

# Unlock your potential

Consolidated First Half  
Financial Report  
as at 30 June 2022



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## Notes

The following conventional symbols have been used in the tables:

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

Any 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 €21,220,169,840.48 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 2022

	<b>Board of Directors</b>
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
	<b>Board of Statutory Auditors</b>
Marco Rigotti	Chairman
Antonella Bientinesi Claudio Cacciamani Benedetta Navarra Guido Paolucci	Standing Auditors
Stefano Porro	Manager in charge of preparing the financial reports
KPMG S.p.A.	External Auditors



# 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, 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 in addition to the detailed information required by IAS34, stated accordingly to the formats adopted in the financial statements, also 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.





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# 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 Part H - Related-party transactions, Explanatory notes of the Condensed interim consolidated financial statements.

For the complete description of risks and uncertainties that the Group has to face in the current market situation, reference shall be made to the Part E - Information on risks and hedging policies and to paragraph "Risks and uncertainty relating to the use of estimates", Part A – Accounting policies, A.1 – General, Section 2 – General preparation criteria of the Explanatory notes of the Condensed interim consolidated financial statements.

## Group highlights, alternative performance indicators and other measures

### Income statement

(€ million)			
	H1		% CHANGE
	2022	2021	
Revenue	9,796	9,063	+ 8.1%
of which:			
- Net interest	4,784	4,362	+ 9.7%
- Dividends	173	237	- 27.0%
- Fees	3,568	3,407	+ 4.7%
Operating costs	(4,702)	(4,854)	- 3.1%
Gross operating profit (loss)	5,094	4,209	+ 21.0%
Loan Loss Provisions (LLPs)	(1,281)	(527)	n.m.
Net operating profit (loss)	3,813	3,682	+ 3.6%
Profit (Loss) before tax	3,112	2,578	+ 20.7%
Group stated net profit (loss)	2,285	1,921	+ 18.9%

The figures reported in this table refer to the reclassified Income statement. The amounts related to the first half 2021 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		% CHANGE
	06.30.2022	12.31.2021	
Total assets	945,756	917,227	+ 3.1%
Financial assets held for trading	74,668	80,109	- 6.8%
Loans and receivables with customers	461,909	448,989	+ 2.9%
Financial liabilities held for trading	53,882	51,608	+ 4.4%
Deposits from customers and debt securities issue	615,481	596,587	+ 3.2%
of which:			
- deposits from customers	529,499	500,689	+ 5.8%
- debt securities issue	85,982	95,898	- 10.3%
Group shareholders' equity	62,200	62,185	+ 0.0%

The figures reported in this table refer to the reclassified balance sheet. The amounts related to year 2021 differ from the ones published at that time. 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		CHANGE
	2022	2021	
EPS <sup>(*)</sup> (€)	2.087	1.698	0.389
Cost/Income ratio <sup>(**)</sup>	48.0%	53.6%	- 5.6%
EVA <sup>(***)</sup> (€ million)	256	(41)	+ 297
RoTE <sup>(****)</sup>	8.7%	7.5%	+ 1.2%
ROA <sup>(*****)</sup>	0.5%	0.4%	+ 0.1%

**Notes:**  
 (\*) Annualised figure. Earnings per share. For further details refer to Part C - Section 25.  
 (\*\*) Ratio between operating costs and revenue.  
 (\*\*\*) Economic Value Added calculated as difference between Net Profit (Stated Net Profit adjusted for Additional Tier 1, Cashes charges and impacts from Deferred Tax Assets from tax loss carry forward sustainability test) and the cost of the allocated capital. Revised methodology from 2022, previous periods have been recast accordingly.  
 (\*\*\*\*) Annualised ratio between the Net Profit (Stated Net Profit adjusted for Additional Tier 1 (AT1), Cashes charges and impacts from Deferred Tax Assets from tax loss carry forward sustainability test) and the average tangible equity excluding AT1, Cashes and Deferred Tax Assets from tax loss carry forward contribution.  
 (\*\*\*\*\* 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 CRD IV (Capital Regulation Directive).

## Risk ratios

	AS AT		% CHANGE
	06.30.2022	12.31.2021	
Net bad loans to customers/Loans to customers	0.2%	0.3%	- 0.1%
Net non-performing loans to customers/Loans to customers	1.5%	1.8%	- 0.3%

For the amounts it shall be referred to the table "Loans to customers - Asset quality" in the paragraph "Loan Loss Provisions ("LLPs")" of this Consolidated interim report on operations.

# Introduction and Group highlights

## Staff and Branches

	AS AT		CHANGE
	06.30.2022	12.31.2021	
Employees <sup>(*)</sup>	76,671	78,571	-1,900
Branches <sup>(**)</sup>	3,263	3,290	-27
of which:			
- Italy	2,042	2,059	-17
- Other countries	1,221	1,231	-10

### Notes:

(\*) "Full time equivalent" data (FTE): number of employees counted for the rate of presence.

(\*\*) Retail branches only.

## Group transitional capital ratios

DESCRIPTION	AS AT		CHANGE
	06.30.2022	12.31.2021	
Total Own Funds (€ million)	66,788	64,850	1,938
Total RWEA (€ million)	316,731	321,992	(5,261)
Common Equity Tier 1 Capital ratio	16.39%	15.82%	0.57%
Total Capital ratio	21.09%	20.14%	0.95%

### Notes:

- Transitional Own Funds and capital ratios including transitional adjustments according to the applicable percentages.
- Starting from 30 June 2020, UniCredit group has decided to apply the IFRS9 transitional approach as reported in article 473a of the Regulation (UE) 873/2020 that amends the Regulation (EU) 575/2013 and Regulation (EU) 876/2019. Therefore, the values here reported reflect the application of the transitional arrangements provisioned in such Regulation.

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

## Ratings

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

Ratings updated as at 20 July 2022

# Reclassified consolidated accounts

## Changes occurred in the scope of consolidation

During the first half of 2022, 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 19 (2 incoming and 21 exited) from 407 as at 31 December 2021 to 388 as at 30 June 2022;
- the number of companies consolidated through the equity method, including those ones classified as non-current assets and disposal groups, is 29, unchanged from the end of 2021 to 30 June 2022.

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 2022, the main assets which, based on the application of IFRS5 accounting principle, were reclassified as non-current assets and asset disposal groups, regard the following individual asset and liability held for sale and groups of assets held for sale and associated liabilities which do not satisfy IFRS5 requirements for the classification as discontinued operations:

- the companies of the WealthCap group, the controlled Slovenian companies UniCredit Leasing, leasing, D.O.O. and UCTAM Svk S.R.O. and the associated company Risanamento S.p.A.;
- the loans included in some sale's initiatives of portfolios;
- the real estate properties held by certain companies in the Group.

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 advances to 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 advances to customers", net of debt securities and of IFRS16 leasing assets 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 aggregation as "Other financial assets" of items (i) "Financial assets at fair value through profit or 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 and advances to banks and b) loans and advances to customers" and of (v) IFRS16 leasing assets from item "Financial assets at amortised cost: a) loans and advances to banks and b) loans and advances to customers";
- the inclusion in "Other financial liabilities" of leasing liabilities pursuant to accounting standard IFRS16 relating 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" in the assets and "Value adjustment of hedged financial liabilities" in the liabilities;
- the inclusion of items "Provision for employee severance pay" and "Provisions for risks and charges" under "Other liabilities".

Figures of Reclassified Consolidated balance sheet relating to the last quarter 2021 and the first quarter 2022 have been restated to following the reclassification of (i) UniCredit Leasing S.p.A. and its controlled company and (ii) UniCredit Leasing GMBH and its controlled companies out of the non-current assets held for sale.



# Reclassified consolidated accounts

## Reclassified consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	06.30.2022	12.31.2021	AMOUNT	%
Cash and cash balances	122,114	107,407	+ 14,707	+ 13.7%
Financial assets held for trading	74,668	80,109	- 5,441	- 6.8%
Loans to banks	97,973	82,939	+ 15,034	+ 18.1%
Loans to customers	461,909	448,989	+ 12,920	+ 2.9%
Other financial assets	157,014	157,933	- 919	- 0.6%
Hedging instruments	(1,097)	4,665	- 5,762	n.m.
Property, plant and equipment	9,400	9,510	- 110	- 1.2%
Goodwill	-	-	-	-
Other intangible assets	2,263	2,234	+ 29	+ 1.3%
Tax assets	12,743	13,702	- 959	- 7.0%
Non-current assets and disposal groups classified as held for sale	802	2,400	- 1,598	- 66.6%
Other assets	7,967	7,339	+ 628	+ 8.6%
<b>Total assets</b>	<b>945,756</b>	<b>917,227</b>	<b>+ 28,529</b>	<b>+ 3.1%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	06.30.2022	12.31.2021	AMOUNT	%
Deposits from banks	181,872	163,506	+ 18,366	+ 11.2%
Deposits from customers	529,499	500,689	+ 28,810	+ 5.8%
Debt securities issued	85,982	95,898	- 9,916	- 10.3%
Financial liabilities held for trading	53,882	51,608	+ 2,274	+ 4.4%
Other financial liabilities	11,368	11,618	- 250	- 2.2%
Hedging instruments	(10,496)	5,265	- 15,761	n.m.
Tax liabilities	1,533	1,224	+ 309	+ 25.2%
Liabilities included in disposal groups classified as held for sale	553	619	- 66	- 10.7%
Other liabilities	28,939	24,150	+ 4,789	+ 19.8%
Minorities	424	465	- 41	- 8.8%
Group shareholders' equity	62,200	62,185	+ 15	+ 0.0%
<i>of which:</i>				
- capital and reserves	59,915	60,089	- 174	- 0.3%
- Group stated net profit (loss)	2,285	2,096	+ 189	+ 9.0%
<b>Total liabilities and shareholders' equity</b>	<b>945,756</b>	<b>917,227</b>	<b>+ 28,529</b>	<b>+ 3.1%</b>

