assets	(561)	(548)
Item 210. Net value adjustments/write-backs on property, plant and equipment	*(383)*	*(523)*
less: Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	*4*	*1*
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*-*	*112*
less: Net value adjustments/write-backs of tangible in operating lease assets	*49*	*64*
less: Impairment/write backs of right of use of land and buildings used in the business	*4*	*-*
less: Integration costs	*3*	*2*
Item 220. Net value adjustments/write-backs on intangible assets	*(237)*	*(202)*
Operating costs	**(4,874)**	**(4,933)**
OPERATING PROFIT (LOSS)	**4,209**	**3,610**
Net write-downs on loans and provisions for guarantees and commitments	(527)	(2,198)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	*59*	*110*
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	*4*	*1*
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	*(61)*	*(73)*
Item 130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost	*(535)*	*(2,160)*
less: Net losses/recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	*(14)*	*46*
Item 130. Net losses/recoveries on credit impairment relating to: b) Financial assets at fair value through other comprehensive income	*2*	*(36)*
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	*(2)*	*36*
Item 140. Gains/Losses from contractual changes with no cancellations	*(1)*	*(10)*
Item 200. Net provisions for risks and charge - of which: a) commitments and financial guarantees given	*20*	*(114)*
less: Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS)	*1*	*2*
NET OPERATING PROFIT (LOSS)	**3,682**	**1,412**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	H1	
	2021	2020
NET OPERATING PROFIT (LOSS)	**3,682**	**1,412**
Other charges and provisions	(916)	(713)
Item 200. Net provisions for risks and charges - of which: b) other net provision	*(161)*	*(53)*
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*(11)*	*13*
+ Contributions to Resolution Funds (SRF), Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA (from Item 190 b)	*(744)*	*(671)*
+ Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS) - (from Item 200)	*(1)*	*(2)*
Integration costs	(7)	(1,352)
+ Payroll costs - Administrative expenses - of which a) staff costs - integration costs (from Item 190)	*(2)*	*(1,352)*
+ Other administrative expenses - Administrative expenses - of which b) other administrative expenses - integration costs (from Item 190)	*(1)*	*1*
+ Amortisation, depreciation and impairment losses on intangible and tangible assets - Net value adjustments/write-backs on property, plant and equipment - integration costs (from Item 210)	*(3)*	*(2)*
+ Net other expenses/income - Other operating expenses/income - integration costs (from Item 230)	*(1)*	*-*
Net income from investments	(181)	(1,353)
Item 250. Gains (Losses) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity escluded IFRS5	*(221)*	*(1,666)*
Item 260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	*19*	*(9)*
Item 280. Gains (Losses) on disposal on investments	*1*	*464*
less: Gains (Losses) on disposals on investments in operating lease assets (from Item 280)	*(3)*	*(1)*
less: Industrial companies	*5*	*-*
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	*14*	*(46)*
+ Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	*2*	*(36)*
+ Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	*(4)*	*(1)*
+ Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*11*	*(127)*
+ Net results from trading of precious stones (from Item 230)	*-*	*(4)*
+ Impairment/write backs of right of use of land and buildings used in the business	*(4)*	*-*
less: Purchase Price Allocation effect	*-*	*72*
PROFIT (LOSS) BEFORE TAX	**2,578**	**(2,007)**
Income tax for the period	(646)	(213)
Item 300. Tax expenses (income) for the period from continuing operations	*(645)*	*(190)*
less: Purchase Price Allocation effect	*-*	*(23)*
NET PROFIT (LOSS)	**1,933**	**(2,219)**
Profit (Loss) from non-current assets held for sale after tax	1	1
Item 320. Profit (Loss) after tax from discontinued operations	*1*	*1*
PROFIT (LOSS) FOR THE PERIOD	**1,934**	**(2,219)**
Minorities	(12)	(10)
Item 340. Minorities' profit (loss) for the period	*(12)*	*(10)*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,922**	**(2,229)**
Purchase Price Allocation effect	(1)	(50)
Goodwill impairment	-	(8)
Item 270. Goodwill Impairment	*-*	*(8)*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,921**	**(2,286)**

Do the right thing!
For the Environment

Our new sustainability targets, shared at the end of 2019, encouraged several sustainability-focused initiatives in 2020 focusing on protecting our environment.