# Reclassified consolidated accounts

## Reclassified consolidated balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT		AMOUNTS AS AT			
	06.30.2022	03.31.2022	12.31.2021	09.30.2021	06.30.2021	03.31.2021
Cash and cash balances	122,114	125,875	107,407	135,412	136,036	123,899
Financial assets held for trading	74,668	76,144	80,109	80,545	78,991	73,925
Loans to banks	97,973	101,664	82,939	98,379	100,219	100,733
Loans to customers	461,909	455,762	448,989	439,811	438,401	446,691
Other financial assets	157,014	154,861	157,933	157,104	158,590	158,337
Hedging instruments	(1,097)	1,706	4,665	5,553	5,907	6,607
Property, plant and equipment	9,400	9,374	9,510	9,582	9,674	9,817
Goodwill	-	-	-	-	-	-
Other intangible assets	2,263	2,204	2,234	2,205	2,170	2,116
Tax assets	12,743	13,229	13,702	12,402	12,484	12,831
Non-current assets and disposal groups classified as held for sale	802	2,075	2,400	832	749	1,003
Other assets	7,967	6,960	7,339	6,760	6,824	6,206
<b>Total assets</b>	<b>945,756</b>	<b>949,854</b>	<b>917,227</b>	<b>948,584</b>	<b>950,046</b>	<b>942,165</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		AMOUNTS AS AT			
	06.30.2022	03.31.2022	12.31.2021	09.30.2021	06.30.2021	03.31.2021
Deposits from banks	181,872	181,471	163,506	181,186	186,742	189,419
Deposits from customers	529,499	523,000	500,689	509,794	505,716	497,394
Debt securities issued	85,982	90,415	95,898	98,518	95,973	98,876
Financial liabilities held for trading	53,882	56,987	51,608	49,863	49,798	46,428
Other financial liabilities	11,368	11,338	11,618	11,802	12,013	12,326
Hedging instruments	(10,496)	(3,202)	5,265	7,045	8,041	9,056
Tax liabilities	1,533	1,481	1,224	1,243	1,151	1,113
Liabilities included in disposal groups classified as held for sale	553	518	619	576	565	651
Other liabilities	28,939	25,712	24,150	25,907	28,245	25,803
Minorities	424	465	465	463	447	440
Group shareholders' equity	62,200	61,669	62,185	62,186	61,356	60,660
of which:						
- capital and reserves	59,915	61,395	60,089	59,207	59,435	59,772
- Group stated net profit (loss)	2,285	274	2,096	2,979	1,921	887
<b>Total liabilities and shareholders' equity</b>	<b>945,756</b>	<b>949,854</b>	<b>917,227</b>	<b>948,584</b>	<b>950,046</b>	<b>942,165</b>

# Reclassified consolidated accounts

## Reconciliation principles followed for the reclassified consolidated income statement

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

- the inclusion in "Dividends" of "Profit (Loss) of equity investments valued at equity" and the exclusion of (i) "Dividends from held for trading equity instruments" and (ii) "Dividends on equity investments, shares and equity instruments mandatorily at fair value" which are included in "Trading income";
- the inclusion in the "Other expenses/income" of "Other operating expenses/income", excluding "Recovery of expenses" which is classified under its own item, the exclusion of the costs for "Net value adjustments/write-backs on leasehold improvements" classified among "Other administrative expenses", the inclusion of result of industrial companies and of gains/losses on disposal and repurchase of financial assets at amortised cost represented by performing loans;
- presentation of "Other expenses/income", "HR costs", "Non HR costs", "Amortisations and depreciations" and "Other charges and provisions" net of any "Integration costs" relating to the reorganisation operations, classified as a separate item;
- the exclusion from the "Non HR costs" of the Contributions to the Resolution Funds (SRF), the Deposit Guarantee Schemes (DGS), the Bank Levy and the Guarantee fees for DTA reclassified in item "Other charges and provisions";
- the exclusion from "Amortisations and depreciations" of impairment/writebacks related to (i) inventories assets (IAS2) obtained from recovery procedures of NPE (ii) rights of use of land and buildings used in the business (classified in item "Net income from investments") and (iii) tangible in operating lease assets (classified in item "Other expenses/income");
- in "Loan Loss Provisions", 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 performing loans, of the "Net provisions for risks and charges" related to commitments and financial guarantees given and of losses from close-out process on derivative instruments with Russian banks after 24 February 2022;
- the inclusion in "Net income from investments" of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income - debt securities, gains (losses) on tangible and intangible assets measured at fair value as well as gains (losses) of equity investments and on disposal on 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 of discontinued operations)";
- the inclusion among "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 other 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, (v) of gains/losses on disposal and repurchase of financial assets at amortised cost represented by debt securities and (vi) of the interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions;
- the inclusion in the "Fees" of commissions of the Structuring and mandate fees on certificates, and the connected derivatives, issued by the Group.

Figures of Reclassified Income statement relating to 2021 have been restated with the effects of the:

- shift of the Interest rate component of the DBO (Defined Benefit Obligation), TFR (Trattamento di Fine Rapporto) and Jubilee from HR costs to Net interest;
- shift of the Structuring and mandate Fees on certificates, and connected derivatives, issued by the Group and placed to internal and external networks from Trading income to Fees;
- reclassification of (i) UniCredit Leasing S.p.A. and its controlled company and (ii) UniCredit Leasing GMBH and its controlled companies out of the non-current assets held for sale. For these companies also first quarter 2022 figures have been restated.

Starting from first quarter 2022 the losses recognised on derivatives assets and arising from inability of the counterparty to fulfill contractual obligations have been reclassified from Trading income to Loans Loss Provisions (LLPs).

## Reclassified consolidated accounts

## Reclassified consolidated income statement

(€ million)

	H1		CHANGE		
	2022	2021	P&L	%	% AT CONSTANT FX <sup>(*)</sup> RATES
Net interest	4,784	4,362	+ 422	+ 9.7%	+ 9.2%
Dividends	173	237	- 64	- 27.0%	- 27.0%
Fees	3,568	3,407	+ 161	+ 4.7%	+ 4.6%
Trading income	1,349	1,019	+ 331	+ 32.5%	+ 30.7%
Other expenses/income	(78)	39	- 117	n.m.	n.m.
<b>Revenue</b>	<b>9,796</b>	<b>9,063</b>	<b>+ 733</b>	<b>+ 8.1%</b>	<b>+ 7.6%</b>
HR costs	(2,896)	(2,954)	+ 58	- 2.0%	- 2.1%
Non HR costs	(1,491)	(1,603)	+ 112	- 7.0%	- 7.1%
Recovery of expenses	251	264	- 13	- 5.0%	- 4.6%
Amortisations and depreciations	(565)	(561)	- 4	+ 0.8%	+ 0.5%
<b>Operating costs</b>	<b>(4,702)</b>	<b>(4,854)</b>	<b>+ 152</b>	<b>- 3.1%</b>	<b>- 3.3%</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>5,094</b>	<b>4,209</b>	<b>+ 885</b>	<b>+ 21.0%</b>	<b>+ 20.3%</b>
Loan Loss Provisions (LLPs)	(1,281)	(527)	- 754	n.m.	n.m.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,813</b>	<b>3,682</b>	<b>+ 131</b>	<b>+ 3.6%</b>	<b>+ 3.1%</b>
Other charges and provisions	(669)	(916)	+ 247	- 27.0%	- 27.0%
<i>of which: systemic charges</i>	<i>(782)</i>	<i>(745)</i>	<i>- 37</i>	<i>+ 5.0%</i>	<i>+ 5.0%</i>
Integration costs	1	(7)	+ 8	n.m.	n.m.
Net income from investments	(33)	(181)	+ 147	- 81.5%	- 83.6%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,112</b>	<b>2,578</b>	<b>+ 533</b>	<b>+ 20.7%</b>	<b>+ 20.3%</b>
Income taxes	(807)	(646)	- 162	+ 25.0%	+ 24.0%
Profit (Loss) of discontinued operations	3	1	+ 2	n.m.	n.m.
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,307</b>	<b>1,934</b>	<b>+ 373</b>	<b>+ 19.3%</b>	<b>+ 19.1%</b>
Minorities	(23)	(12)	- 11	+ 86.9%	+ 86.8%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,285</b>	<b>1,922</b>	<b>+ 363</b>	<b>+ 18.9%</b>	<b>+ 18.7%</b>
Purchase Price Allocation (PPA)	-	(1)	+ 1	- 100.0%	- 100.0%
Goodwill impairment	-	-	-	-	-
<b>GROUP STATED NET PROFIT (LOSS)</b>	<b>2,285</b>	<b>1,921</b>	<b>+ 364</b>	<b>+ 18.9%</b>	<b>+ 18.7%</b>

Note:

(\*) Foreign Exchange.