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

Not only employees moved into UniCredit's new Austrian headquarters. They were joined by over one million honeybees, working hard to pollinate the nearby surroundings and make honey which will be harvested by UniCredit employees. What a sweet result!

Glossary

ITEM	DESCRIPTION
ABB Accelerated Bookbuild	An accelerated bookbuild is a form of offering in the equity capital markets of material stake of a company's share to institutional investors.
ABCP Conduits - Asset Backed Commercial Paper Conduits	Asset Backed Commercial Paper Conduits are a type of "SPV - Special Purpose Vehicle" (see item) set up to securitise various types of assets and financed by Commercial Paper (see item). Commercial Paper generally matures in 270 days, with payment of principal and interest depending on the cash flow generated by the underlying assets. ABCP Conduits may be single-sellers or multi-sellers according to the number of issues they make. Conduits generally require several SPVs. The first-level vehicles issue the Commercial Paper and finance one or more second-level vehicles or Purchase Companies (see item) which purchase the assets to be securitised. An ABCP Conduit will have the following: • issues of short-term paper creating a maturity mismatch between the assets held and the paper issued; • liquidity lines covering the maturity mismatch; and • security covering default risk in respect of both specific assets and the entire programme.
ABS - Asset Backed Securities	Debt securities, generally issued by an "SPV - Special Purpose Vehicle" (see item) guaranteed by assets of various types such as mortgage loans, consumer credits, credit card receivables, etc. Principal and interest payments are subject to the performance of the securitised assets and the existence of any further security guaranteeing the bond. ABSs are divided into tranches (senior, mezzanine and junior) according to the priority with which principal and interest will be paid.
AC	Financial asset amortised at cost.
Acquisition finance	Finance for business acquisition operations. The most common form of Acquisition finance is the leveraged buy-out (see Leveraged finance).
Affluent	Banking customer segment whose available assets for investment are regarded as moderate to high.
Allocated capital	It represents the amount of capital absorbed by the Group and the Divisions to perform their business activities and to cover all the types of related risks. It is measured by Regulatory Capital obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio, plus certain regulatory deductions (e.g. shortfall, securitisations, equity exposures). If calculated as actual figure it can be also titled Capital.
ALM - Asset & Liability Management	Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimise the risk/return ratio.
AMA - Advanced Measurement Approach	Applying this methodology the operational risk requirement is obtained with calculation models based on operational loss data and other evaluation elements collected and processed by the bank. Admittance threshold and specific suitability requirements have been provided for the use of the standardised and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.
Asset allocation	Decisions to invest in markets, geographical areas, sectors or products.
Asset management	Activities of management of the financial investments of third parties.
ATM - Automated Teller Machine	Automated machine that allows customers to carry out operations such as withdrawing cash, paying in cash or checks, requesting account information, paying utility bills, topping up mobile phone credits, etc. The customer activates the terminal by inserting a smart card and entering his/her Personal Identification Number.
Audit	Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).
Back-testing	Statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.
Bad Loans ("Sofferenze")	Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any, secured or personal, guarantees covering the exposures).
Bank Levy	Charges applied at national level specifically to financial institutions, mainly based on balance sheet figures, or parts of it.
Banking Book	Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

ITEM	DESCRIPTION
Basel 2	New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks. Such prudential regulation, which came into force in Italy in 2008, is based on three pillars. Pillar 1 While the objective of a level of capitalization equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Regulatory Authority; Pillar 2 This requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures; Pillar 3 It refers to the obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.
Basel 3	As a consequence of the crisis that, since 2008 has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as at 1 January 2014. These rules have been implemented at the European level through the CRD IV “Package”.
Best practice	Behaviour commensurated with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.
BRRD -Bank Recovery and Resolution Directive	European Directive that introduced harmonised roules on the recovery and resolution of credit institutions and investment firms.
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 third investors, and, where possible under local law and supervisory regulations, to derecognise the assets from its balance sheet; • Market Value CDOs whereby payments of interest and principal are made not only out of cash flow from the underlying assets, but also by trading the instruments. The performance of the notes issued by the vehicle thus depends not only on the credit risk, but also on the market value of the underlyings; • Preferred Stock CDOs with hybrid debt/equity instruments or Preference shares (see item) issued by financial institutions; • Synthetic Arbitrage CDOs which arbitrage the differences in yield between the securitised assets acquired synthetically by means of derivatives and the bonds issued by the vehicle.
CDS - Credit Default Swap	A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount should a certain event indicating a deterioration of the creditworthiness of a reference entity occur.