## Reclassified consolidated accounts

## Reclassified consolidated income statement - Quarterly figures

(€ million)

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,484	2,301	2,396	2,261	2,193	2,170
Dividends	83	90	114	169	125	112
Fees	1,725	1,843	1,697	1,672	1,699	1,708
Trading income	564	785	202	333	400	619
Other expenses/income	(76)	(3)	16	(10)	(29)	68
<b>Revenue</b>	<b>4,780</b>	<b>5,016</b>	<b>4,425</b>	<b>4,425</b>	<b>4,388</b>	<b>4,675</b>
HR costs	(1,440)	(1,456)	(1,522)	(1,505)	(1,484)	(1,470)
Non HR costs	(754)	(738)	(804)	(783)	(811)	(792)
Recovery of expenses	123	128	150	134	135	129
Amortisations and depreciations	(287)	(278)	(286)	(286)	(290)	(270)
<b>Operating costs</b>	<b>(2,358)</b>	<b>(2,344)</b>	<b>(2,462)</b>	<b>(2,439)</b>	<b>(2,451)</b>	<b>(2,403)</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>2,422</b>	<b>2,672</b>	<b>1,963</b>	<b>1,985</b>	<b>1,937</b>	<b>2,272</b>
Loan Loss Provisions (LLPs)	2	(1,284)	(810)	(297)	(360)	(167)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>2,424</b>	<b>1,389</b>	<b>1,153</b>	<b>1,688</b>	<b>1,577</b>	<b>2,105</b>
Other charges and provisions	56	(725)	(274)	(195)	(214)	(702)
<i>of which: systemic charges</i>	<i>(63)</i>	<i>(719)</i>	<i>(92)</i>	<i>(200)</i>	<i>(125)</i>	<i>(620)</i>
Integration costs	4	(3)	(1,327)	(4)	(7)	-
Net income from investments	(3)	(30)	(1,780)	(59)	15	(195)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,481</b>	<b>630</b>	<b>(2,228)</b>	<b>1,430</b>	<b>1,371</b>	<b>1,207</b>
Income taxes	(461)	(346)	1,350	(362)	(331)	(314)
Profit (Loss) of discontinued operations	-	3	2	-	-	1
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,020</b>	<b>287</b>	<b>(875)</b>	<b>1,068</b>	<b>1,040</b>	<b>894</b>
Minorities	(10)	(13)	(8)	(10)	(5)	(7)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,010</b>	<b>274</b>	<b>(883)</b>	<b>1,058</b>	<b>1,034</b>	<b>888</b>
Purchase Price Allocation (PPA)	-	-	-	-	(1)	-
Goodwill impairment	-	-	-	-	-	-
<b>GROUP STATED NET PROFIT (LOSS)</b>	<b>2,010</b>	<b>274</b>	<b>(883)</b>	<b>1,058</b>	<b>1,034</b>	<b>887</b>

## Reclassified consolidated accounts

## Reclassified consolidated income statement - Comparison of Q2 2022/Q2 2021

(€ million)

	Q2		CHANGE		
	2022	2021	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	2,484	2,193	+ 291	+ 13.3%	+ 12.2%
Dividends	83	125	- 42	- 33.8%	- 33.8%
Fees	1,725	1,699	+ 26	+ 1.5%	+ 1.3%
Trading income	564	400	+ 164	+ 41.0%	+ 34.8%
Other expenses/income	(76)	(29)	- 47	n.m.	n.m.
<b>Revenue</b>	<b>4,780</b>	<b>4,388</b>	<b>+ 392</b>	<b>+ 8.9%</b>	<b>+ 7.7%</b>
HR costs	(1,440)	(1,484)	+ 44	- 3.0%	- 3.4%
Non HR costs	(754)	(811)	+ 57	- 7.1%	- 7.4%
Recovery of expenses	123	135	- 12	- 9.0%	- 8.3%
Amortisations and depreciations	(287)	(290)	+ 4	- 1.2%	- 1.9%
<b>Operating costs</b>	<b>(2,358)</b>	<b>(2,451)</b>	<b>+ 93</b>	<b>- 3.8%</b>	<b>- 4.3%</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>2,422</b>	<b>1,937</b>	<b>+ 485</b>	<b>+ 25.0%</b>	<b>+ 22.9%</b>
Loan Loss Provisions (LLPs)	2	(360)	+ 363	n.m.	n.m.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>2,424</b>	<b>1,577</b>	<b>+ 847</b>	<b>+ 53.7%</b>	<b>+ 54.9%</b>
Other charges and provisions	56	(214)	+ 270	n.m.	n.m.
<i>of which: systemic charges</i>	<i>(63)</i>	<i>(125)</i>	<i>+ 62</i>	<i>- 49.7%</i>	<i>- 49.3%</i>
Integration costs	4	(7)	+ 11	n.m.	n.m.
Net income from investments	(3)	15	- 18	n.m.	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,481</b>	<b>1,371</b>	<b>+ 1,110</b>	<b>+ 81.0%</b>	<b>+ 84.8%</b>
Income taxes	(461)	(331)	- 130	+ 39.2%	+ 36.7%
Profit (Loss) of discontinued operations	-	0	- 0	- 100.0%	- 100.0%
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,020</b>	<b>1,040</b>	<b>+ 980</b>	<b>n.m.</b>	<b>n.m.</b>
Minorities	(10)	(5)	- 4	+ 78.4%	+ 78.7%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,010</b>	<b>1,034</b>	<b>+ 976</b>	<b>n.m.</b>	<b>n.m.</b>
Purchase Price Allocation (PPA)	-	(1)	+ 1	- 100.0%	- 100.0%
Goodwill impairment	-	-	-	-	-
<b>GROUP STATED NET PROFIT (LOSS)</b>	<b>2,010</b>	<b>1,034</b>	<b>+ 977</b>	<b>n.m.</b>	<b>n.m.</b>

Note:

(\*) Foreign Exchange.

# Summary results by business segments

## Key figures by business segment

	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE <sup>(*)</sup>	NON CORE	(€ million) CONSOLIDATED GROUP TOTAL
<b>Income statement</b>								
<b>Revenue</b>								
H1 2022	4,406	2,551	1,627	933	548	(269)	-	9,796
H1 2021	4,332	2,251	1,475	902	273	(143)	(27)	9,063
<b>Operating costs</b>								
H1 2022	(1,985)	(1,281)	(799)	(396)	(124)	(116)	-	(4,702)
H1 2021	(2,014)	(1,368)	(807)	(380)	(114)	(129)	(41)	(4,854)
<b>GROSS OPERATING PROFIT (LOSS)</b>								
H1 2022	2,422	1,270	828	536	423	(385)	-	5,094
H1 2021	2,317	883	668	522	159	(272)	(68)	4,209
<b>PROFIT (LOSS) BEFORE TAX</b>								
H1 2022	2,158	982	667	411	(772)	(334)	-	3,112
H1 2021	1,524	610	472	376	152	(534)	(22)	2,578
<b>Balance sheet</b>								
<b>CUSTOMERS LOANS<sup>(**)</sup></b>								
as at 30 June 2022	172,170	130,690	93,088	30,931	10,764	295	-	437,939
as at 31 December 2021	169,704	127,316	92,534	28,840	11,845	318	194	430,750
<b>CUSTOMERS DEPOS<sup>(**)</sup></b>								
as at 30 June 2022	195,615	148,463	91,334	39,964	13,063	(13)	-	488,426
as at 31 December 2021	202,558	131,756	92,962	38,741	10,483	(14)	460	476,945
<b>TOTAL RISK WEIGHTED ASSETS</b>								
as at 30 June 2022	128,228	78,219	59,057	28,263	18,295	4,669	-	316,731
as at 31 December 2021	135,729	82,516	61,027	25,394	11,516	5,451	361	321,992
<b>EVA</b>								
H1 2022	501	291	210	134	(746)	(135)	-	256
H1 2021	326	(69)	128	100	-	(497)	(34)	(44)
<b>Cost/income ratio</b>								
H1 2022	45.0%	50.2%	49.1%	42.5%	22.7%	n.m.	n.m.	48.0%
H1 2021	46.5%	60.8%	54.7%	42.1%	41.7%	n.m.	n.m.	53.6%
<b>Employees</b>								
as at 30 June 2022	28,108	10,769	10,233	13,737	3,896	9,928	-	76,671
as at 31 December 2021	28,580	11,282	10,739	13,889	3,913	10,085	85	78,571

**Notes:**

(\*) Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments.

(\*\*) 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. For further details about changes in scope of business segment, refer to Part "L" of the Explanatory notes.

# Group and UniCredit share historical data series

## Group figures 2012 - 2022

	IAS/IFRS										
	H1 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Reclassified income statement (€ million)</b>											
Revenue	9,796	17,954	17,140	18,839	19,723	19,619	18,801	22,405	22,513	23,973	25,049
Operating costs	(4,702)	(9,797)	(9,805)	(9,929)	(10,698)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)
Gross operating profit (loss)	5,094	8,158	7,335	8,910	9,025	8,268	6,348	8,787	8,675	9,172	10,070
Profit (Loss) before tax	3,112	1,236	(1,546)	3,065	3,619	4,148	(10,978)	2,671	4,091	(4,888)	317
Net profit (loss) for the period	2,307	1,570	(1,842)	3,559	4,112	5,790	(11,061)	2,239	2,669	(3,920)	1,687
Group stated net profit (loss)	2,285	1,540	(2,785)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865
<b>Reclassified balance sheet (€ million)</b>											
Total assets	945,756	916,671	931,456	855,647	831,469	836,790	859,533	860,433	844,217	845,838	926,827
Loans to customers	461,909	437,544	450,550	482,574	471,839	447,727	444,607	473,999	470,569	503,142	547,144
of which: bad exposures	837	1,121	1,645	2,956	5,787	9,499	10,945	19,924	19,701	18,058	19,360
Deposits from customers and debt securities issued	615,481	596,402	600,964	566,871	560,141	561,498	567,855	584,268	560,688	571,024	579,965
Group shareholders' equity	62,200	61,628	59,507	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784
<b>Profitability ratios (%)</b>											
Gross operating profit (loss)/Total assets	0.54	0.89	0.79	1.04	1.09	0.99	0.74	1.02	1.03	1.08	1.09
Cost/Income ratio	48.0	54.6	57.2	52.7	54.2	57.9	66.2	60.8	61.5	61.7	59.8

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

## Share information

	H1 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Share price<sup>(*)</sup> (€)</b>											
- maximum	15.850	13.576	14.174	13.494	18.212	18.350	25.733	32.824	34.427	28.213	22.440
- minimum	8.021	7.420	6.213	9.190	9.596	12.160	8.785	24.605	25.583	16.227	11.456
- average	11.131	10.088	8.650	11.193	14.635	15.801	13.820	29.509	30.015	22.067	16.520
- end of period	9.065	13.544	7.648	13.020	9.894	15.580	13.701	25.733	26.735	26.961	18.572
<b>Number of outstanding shares (million)</b>											
- at period end <sup>(**)</sup>	2,081	2,211	2,237	2,233	2,230	2,226	6,180	5,970	5,866	5,792	5,789
- shares cum dividend	2,071	2,201	2,228	2,224	2,220	2,216	6,084	5,873	5,769	5,695	5,693
of which: savings shares	-	-	-	-	-	0.25	2.52	2.48	2.45	2.42	2.42
- average	2,171	2,231	2,236	2,233	2,229	1,957	6,110	5,927	5,837	5,791	5,473
<b>Dividend</b>											
- total dividends (€ million)	-	1,170	268	-	601	726	-	706	697	570	512
- dividend per ordinary share	-	0.538	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 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 No.9.675.645 of shares held under a contract of usufruct signed with Mediobanca S.p.A. The shares held under a contract of usufruct are excluded from the shares cum dividend highlighted at the following row.

It's reported below detailed information concerning shares capital changes and dividends pay-out paid during the first half of 2022.

On 25 March 2022 was registered with the Company Register the resolution to increase the share capital for €86,700,758.00 by issuing No.6,811,312 ordinary free shares for the execution of Group Incentive System.

On 21 April 2022 was paid the cash dividend approved by shareholders' meeting held on 8 April 2022 equal a dividend of €0.538 per share and for a total consideration of €1,170 million from allocation of the net profit for the financial year 2021.

On 11 May 2022 the "First Tranche of the Buy-Back Programme 2021" was launched for a maximum amount of €1,580 million in force of the authorization granted by ECB on 3 May 2022 and as per the authorization granted by the shareholders' meeting on 8 April 2022 that approved the purchase of treasury shares for a total expenditure up to €2,580 million and not exceeding No.215 million of UniCredit ordinary shares, as a part of the total remuneration to shareholders for the financial year 2021 envisaged in strategic plan "UniCredit Unlocked".



# Group and UniCredit share historical data series

As at 30 June 2022 following the purchase transactions carried out and settled during the reference period, the treasury shares in the portfolio amounted to No.103.391.064 for a total book value of €1,043 million.

The first tranche of the share buy-back has been completed on 14 July 2022 with the purchase of total No.162,185,721 UniCredit shares, equal to 7.42% of the share capital, for a total consideration equal to the maximum expenditure authorized (€1,580 million); the shares acquired upon completion of the first tranche has been cancelled on 19 July 2022 without reducing the share capital, in force of the resolutions passed by extraordinary shareholders' meeting held on 8 April 2022.

For the completion of the "Share Buy-Back Programme 2021" on 27 May 2022 and supplemented on 13 July 2022 UniCredit has requested the authorisation to the ECB for the additional tranche up to the residual maximum expenditure amount (approximately €1 billion) of the overall amount authorised by the aforementioned shareholders' meeting and due to the recent trend of the market price of the UniCredit' shares the proposal to update the maximum number of UniCredit ordinary shares that may be acquired under the second tranche will be submitted to the shareholders' meeting.

With reference to the consolidated profit as at 30 June 2022 to be recognised in the consolidated Own Funds, a cash dividend equal to €935 million was considered, determined on the basis of the dividend policy; for further details refer to the paragraph "Capital and value management - Capital ratios" of this Consolidated interim report on operations.

## Earnings ratios

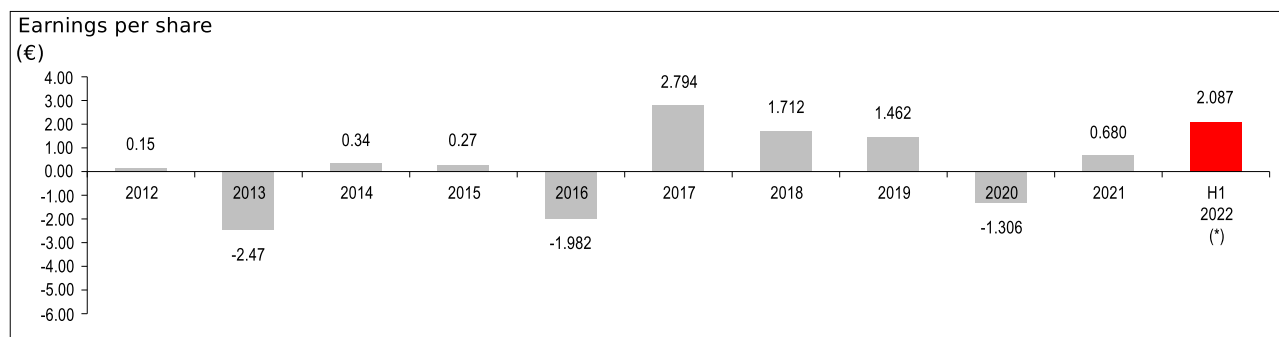
	IAS/IFRS										
	H1 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Shareholders' equity (€ million)	62,200	61,628	59,507	61,416	55,841	59,331	39,336	50,087	49,390	46,841	62,784
Net profit (loss) attributable to the Group (€ million)	2,285	1,540	(2,785)	3,373	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865
Shareholders' equity per share (€)	29.89	27.87	26.60	27.50	25.04	26.65	6.36	8.39	8.42	8.09	10.85
Price/Book value	0.30	0.49	0.29	0.47	0.40	0.58	0.43	0.61	0.63	0.67	0.34
Earnings per share <sup>(*)</sup> (€)	2.087	0.680	(1.306)	1.462	1.712	2.794	(1.98)	0.27	0.34	(2.47)	0.15
Payout ratio (%)	-	76.0	n.m.	-	15.4	13.3	-	41.7	34.7	n.m.	59.2
Dividend yield on average price per ordinary share (%)	-	5.33	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.

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": €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, €30 million in 2021 relating to the last payment referred to 2019 results, and €29 million in the first half 2022.



(\*) Annualised figure.

# Group results

## Macroeconomic situation, banking and financial markets

### International situation

2022 commenced negatively with pressure from the Covid-19 Omicron variant. Advanced economies weathered this new wave of contagion with limited damages to economic activity thanks to high vaccination and therefore immunity rates. Already in March, the majority of governments lifted most of the Covid-19-related restrictions, marking an acceleration in the return to the new post-pandemic normal. In China, by contrast, the central government imposed a high toll on its economy with its zero-Covid-19 policy, with a situation where a handful of infections resulted in strict lockdowns as it was the case for Shanghai, whose closing exacerbated problems of global supply bottlenecks, given the criticality of its port for the shipping industry. Only in June did the central government loosen most of the containment measures.

The outlook drastically deteriorated following the Russia's invasion of Ukraine in February. The conflict reverberated through the global economy by raising commodity and energy prices, disrupting global value chains, and increasing geopolitical uncertainty reaching well beyond the countries and regions closely associated with Russia and Ukraine via trade and financial linkages. So far, the conflict has not only slowed the growth recovery of the global economy, but it has added to already heightened inflationary pressures, imposing a difficult balancing act on central banks in their attempt to tame inflation without triggering a recession. During 2022, the European Union's gas and oil supply provided by Russia has progressively reduced with potential further implications in case of sudden stops in energy flows in the next months.

In the first half of the year, the Chinese economy barely grew as a result of the tightening in containment measures, thus moving further away from its pre-pandemic trend that was only briefly regained in second half 2020 before being lost in 2021 as a result of the fragility of its real estate sector, the abrupt regulatory tightening of last summer and its harsh public health policies. Even if most restrictions were lifted at the beginning of June, the supply side of the economy was recovering faster than the demand side as Chinese consumers continue their cautious behavior to avoid quarantines. In Japan, economic recovery halted at the beginning of 2022 amid the spread of the Omicron variant and persistent supply constraints, but inflationary pressures remained subdued compared to other major advanced economies. In the UK, the economy probably weakened in the second quarter as a result of the substantial squeeze in real disposable income and other one-off factors.

Economic activity in the eurozone showed in the second quarter 2022 a better performance than generally expected (+0.7% qoq), after posting decent pace of growth also in the first quarter. Economic growth in the second quarter was mainly driven by services, which benefitted from the reopening of the economy, while there was a slowdown in manufacturing activity. Business survey indicators point to a weakening of growth momentum in the second half of the year. Tighter financial conditions are weighing on economic activity, compounding the erosion of real incomes amid high inflation and the effect of uncertainty surrounding energy supply and the evolution of the conflict in Ukraine. CPI (Consumer Price Index) inflation kept rising throughout first half 2022, hitting 8.6% yoy in June. Survey indicators suggest that underlying price pressure might have finally started to ease from extremely high levels, more so in manufacturing than in services. If that is the case, then inflation is likely to gradually move down in the second semester.