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ITEM	DESCRIPTION
CGU - Cash Generating Unit	A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
CIU - Collective Investment Undertakings	Collective Investment Undertaking means an UCITS “Undertakings for Collective Investments in Transferable Securities” that may be constituted in accordance with contract law (as common funds managed by management companies), trust law (as unit trusts), or statute (as investment companies), an AIF (Alternative Investments Fund) or a non-EU AIF.
CLO - Collateralised Loan Obligations	CDO - Collateralised Debt Obligations (see item) with loans made by authorised lenders such as commercial banks as underlyings.
CMBS - Commercial Mortgage Backed Securities	ABS - Asset Backed Securities (see item) with commercial mortgages as underlyings.
Commercial paper	Short-term securities issued to raise funds from third-party subscribers as an alternative to other forms of debt.
Commodity risk	The risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.
Corporate	Customer segment consisting of medium to large businesses.
Cost of risk	The annualised ratio between loan loss provisions and average net volumes of loans and receivables with customers. It is one of the indicators of the bank assets’ level of risk: the lower the ratio, the less risky the bank assets.
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.
Counterparty Credit Risk	The risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.
Covenant	A loan agreement clause whereby the lender is entitled to restructure or call in the loan on occurrence of the events specified in the clause, which ties changes in the borrower’s profits and financial situation to events of default or restructuring (modifying e.g. the repayment schedule or the interest rate charged).
Covered bond	A bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV - Special Purpose Vehicle (see item).
CRD - Capital Requirement Directive	EU directives No.2006/48 and 2006/49, incorporated into Banca d’Italia Circular No.263/2006 of 27 December 2006 as amended. The CRDIV “Package” has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into Banca d’Italia Circular No.285 of 17 December 2013 as amended.
CRD V	Amendment to the CRD IV “Package”.
Credit Quality Step	Step, based on external ratings, 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.
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.
CRR - Capital Requirements Regulation	Regulation EU No.575/2013 of the European Parliament and of the Council of 26 June 2013, and subsequently amendment in Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (“CRR2”), on prudential requirements for credit institutions and investment firms and that amending Regulation (EU) No.648/2012.
CRR2	Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (“CRR2”) amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (see also “CRR” definition).
Currency risk	The risk that the value of the instrument decreases due to foreign exchange rates changes.
CVA - Credit Valuation Adjustment	Adjustment to the valuation of a portfolio of transactions reflecting the market value of the counterparties' credit risk.

ITEM	DESCRIPTION
Cyber security risk	Cyber security risk is the probability of exposure or loss resulting from a cyber-attack or data breach on the organization.
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	With reference to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the IRB - Internal Rating Based (see item) advanced approach are allowed to estimate EAD (see item). Other banks are required to refer to regulatory estimations.
Earnings at risk	The focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between the revenues generated by interest sensitive assets and the cost relating to interest sensitive liabilities.
EBA - European Banking Authority	The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.
ECAI - External Credit Assessment Institution	External agency for credit assessment.
ECB - European Central Bank	Central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the Euro area.
Economic capital	Capital level that is required to cover the bank's losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on both the risks to which the bank is exposed and the degree of diversification of the portfolio itself.
Economic value	Variation in interest rates can affect the economic value of assets and liabilities.
EL - Expected Losses	Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).
ELOR - Expected Losses on Revenues	ELOR is a ratio estimated, for the Group and for the main legal entities, with a statistical model, based on the historical losses time series, forward looking factors and the budget revenues.
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.
ESG - Environmental, Social and Governance	Refers to criteria used to measure the environmental, social and governance impact of the company and highlight the sustainability of its initiatives.
ESMA - European Securities and Markets Authority	Authority the works in the field of securities legislation and regulation to improve the functioning of financial markets in Europe.
EVA - Economic Value Added	EVA is equal to the difference between the Net Operating Profit After Tax ("NOPAT" Net Operating Profit After Tax - see item) and the cost of the allocated capital. It expresses the ability to create value in monetary terms.
Expected Shortfall	Risk measure representing the expected loss of a portfolio or a counterparty calculated in the scenarios of loss exceeding the VaR.
Factoring	Contract for the sale without recourse (with credit risk borne by the buyer) or with recourse (with credit risk borne by the seller) of commercial credits to banks or specialist companies, for the purposes of management and collection. It may be associated with financing in favor of the seller.
Fair value	The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.