Given the deterioration in the inflation outlook, the European Central Bank (ECB) was forced to accelerate the normalization of its monetary policy stance. In March, it discontinued its PEPP (Pandemic Emergency Purchase Programme) net asset purchases. The ECB will reinvest the principal payments from maturing securities purchased under the program until at least the end of 2024 and, in the event of renewed market fragmentation related to the pandemic, PEPP reinvestments can be adjusted flexibly across time, asset classes and jurisdictions at any time. In addition, instead of phasing out net asset purchases under APP (Asset Purchase Programme) in October 2022 as it was announced at the end of 2021, the ECB accelerated the termination to July 2022. The European Central Bank (ECB) is expected to continue the rate tightening cycle that it began at its July meeting in order to counter the risk of a de-anchoring of inflation expectations. In its July meeting, the central bank also announced an anti-fragmentation tool to keep under control spreads in the peripheral countries. While all the details are not fully disclosed yet, the tool will be sufficiently unlimited in size to ensure a homogeneous transmission of monetary policy to all member states. Its conditionality seems to be "light", as it is mainly related to pre-existing commitments.

In the US, real GDP contracted in the first and the second quarter of the year, while the labor market remained buoyant. In the first quarter, domestic demand showed a sustained growth, while signs of weakening have been emerging for both private consumption and fixed investment in the second quarter. Despite the cyclical slowdown, CPI kept moving high.

# Group results

In June, it came in at 9.1% yoy, with clear signs of broadening price pressures. Given the worsening inflation outlook, the Fed announced its first 25 basis points rate hike in March. In May, it hiked rates by 50 basis points and it also announced that balance sheet run-off would start in June with monthly caps for the amount of maturing assets that would not be reinvested rising to USD 60 billion per month for Treasuries and USD 35 billion per month for mortgage-backed securities after three months.

In June, the Fed raised the target range for the federal funds rate by a supersized 75 basis points to 1.5-1.75%, while the representation “dot plot” regarding the expected trend interest rates has signaled another 175 basis points before year-end and a further 50 basis points by end-2023.

## Banking and financial markets

In the first half of 2022, in an environment characterised by growing uncertainty related to macroeconomic prospects, a strengthening of the pace of expansion of lending to the private sector in the euro area, with its growth rate increasing to around 6.0% yoy, as opposed to 4.0% at the end of 2021. This growth in lending to the private sector was mainly driven by a recovery in the dynamics of loans to non-financial corporations. This was due to both base effects and improvement in monthly flows, particularly for short maturities, given the persistence of supply-side problems and the high cost of raw materials, while long-term loans were affected by a deterioration in the investment outlook. Loans to households showed a consolidation/slight deceleration in their yearly growth, driven by loans for house purchases, while there was an increase in consumer credit, despite clear evidence of a deterioration in consumer confidence.

The evolution of lending to the private sector presented a non-homogeneous dynamic in all three main reference countries of UniCredit group (Austria, Germany and Italy). With regard to loans to non-financial corporations in Germany, these showed a visible improvement during the first half of 2022, with their annual growth rate moving close to 10% (from about 6% yoy at the end of 2021), in a context of positive monthly flows. The improvement of loans to households proved to be more contained, but within a context of still-sustained growth; the growth rate exceeded 5% yoy at the end of the first half of the year. In Italy, corporate-loan growth, although recovering, was more modest, with the growth rate being slightly above 2% yoy in June, while loans to households had increased by around 4% yoy at the end of the semester. In Austria, loans to non-financial corporations still showed a good pace of expansion, with their annual growth rate being still above 8%, while growth of loans to households consolidated around 6% yoy.

With regard to bank funding at a system level, deposits from households and non-financial corporations slowed during the first half of 2022, a dynamic that characterised the euro area as a whole and all reference countries of UniCredit group. Deceleration in deposit growth was mainly visible in sight deposits and is most likely explained by two factors: (i) a reduction in households' and firms' savings, compared to the strong growth observed during the pandemic crisis (albeit probably, at a more moderate pace than that which could have arisen in the absence of the new surge in uncertainty triggered by the Russia-Ukraine conflict and high inflation); (ii) the process of monetary-policy normalization by the ECB and expectations pertaining to the end of negative key interest rates.

This last factor, together with a rapid and sustained rise in government-bond yields following the change of the communication by the ECB at its February meeting, led to significant tightening of financing conditions over the first half of the year. Bank interest rates on loans to household and firms showed a slight increase in all the main reference countries of UniCredit group, interrupting the period of reduction/stabilization at low levels that characterised recent years. In this environment, interest rates on sight deposits remained close to zero.

During the first half of 2022, financial markets showed a surge in government-bond yields and yields on credit bonds and a sharp increase in volatility. The looming end of accommodative monetary-policy globally, uncertainty related to the Russia-Ukraine conflict and its impact on energy supplies, concerns stemming from high inflation and its potential impact on growth and, recently, the increasing probability of economic recession, starting in the US, have affected the performance of financial markets. This has resulted in a deterioration in the performance of equity markets. The Austrian stock exchange ended the first half of 2022 with a loss of 25% compared to December 2021, while the Italian stock exchange and the German stock exchanges recorded losses slightly higher than or close to 20%.

## CEE (Central and Eastern Europe) countries

CEE had a strong recovery in the first quarter of this year, led by surging domestic demand amid the post-Covid-19 reopening of economies. Consumption remained resilient even after Russia invaded Ukraine, although consumer sentiment fell to levels comparable to the ones from the start of the pandemic. Households continued to frontload spending and borrowing due to rising inflation and interest rates, although spending grew less in second quarter than in first one. As a result, the precautionary savings built during 2020-21 were exhausted by mid-2022 in most CEE countries.

# Group results

Companies borrowed more to offset potential liquidity issues. Export orders fell in most CEE countries, remaining resilient only in Hungary. Supply-chain bottlenecks were reinforced by the Russia-Ukraine conflict, with delivery times lengthening the most in Russia and Hungary. Labor-market conditions remained tight, despite fewer vacancies, with labor shortages being very high in construction and leisure services. We expect domestic demand to grow at a slower pace in 2H22 as financial conditions tighten further, and inflation eats into real wage growth. The large carryover from 2021 could help EU-CEE<sup>1</sup> grow by around 3.6% in 2022, with the Western Balkans lagging slightly. The Russian economy could shrink by around 10% this year.

Large energy imports are fueling current-account deficits, while exports remain hampered by supply-chain blockages. Uncertainties have postponed many FDI (Foreign Driven Investment) projects, leaving external shortfalls to be covered by EU funds and private borrowing from abroad. EU-CEE stands to receive large transfers from NextGenerationEU (NGEU), but all countries fell behind the reform calendar agreed with the European Commission (EC) and are yet to receive the first tranches from the Recovery and Resilience Facility (from which 13% were disbursed as pre-funding in late 2021 and early 2022). We expect Hungary to finally reach an agreement with the EC to unlock its NGEU funds later this year. CEE companies increased their external borrowing, taking advantage of the interest-rate differential vs. the eurozone. We expect this trend to last in 2022-23.

Inflation continued to rise at a fast pace in the first semester, reaching double digits in most CEE countries. We expect inflation to peak in second half, with EU-CEE central banks continuing to increase interest rates until October-November. FX interventions could be used to stabilise currencies during episodes of heightened risk aversion. In contrast to EU-CEE counterparts, the Central Bank of Russia could cut rates further to 8% this year and gradually ease capital controls to allow the RUB to depreciate.

## Main results and performance for the period

### Introduction

The Group's activities in the first six months of the year were oriented towards the implementation of the strategic guidelines identified by the new "UniCredit Unlocked" Plan, whose objectives are:

- **Grow in the geographical areas of reference and develop the network of customers, transforming the business model and operating methods of the Group;**
- **Achieve economies of scale from the Group's network of banks, through a technological transformation focused on Digital & Data and operating with a view to sustainability;**
- **Driving financial performance through three interconnected levers under full managerial control: streamlining and improving the efficiency across the organization with very strong management on costs, organic generation of capital<sup>2</sup>, increase in revenues net of loan loss provisions to achieve profitability above the cost of capital;**
- **To enable, through the new business model, a high organic generation of capital<sup>2</sup> with a significantly greater and progressively growing distribution to shareholders<sup>3</sup>, maintaining or exceeding the CET1 ratio of 12.5-13 percent.**

In particular, the Management Team focused on relaunching and strengthening the business with a view to customer centricity through initiatives aimed at achieving long-term sustainable growth; the Group's strategy hinges on digitization and the enhancement of the economies of scale inherent in the Group's Banks; the unification of technology and data platforms, together with the consolidation of common principles will allow us to offer customers the best products and services.

Despite the uncertainties of the global economic environment, the Group continued in the first half of the year with the positive trend achieved in 2021.

The net profit stated recorded in the first half of the year at Group level was €2,285 million, compared to €1,921 million achieved in the same period of 2021.

Group net profit<sup>4</sup>, on the other hand, stood at €2,092 million, compared to €1,790 million achieved in the same period of 2021 and includes a loss of -€580 million attributable to Russia<sup>5</sup>, which in the first half of last year had recorded a net positive result of €113 million. Group net profit excluding Russia amounts to €2,672 million up by 59.4% compared to €1,677 million of the previous year.

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

<sup>2</sup> "Organic capital generation" means the evolution of CET1 deriving from (i) Net accounting profit excluding DTAs from losses carried forward and (ii) RWA dynamics net of adverse regulatory impact.

<sup>3</sup> Distribution to shareholders subject to approval by supervisory bodies, shareholders' meeting and to non-organic growth opportunities.

<sup>4</sup> Group stated net profit (loss) net of coupons paid on AT1 and CASHES securities and DTA registrations or cancellations on previous losses derived from the updating of sustainability tests.

<sup>5</sup> Russia include AO UniCredit Bank with the other local legal entities and the cross-border exposures booked in UniCredit S.p.A.

# Group results

## Revenue

In the first half of 2022, the Group's revenues were €9,796 million, up by 8.1% compared to the first half of 2021 (up by 7.6% at constant exchange rates). Excluding Russia, revenues of €9,248 million increased by 5.2% (up by 5.1% at constant exchange rates). The increase was driven by the improvement in net interest, growing commission revenues reflecting the greater commercial thrust of the business areas and by the positive results in trading income.

Group net interest amounted to €4,784 million, up by 9.7% (€422 million) compared to last year (up by 9.2% at constant exchange rates); Russia contributed to the figure for the first half of 2022 with €292 million in net interest, up by 37.9% year-on-year (up by 32.3% at constant exchange rates) or €80 million. Net of Russia, net interest amounted to €4,493 million, an increase of €342 million compared to last year or up by 8.2% (up by 8.1% at constant exchange rates). This growth was supported both by the higher volumes of loans to customers and by the trend in market rates, the increase of which brought a benefit, in this first phase, above all to the results of treasury activities (the average 3-month Euribor of the first half of 2022 is 10 basis points higher than in the same period of 2021).

The customer loans interest rates of the Group excluding Russia started to increase in second quarter 2022 reflecting market rates development while comparing first half 2022 with previous year, rates remained stable showing different trends in the various geographies; in particular, in Italy and Germany, the customer loans interest rates recorded a contraction on an annual basis that affected mainly the medium-long term portfolio; this trend in Italy was affected by renewals and new disbursements at current market rates, in particular on Individuals products such as private homes and personal loans, while on the Enterprises side the decline was influenced by the extension of state guarantee loans (at the same time the second quarter 2022 records a growth trend compared to the previous quarter). Differently, in the Czech Republic, Hungary and Romania, the rise in market rates that had already affected the second half of 2021, driven by inflationary pressures and increases in local reference rates, recorded an upward adjustment in lending rates to customers year on year.

The customer deposits interest rates, which were almost stable in Italy and Germany, increased slightly at Group level following the interest rates development mainly in the Czech Republic, Hungary and Romania.

The dynamics described above led at Group level to a slight decrease in the difference between the lending rate and the cost of customer deposits compared to the first half of 2021.

Customer loans volumes increased by €23.5 billion, or up by 5.4% (up by 4.7% at constant exchange rates), from €438.4 billion at 30 June 2021 to €461.9 billion at 30 June 2022. This trend was entirely explained by the Group excluding Russia (up by €23.9 billion) while Russia recorded a decrease of €0.4 billion (down by 3.4% or by 32.0% at constant exchange rates). The Group's growth excluding Russia was impacted by the repos component with an increase of €5.2 billion, while other loans to customers increased by €18.7 billion, or up by 4.6% (up by 4.6% at constant exchange rates) up to €427.2 billion. Germany contributed with an increase of €9.4 billion to this dynamic, supported by both the performance of the Small and Medium Enterprises segment and the *Large Corporate* segment. Central Europe recorded a growth of €7.4 billion compared to last year (up by 8.6% at current and constant exchange rates), which saw as the main contributors Austria (up by €4.1 billion or up by 6.7%) and Czech Republic (€2.0 billion or up by 10.8% at current exchange rates or up by 7.7% at constant exchange rates). Eastern Europe's contribution was also positive, with an annual growth in customer loans excluding the repos component of €2.9 billion (up by 10.4% at current exchange rates or up by 10.7% at constant rates) supported by Romania, Bulgaria and Serbia, countries that reported double-digit growth compared to 30 June 2021. In Italy, loans remained stable (-€0.1 billion) with an increase in the "individuals" component balanced by the trend in loan portfolios to companies.

Group's deposits from customers, amounting to €529.5 billion, grew by €23.8 billion showing an increase of 4.7% (up by 3.9% at constant exchange rates) compared to the same period of 2021 with Russia recording an increase of 24.9% or €2.6 billion at current exchange rates but a decrease of 18.9% measured at constant exchange rates.

Deposits from customers of the Group excluding Russia stood at €516.4 billion at 30 June 2022, with an increase of €21.2 billion compared to 30 June 2021; excluding the repos component which is down by €7.3 billion, the growth amounted to €28.5 billion (up by 6.4% or up by 6.5% at constant exchange rates).

More in detail, all the Group's divisions show a positive balance on an annual basis, with Germany up by 10.9% (or up by €14.6 billion) and Italy up by 4.0% or up by €7.5 billion. Central Europe recorded a growth of 4.1% (up by €3.6 billion or up by 4.5% at constant exchange rates), mainly generated by Austria (up by 3.0% or up by €1.8 billion) and Czech Republic (up by 9.9% or up by €1.8 billion or up by 6.7% at constant exchange rates). Finally, Eastern Europe increased by 8.9% (up by 9.2% at constant exchange rates) to €3.3 billion, of which €1.5 billion increase in Romania (up by 21.4% or up by 21.9% at constant exchange rates).

Dividends and other income on equity investments of the Group (which include the profits of companies valued at shareholders' equity) in the first half of 2022 amounted to €173 million, down by €64 million, or down by 27.0% (down by 27.0% at constant exchange rates) compared to the first half of 2021. This dynamic is mainly explained by the loss of the contribution of Yapi Ve Kredi Bankasi A.S., following the complete disposal of the stake held.

# Group results

Fees of the Group in the first half of 2022 was €3,568 million, up by 4.7% (up by 4.6% at constant exchange rates) compared to the previous year; the positive trend reflects the dynamics of transactional services commissions and the financing services component, both of which recovered compared to the previous year.

In detail, transactional services fees recorded an increase of €132 million (up by 12.2% compared to 2021; up by 12.0% at constant exchange rates), mainly thanks to higher commissions on current accounts, cards and payments services.

Financing services increased by €60 million, equal to 7.1% compared to 2021 (up by 6.8% at constant exchange rates), supported by commissions on loans, commissions on loan protection insurance (both increased thanks to the progress of Italy) and by higher commissions on guarantees in both Italy and Germany.

On the other hand, commissions on investment services recorded a slight decrease compared to the previous year down by €30 million or down by 2.0% (down by 2.1% at constant exchange rates) linked to lower placements of asset management products mainly in Italy in a particularly uncertain and volatile market context compared to a first half of 2021 characterized by a more favorable macroeconomic scenario of post-pandemic recovery.

In the first half of 2022, trading income of the Group also showed a strong growth compared to the previous year (up by €331 million), going from €1,019 million in the first half of 2021 to €1,349 million in the current half of the year (up by 32.5% or up by 30.7% at constant exchange rates). Such a result is driven by foreign exchange activities with Large Corporate customers in Russia segment. The Group excluding Russia, on the other hand, recorded an increase of 6.6% (up by 6.5% at constant exchange rates) going from €997 million last year to €1,062 million in June 2022. The growth was mainly due to treasury activities in both Italy and Germany, while revenues from client's activity remained stable compared to the previous year.

Finally, in the first half of 2022 the balance of other income and expenses of the Group was negative for -€78 million, compared to the positive balance of €39 million in the first half of 2021; the negative result recorded in the first half of 2022 is mainly attributable to Russia, and is connected to the activities of decreasing the exposure with Russian counterparties caused by the geopolitical context. On the other hand, the dynamics of the Group net of Russia (-€42 million) were affected by the positive non-recurring effects on the first half of 2021 deriving from the agreement signed with SIA company regarding the update of the overall terms of the outsourcing contract for the provision of certain processing services in Italy, Austria and Germany relating to credit card transactions and the management of POS and ATM terminals.

## Revenue

	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Net interest	4,784	4,362	+ 9.7%	2,484	+ 8.0%
Dividends	173	237	- 27.0%	83	- 7.7%
Fees	3,568	3,407	+ 4.7%	1,725	- 6.4%
Trading income	1,349	1,019	+ 32.5%	564	- 28.2%
Other expenses/income	(78)	39	n.m.	(76)	n.m.
<b>Revenue</b>	<b>9,796</b>	<b>9,063</b>	<b>+ 8.1%</b>	<b>4,780</b>	<b>- 4.7%</b>

(€ million)



# Group results

## Operating costs

The Group's operating costs in the first half of 2022 amounted to €4,702 million, down by 3.1%, equal to €152 million, compared to the first half of 2021 (down by 3.3% at constant exchange rates), thanks to the continuation of the downsizing of personnel and the discipline and rigor of Non Human Resources ("HR") costs.

In detail, HR costs in the first half of 2022 amounted to €2,896 million, down by 2.0% compared to the previous year (down by 2.1% at constant exchange rates). This result was achieved mainly thanks to the positive effects generated by the continuing dynamics of staff reduction, characterized by a decrease of 4,208 FTEs (equivalent to a decrease of 4,320 average FTEs) compared to 2021, equal to a decrease of 5.2%.