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ITEM	DESCRIPTION
FINREP	Document issued by the Committee of European Banking Supervisors (CEBS). The Committee gives advice to the European Commission on policy and regulatory issues relating to banking supervision; it also promotes cooperation and convergence of supervisory practice across the European Union. The objective of FINREP is to provide guidelines for the implementation of the consolidated Financial Reporting framework for supervisory purposes; it is based on International Financial Reporting Standards (IFRSs).
FL - Forward looking	IFRS9 adjustment that allows to reflect in the credit parameters the expectations about the future evolution of the economic cycle.
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.
FRTB - Fundamental Review of Trading Book	Fundamental Review of Trading Book consists in a set of proposals by the Basel Committee on Banking Supervision for a new market risk-related capital requirement for banks. This reform this reforme is often named as "Basel IV".
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	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 present price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.
FVOCI	Financial asset at Fair Value through Other Comprehensive Income.
FVtPL	Financial Assets at Fair Value through Profit and Loss.
GAR - Green Asset Ratio	The Green Asset Ratio (GAR) is based on the EU Sustainable Finance Taxonomy and is a Paris aligned ratio that can be used to identify whether banks are financing sustainable activities, such as those consistent with the Paris agreement goals.
GDP - Gross Domestic Product	Total market value of the products and services produced by Country residents in a given time frame.
GERMAS - Group Ermas	Group platform used to compute the Net Interest Income sensitivity.
GHOS - Governors and Heads of Supervision	This is the oversight body of the Basel Committee on Banking Supervision.
Goodwill	The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.
GW BANKS	IRB calculation model - Group Wide model Financial Institution & Banks.
GW MNC	IRB calculation model - Group Wide Multinational Corporate.
Hedge Fund	Speculative mutual investment fund adopting hedging techniques which generally are not used by ordinary mutual funds, in order to deliver a constant performance, which is only hardly linked to reference markets. Hedge Funds are distinguished by a limited number of partners and require a high minimum level of investment.
IAS/IFRS	International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organisation of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP - United States Generally Accepted Accounting Principles (see item).

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ITEM	DESCRIPTION
ICAAP - Internal Capital Adequacy Assessment Process	The discipline of the so called "Pillar 2" requires banks to implement processes and systems to determine the level of internal capital adequate to face any type of risk, also different from those provided by the capital requirements (Pillar 1) rules; in the scope of an assessment of the exposure, actual and future, that has to consider also the strategies and the evolution of the reference environment.
ILAAP - Internal Liquidity Adequacy Assessment Process	It requires the banks to have processes and tools for determining the adequate level of total internal liquidity (Internal Liquidity Adequacy Assessment Process - ILAAP) for covering liquidity risk, 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 ILAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures.
ILC - Italian Large Corporate	IRB calculation model - Italian Large Corporate.
Impaired loans	Loans are subjected to periodic examination in order to identify those which, following events occurring after their entry in the accounts (at the market value, normally equal to the disbursed amount including the transaction costs and revenues directly attributable to the disbursement of the loan), show objective signs of a possible loss of value. This category includes loans that have been classed as bad, doubtful, restructured or overdue, in accordance with Banca d'Italia rules consistent with IAS/IFRS (see item).
Impairment	Within the framework of the IAS/IFRS (see item), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.
Index linked	Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.
Interest rate risk	The risk that the value of the instrument decreases due to interest rates changes.
Investor	Any entity other than the Sponsor (see item) or Originator (see item) with exposure to a securitisation.
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	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 market risk and the volatility of the share price. The cost of capital is based on medium/long term averages of market parameters.
KPI - Key Performance Indicators	Set of indicators used to evaluate the performance of a business activity or process.