Non HR costs amounted to €1,491 million in the first half of the year, down by 7.0% compared to the first half of 2021 (equal to €112 million) even with inflationary pressures. The internal dynamics of Non HR costs saw a substantial reduction in the costs related to consulting and marketing, advertising and promotions activities in the first half of the year. To a lesser extent, further savings for the Group were generated by lower credit recovery expenses, attributable to the progressive reduction in the stock of problematic loans and the decrease in some costs related to the Covid-19 pandemic due to the disappearance of the related restrictive measures.

Recovery of expenses in 2022 amounted to €251 million, down from €264 million last year (down by 5.0%) mainly due to lower recoveries of taxes accounted for.

Finally, in the first half of 2022, were recorded amortisations and depreciations of €565 million, showing a slight increase (up by €4 million or up by 0.8%) compared to €561 million in the first half of 2021. It should be noted that these value adjustments are mostly made up of depreciation.

### Operating costs

	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
HR costs	(2,896)	(2,954)	- 2.0%	(1,440)	- 1.1%
Non HR costs	(1,491)	(1,603)	- 7.0%	(754)	+ 2.2%
Recovery of expenses	251	264	- 5.0%	123	- 4.3%
Amortisations and depreciations	(565)	(561)	+ 0.8%	(287)	+ 3.1%
<b>Operating costs</b>	<b>(4,702)</b>	<b>(4,854)</b>	<b>- 3.1%</b>	<b>(2,358)</b>	<b>+ 0.6%</b>

Thanks to sustained revenue growth (up by 8.1%) and cost containment (down by 3.1%), the Group gross operating profit of €5,094 million rose by 21% compared to the same period last year (up by 20.3% at constant exchange rates). Excluding Russia from the Group's perimeter, gross operating profit stood at €4,671 million euro, up by 15.3% (up by 15.2% at constant exchange rates).

The Group's cost income ratio, benefiting from this dynamic, fell to 48.0%, recording an improvement of -5.6 percentage points compared to the first half of last year; at the same time, the ratio between costs and revenues of the Group without Russia went from 53.9% to 49.5% with a decrease of 4.4 percentage points.

## Loan Loss Provisions ("LLPs")

LLPs of the Group amounted in the first half of 2022 to €1,281 million, compared to €527 million in the first half 2021 (up by 143%).

This trend was mainly affected by conflict between Russia and Ukraine, which resulted in loan loss provisions in the first half of 2022 of €1,121 million in Russia, while the other segments recorded a lower amount than in the first half 2021, equal to €161 million.

With reference to Russia, the total amount derives from the following actions:

- in the first quarter 2022, €1,231 million adjustments mainly driven by the interventions put in place to face the crisis: (i) updating of the macroeconomic scenario on the basis of internal projections prepared by UniCredit Research, which in mid-March 2022 saw a significant reduction in GDP in 2022 and 2023 combined with an increase in interest rates in 2022, (ii) classification of credit exposures in Stage 2, combined with the effect induced by downgrade of the Russian sovereign rating and (iii) application to Cross Border exposures of an average coverage of about 30%;
- in the second quarter 2022, recoveries of €111 million deriving from recoveries on certain debtors and from the positive impact of some operations related to the decrease of the exposure with Russian counterparties, which more than offset the further update of the macroeconomic scenario as part of the ordinary semiannual process in order to adapt the related LLPs the updated economic projections.

# Group results

With regard to the other segments of the Group, the amount of LLPs at 30 June 2022 was mainly determined by the combined effect of the following events:

- total loan adjustments of €71 million, mainly driven by (i) the introduction of management overlays in the calculation of the expected credit loss, applied in specific geographies in light of the peculiarities of local economies and the persistent uncertainty linked to the overall geopolitical situation, in particular in Italy related to energy-intensive sectors, (ii) the update of macroeconomic scenarios for IFRS9 purposes carried out for all companies in the second quarter of 2022, (iii) by the favorable dynamics of problem loan portfolios mainly linked to low default flows and recoveries;
- derivative adjustments for a total amount of €101 million, concentrated in Germany, as a result of the sanctions and restrictions imposed on Russian counterparties.

With reference to the loan portfolios under moratorium, at 30 June 2022 almost all exposures expired in all divisions and there were no significant signs of deterioration.

For more details on the actions taken to address the current macroeconomic scenario both with reference to direct risks to Russian exposures and indirect risks, please refer to "Section 5 - Other Aspects" of the Condensed half-year consolidated financial statements, Explanatory notes, Part A - Accounting Policies, A.1 General.

The Group's cost of risk in the first half of 2022 was 56 basis points, up from the 24 basis points in the first half of 2021. Excluding Russia, however, the cost of risk stood at 7 basis points, down by 17 basis points compared to the same period of the previous year (24 basis points).

In detail, Italy has a cost of risk of 3 basis points, an improvement of 46 basis points compared to the first half of 2021. Germany recorded 4 basis points against a negative cost of risk (-5 basis points) in the first half 2021 as a result of net credit recoveries; Central Europe recorded -3 basis points thanks to the positive €14 million of net recoveries recorded in the first half of the year, an improvement compared to the 16 basis points in the first half of 2021. Finally, Eastern Europe shows a cost of risk of 55 basis points, down by 13 basis points compared to the previous year.

Group gross non-performing loans at 30 June 2022 amounted to €13.9 billion, down (-€3.4 billion) compared to €17.3 billion at 31 December 2021 as a result of disposals made and other actions aimed at reducing risk.

Thanks to this reduction, the ratio of gross non-performing loans to total loans improved from 3.74% in December 2021 to 2.93% in June 2022.

Gross bad loans amounted to €3.35 billion, down by €1.3 billion compared to December 2021 (€4.7 billion) benefiting from disposals, radiations and recoveries made during the first half.

The Group's gross non-performing loans coverage ratio at 30 June 2022 was 49.98%, down from 53.55% (-3.6 percentage points) in December 2021, affected firstly by the lower weight of gross non-performing loans (characterized by a higher coverage rate) on total gross non-performing loans and secondly by the positive evolution of credit quality in non-performing portfolios also downstream of the disposals and closures carried out during the first half.

## Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL NON-PERFORMING	PERFORMING	TOTAL LOANS
<b>As at 06.30.2022<sup>(*)</sup></b>						
Gross exposure	3,350	9,756	821	13,927	460,639	474,567
as a percentage of total loans	0.71%	2.06%	0.17%	2.93%	97.07%	
Writedowns	2,513	4,192	255	6,961	5,696	12,657
as a percentage of gross value	75.01%	42.97%	31.06%	49.98%	1.24%	
Carrying value	837	5,563	566	6,967	454,943	461,909
as a percentage of total loans	0.18%	1.20%	0.12%	1.51%	98.49%	
<b>As at 12.31.2021<sup>(**)</sup></b>						
Gross exposure	4,700	11,747	854	17,301	445,630	462,931
as a percentage of total loans	1.02%	2.54%	0.18%	3.74%	96.26%	
Writedowns	3,482	5,458	325	9,265	4,677	13,942
as a percentage of gross value	74.08%	46.46%	38.07%	53.55%	1.05%	
Carrying value	1,218	6,289	529	8,036	440,953	448,989
as a percentage of total loans	0.27%	1.40%	0.12%	1.79%	98.21%	

### Notes:

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

(\*\*) It should be noted that the amounts as of 31 December 2021 have been restated to following the reclassification of: (i) UniCredit Leasing S.p.A. and its controlled company and (ii) UniCredit Leasing GMBH and its controlled companies out of the non-current assets held for sale.



# Group results

## From Net operating profit (loss) to Profit (Loss) before tax

The improvement in gross operating profit (equal to €5,094 million in the first half of 2022 compared to €4,209 million in the first half of 2021) partly offset by the higher loan loss provisions (up by -€754 million) impacted by Russia, produced a Group net operating profit of €3,813 million, with an increase of €131 million compared to the first half of 2021 (up by 3.6% or up by 3.1% at constant exchange rates). Excluding Russia, the Group generated a net operating profit of €4,510 million in a decisive increase (up by 28.2% or up 28.0% at constant exchange rates) compared to the previous year.

The Group's other charges and provisions amounted to -€669 million, down from -€916 million in the first half of 2021.

This item includes net provisions for legal proceedings and estimated liabilities of various kinds of positive €113 million in the first half of the year as a result of the releases of provisions realized in previous years, in addition to systemic charges of -€782 million. The latter, in the first half of the year were impacted in particular by the annual contribution to the Single Resolution Fund (SRF) recorded in the first quarter.

The Group's integration costs in the first half of 2022 amounted to +€1 million, compared to -€7 million in the first half of 2021.

The Group's net income from investments in the first half of 2022 amounted to -€33 million, compared to -€181 million recorded in the same period of the previous year. The figure for the first half of 2021 was negatively impacted by the effects of the valuation of the residual stake in Yapi ve Kredi Bankasi A.S. equal to -€263 million. The 2022 result was affected by the figures of Russia, which recorded a loss of -€57 million in the first half of the year.

As a result of the items described above, in the first half of 2022 there was a profit before tax from the Group's current activities of €3,112 million, an increase of 20.7% (up by 20.3% at constant exchange rates) compared to €2,578 million in the first half of 2021. Net of Russia, profit before tax stood at €3,884 million with a growth of €1,458 million compared to the first half of 2021, up by 60.1% (up by 59.9% at constant exchange rates).