Glossary

ITEM	DESCRIPTION
LCR - Liquidity Coverage Ratio	Ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period.
Leasing	Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the choice and on the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.
Leverage ratio	Is a measure which allows for the assessment of institutions' exposure to the risk of excessive leverage.
Leveraged finance	Loans provided mainly to Private Equity funds in order to finance the acquisition of a company through a financial transaction based on the cash flow generation capacity of such target company. This can result in a higher level of debt and therefore a higher level of risk. Leveraged finance may be syndicated.
LGD - Loss Given Default	Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", see item).
Liquidity risk	The risk of the company being unable to meet its payment commitments due to the inability to mobilise assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily liquidating positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).
M - Maturity	The average, for a given exposure, of the residual contractual maturities, each weighted for the relevant amount.
Market risk	The effect that changes in market variables might have on the economic value of the Group's portfolio, where this includes both the assets held in the Trading Book and those entered in the Banking Book, or the operations connected with the characteristic management of the commercial bank and its strategic investment choices.
MDA - Maximum Distributable Amount	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.
MREL - Minimum requirement for eligible liabilities	Minimum requirements for own funds and eligible liabilities, is designed to ensure that there are sufficient resources to write down or convert into equity if a bank or other financial institution is in crisis. This allows the central government to intervene quickly in order to maintain the critical operations of that institution, without using tax money.
NOPAT - Net Operating Profit After Tax	Net Operating Profit after tax and minority interests, adjusted by elements that would not allow to assess the capability to create value through ordinary operations, such as extraordinary expenses and earnings. It represents the share of Group Net Profit produced by typical business activities, gross of the costs of capital.
NPE - 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.
Operational risk	The risk of losses due to errors, infringements, interruptions, damages caused by internal processes or personnel, systems, or caused by external events. This definition includes legal and compliance risks but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damages to the company's physical assets, business disruption and system failures, process management.

Glossary

ITEM	DESCRIPTION
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.
PACTA - Paris Agreement Capital Transition Assessment	Paris Agreement Capital Transition Assessment is a free, open-source methodology and tool, which measures financial portfolio's alignment with various climate scenarios consistent with the Paris Agreement.
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	The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the market risk and the volatility of the share price. The cost of capital is based on medium/long term averages of market parameters.
PD - Probability of Default	Probability of a counterparty entering into a situation of "default" (see item) within a time horizon of one year.
PEPP - Pandemic Emergency Purchase Programme	Massive new stimulus package from the ECB to support the eurozone economy as a response to the Covid-19 (coronavirus) crisis.
PIT - Point in time	Calibration type of the credit parameters on a horizon that considers the current economic situation.
POCI - Purchased Originated Credit Impaired	Credit exposures that are already impaired on initial recognition.
Preference shares	Capital instruments that associate forms of remuneration tied to market rates with particularly pronounced subordination conditions, such as non-recovery in subsequent years of the interest not paid by the bank and bearing a share of its losses in the event that these produce a significant reduction in the capital requirements. The regulatory authorities set the conditions under which preference shares may be counted among the core capital of banks and banking groups.
Private banking	Financial services targeting the so-called "high-end" individual customers for the global management of financial needs.
Private equity	Investments in the risk capital of companies, generally unlisted but with high growth potential and the ability to generate constant cash flows. Investments in private equity include a wide range of operations that vary according to both the development phase of the company concerned and the investment techniques used. These techniques include closed-end private equity funds.
Purchase companies	Vehicle used by "ABCP Conduits - Asset Backed Commercial Paper Conduits" (see item) to purchase the assets to be securitised and subsequently financed by the Conduit vehicle by means of commercial paper.
RAF - Risk Appetite Framework	Within the ICAAP processes, RAF represents a managerial tool for ensuring the business evolution towards a sustainable healthy growth and steering the long- and short-term strategy".
Rating	Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.
Retail	Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.
RIC	IRB calculation model - Integrated Corporate Rating.
RIP	IRB calculation model - Integrated Private Rating.
RISB	IRB calculation model - Rating Integrated Small Business (Small Business Integrate Rating).

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ITEM	DESCRIPTION
Reputational risk	Reputational risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, other relevant parties), shareholders/investors, regulators or employees (stakeholders). Reputational risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g., business risk, strategy risk, ESG risk which considers the environmental, social and governance aspects of responsible investments). Reputational risk could also be generated from material events.
RMBS - Residential Mortgage Backed Securities	Asset Backed Securities (see item) with residential mortgages as underlyings.
RNIME - Risk Not in the Model Engines	Framework that provides an estimate on the completeness of the risk factors included in VaR, SVaR and IRC.
ROA - Return On Assets	Annualised 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 allocated 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.
ROTE - Underlying	Annualised ratio between the underlying net profit and the average tangible equity.
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.
SBBS - Sovereign bond-backed securities	Sovereign bond-backed securities, are securities backed by a diversified portfolio of Euro area central government bonds. This is a new financial instrument which has been proposed as a solution to help banks diversify their sovereign exposures and further weaken the link with their home governments.
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.
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 Vehicle	An entity, partnership, limited company or trust, set up to carry out a set object, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general SPVs' sponsors (see item) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (see item). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.
Stress Test	Assessment of bank' vulnerabilities either in terms of capital or liquidity position in case of possible adverse events, both of an idiosyncratic nature and related to macroeconomic scenarios.

ITEM	DESCRIPTION
Subprime (Residential Mortgages)	Although Subprime has no univocal definition, this category includes mortgages granted to borrowers who have had repayment difficulties in the past, e.g. delayed installments, insolvency or bankruptcy, or who are more likely to default than the average due to high loan-to-value and installment-to-income ratios.
SVaR - Stressed VaR	Stressed VaR is a quantification of exposures to particular extreme losses that can be inflicted to a Bank during market tensions, by modeling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.
Swap	A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, one counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.
Tangible Equity	Shareholders' equity (including consolidated profit of the period) less intangible assets (goodwill and other intangibles), less AT1 component; dividend pay-out is accounted for on a cash basis.
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).
TLAC -Total Loss Absorbing Capacity	TLAC represents the indicator of the Total Loss Absorbing Capacity, a new Pillar I requirement established by the Regulation (EU) 2019/876 (CRR2), entered into force on 27 June 2019, for Global Systemically Important Banks (G-SIBs). The TLAC standard requires G-SIBs, to hold a sufficient amount of highly loss absorbing liabilities.
TLTRO - Target Long Term Refinancing operations	Open market operations conducted by the ECB for the management of interest rates and liquidity in the Eurozone.
TSR - Total Shareholder Return	It is the full reward, in terms of capital gain and dividends, that a shareholder gets from holding one share.
TTC - Through the cycle	Calibration type of the credit parameters on a horizon that considers the entire economic cycle.
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 - UniCredit global Risk Monitor	The pool of software applications, IT structure and database used by the Group for the financial risk analysis.
Underlying Net Profit	The principle behind the "Underlying Net Profit" is to identify the relevant recurring and sustainable profit base of the bank, which is the base for capital distribution. It is quantified excluding the non-operating items impacting the "ordinary business" executed by the Bank, which is expected to be in-line with assumption behind the MYP. Among the main non-operating items, both positive and negative in terms of income statement, it is worth mentioning the disposal of real estate assets, the sale of companies, the restructuring costs, etc. This approach was considered appropriate by the Remuneration Committee for the subsequent proposal to the Board of Directors.
Unlikely to Pay	The classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.
US GAAP - United States Generally Accepted Accounting Principles	Accounting principles issued by the FASB (Financial Accounting Statement Board), generally accepted in the USA.

Glossary

ITEM	DESCRIPTION
VaR - Value at Risk	A measure of the risk of potential loss, under a given level of confidence and time horizon, which could occur on a position or a portfolio.
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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Cover and introduction creative definition:
Bladonmore - UniCredit S.p.A.

Sorter pages creative definition:
UniCredit S.p.A.

Design, graphic development and production:
UniCredit S.p.A.

August 2021

The emissions related to the printing and distribution of the Consolidated First Half Financial Report as at 30 June 2021
have been compensated with the support of Officinæ Verdi, which uses
Gold Standard credits gained through the development of a landfill gas capture project in China.
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