### Profit (loss) before tax by business segment

(€ million)

	REVENUE	OPERATING COSTS	LOAN LOSS PROVISIONS (LLPs)	NET OPERATING PROFIT	PROFIT (LOSS) BEFORE TAX	
					H1	
					2022	2021
Italy	4,406	(1,985)	(29)	2,392	2,158	1,524
Germany	2,551	(1,281)	(29)	1,241	982	610
Central Europe	1,627	(799)	14	842	667	472
Eastern Europe	933	(396)	(82)	454	411	376
Russia	548	(124)	(1,121)	(697)	(772)	152
Group Corporate Centre	(269)	(116)	(34)	(419)	(334)	(534)
Non Core	-	-	-	-	-	(22)
<b>Group Total</b>	<b>9,796</b>	<b>(4,702)</b>	<b>(1,281)</b>	<b>3,813</b>	<b>3,112</b>	<b>2,578</b>

# Group results

## Group stated net profit (loss)

In the first half of 2022, the Group's income taxes amounted to -€807 million, compared to -€646 million in 2021.

Profit from discontinued operations net of tax in the first half of 2022 amounted to +€3 million, in line with the figure for the same period of the previous year (+€1 million).

The net profit for the period for the first half of 2022 amounted to €2,307 million, an increase of 19.3% (up by 19.1% at constant exchange rates) compared to €1,934 million in the first half of 2021.

Profit attributable to third parties, conventionally shown with a negative sign, amounted to -€23 million against -€12 million in the previous year.

The Purchase Price Allocation and goodwill impairment at 30 June 2022 amounted to zero million, substantially in line with the amounts recorded in the first half of the previous year.

As a result, in the first half of 2022 the stated net profit attributable to the Group amounted to €2,285 million, an increase of 364 million (up by 18.9% or up by 18.7% at constant exchange rates) compared to €1,921 million in the first half of 2021. The Group excluding Russia, on the other hand, recorded a stated net profit of €2,855 million, an increase of €1,054 million (up by 58.5% or up by 58.3% at constant exchange rates) compared to the same period last year.

### Group stated net profit (loss)

	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Revenue	9,796	9,063	+ 8.1%	4,780	- 4.7%
Operating costs	(4,702)	(4,854)	- 3.1%	(2,358)	+ 0.6%
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>5,094</b>	<b>4,209</b>	<b>+ 21.0%</b>	<b>2,422</b>	<b>- 9.4%</b>
Loan loss provisions (LLPs)	(1,281)	(527)	n.m.	2	n.m.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,813</b>	<b>3,682</b>	<b>+ 3.6%</b>	<b>2,424</b>	<b>+ 74.6%</b>
Other charges and provisions	(669)	(916)	- 27.0%	56	n.m.
Integration costs	1	(7)	n.m.	4	n.m.
Net income from investments	(33)	(181)	- 81.5%	(3)	- 89.0%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,112</b>	<b>2,578</b>	<b>+ 20.7%</b>	<b>2,481</b>	<b>n.m.</b>
Income taxes	(807)	(646)	+ 25.0%	(461)	+ 33.3%
Profit (loss) of discontinued operations	3	1	n.m.	-	- 100.0%
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,307</b>	<b>1,934</b>	<b>+ 19.3%</b>	<b>2,020</b>	<b>n.m.</b>
Minorities	(23)	(12)	+ 86.9%	(10)	- 26.3%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,285</b>	<b>1,922</b>	<b>+ 18.9%</b>	<b>2,010</b>	<b>n.m.</b>
Purchase Price Allocation (PPA)	-	(1)	- 100.0%	-	n.m.
Goodwill impairment	-	-	n.m.	-	n.m.
<b>GROUP STATED NET PROFIT (LOSS)</b>	<b>2,285</b>	<b>1,921</b>	<b>+ 18.9%</b>	<b>2,010</b>	<b>n.m.</b>

# Group results

## Capital and value management

### Principles of value creation and capital allocation

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 CRR2), 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 CRDV), 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 citizens and companies during this pandemic by providing funding.

This regulation is part of a series of measures taken by the European Commission to mitigate the economic impact of the 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 Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - "CRR"), updated in the Regulation (EU) 876/2019 ("CRR2") and subsequently amended in the Regulation (EU) 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 Regulation (EU) 575/2013 transposed in the Regulation (EU) 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<sup>6</sup> and buffers for UniCredit group

The minimum capital requirements applicable to the Group as of 30 June 2022 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 2022 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 article 129;
- **1.00%**, as Global Systemically Important Institutions ("G-SII") buffer<sup>7</sup>;
- **0.05%**, as Countercyclical Capital buffer<sup>8</sup> (CCyB) according to the CRDIV article 130, to be calculated on a quarterly basis.

Moreover, the article 104a.4 of CRDV 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 2021 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 2022, that the amount of AT1 Capital exceeds the regulatory minimum of 1.50% (i.e. being 1.92%);
- at least the 1.31% of such requirement through Tier 1 capital in the assumption, verified for the second quarter of 2022, that the amount of T2 Capital exceeds the regulatory minimum of 2.00% (i.e. being 2.77%).

Therefore, as at 30 June 2022, the Group shall meet the following overall capital requirements:

- CET1: **9.04%**
- T1: **10.87%**
- Total Capital: **13.30%**

<sup>6</sup> 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 2022 in Italy.

<sup>7</sup> 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 2022. 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 2022.

<sup>8</sup> Amount rounded to two decimal numbers. With reference to 30 June 2022: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: Czech Republic (0.50%); Hong Kong (1.00%); Norway (1.50%); Slovakia (1.00%); Luxembourg (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 evidence of the "Total SREP Capital Requirement" (TSCR) and the "Overall Capital Requirement" (OCR) related to the outcome of the SREP process held in 2021 and applicable for 2022.

## Capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	0.98%	1.31%	1.75%
C) TSCR (A+B)	5.48%	7.31%	9.75%
D) Combined capital buffer requirement:	3.55%	3.55%	3.55%
of which:			
1. Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%
2. Global Systemically Important Institution buffer (G-SII)	1.00%	1.00%	1.00%
3. Institution-specific Countercyclical Capital buffer (CCyB)	0.05%	0.05%	0.05%
E) OCR (C+D)	9.04%	10.87%	13.30%

The following table shows UniCredit group transitional<sup>9</sup> capital ratios as at 30 June 2022 compared with previous periods:

## Group transitional capital ratios

GROUP TRANSITIONAL CAPITAL RATIOS	06.30.2022			03.31.2022	12.31.2021	09.30.2021	06.30.2021
	RATIO	DELTA Q/Q	DELTA Y/Y				
CET1 Capital ratio	16.39%	1.77%	0.28%	14.62%	15.82%	16.14%	16.11%
Tier 1 Capital ratio	18.31%	1.84%	0.34%	16.47%	17.94%	18.23%	17.97%
Total Capital ratio	21.09%	2.10%	0.51%	18.99%	20.14%	20.60%	20.57%

## Transitional Capital ratios of UniCredit S.p.A.

The following table shows the transitional<sup>10</sup> Capital Ratios of UniCredit S.p.A. as of 30 June 2022 compared with previous periods:

## Transitional capital ratios of UniCredit S.p.A.

UNICREDIT SPA - TRANSITIONAL CAPITAL RATIOS	06.30.2022			03.31.2022	12.31.2021	09.30.2021	06.30.2021
	RATIO	DELTA Q/Q	DELTA Y/Y				
CET1 Capital ratio	25.83%	1.36%	3.15%	24.47%	25.76%	22.33%	22.68%
Tier 1 Capital ratio	29.21%	1.48%	3.28%	27.72%	29.34%	25.98%	25.93%
Total Capital ratio	33.77%	2.12%	3.50%	31.65%	33.18%	29.90%	30.27%

## Consolidated profit/loss eligible for Own Funds purposes

- The Group consolidated net profit as at 30 June 2022 is equal to €2,285 million.
- The dividend policy communicated with the plan "UniCredit Unlocked" envisages, from 2022, a 35% cash pay-out ratio applied to the definition of Net Profit introduced with the plan. In this respect, Net Profit means Stated Net Profit (i.e. accounting net profit) adjusted for AT1, Cashes coupon and impacts from DTAs from tax loss carry forward sustainability test.
- As per first quarter 2022 decision, considering the extraordinary nature of the geopolitical events, the 35% cash pay-out ratio is calculated on the Net Profit excluding Russia segment. Being the latter equal to €2,672 million for the first half 2022, the 35% corresponds to cash dividends of €935 million.
- Thus, considering the first half 2022 accrued Group foreseeable dividends (€935 million) to be included in reduction of the consolidated net profit (€2,285 million), a positive amount for €1,349 million is reported in the consolidated Own Funds.

## Transitional consolidated Own Funds

Regarding the transitional adjustments as at 30 June 2022, these are:

- grandfathering of Additional Tier 1 and Tier 2 instruments: the transitional adjustment 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.

<sup>9</sup> The transitional adjustments as at 30 June 2022 are (i) grandfathering of Additional Tier 1 and Tier 2 instruments and (ii) IFRS9 transitional arrangements starting from 30 June 2020.

<sup>10</sup> The transitional adjustments as at 30 June 2022 refer to the grandfathering of Additional Tier 1 and Tier 2 instruments.

# Group results

## 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.

In the second quarter 2022, the transitional arrangements related to the application of IFRS9 generate adjustments: (i) positive on CET1 capital for approximately €2.1 billion (66 basis points); (ii) negative on T2 capital for approximately -€407 million (stemming from the updated amount of the excess of LLP on IRB portfolio computable in T2 capital).

## Prudential framework for software assets treatment

As part of the Risk Reduction Measures package, article 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, applicable from fourth quarter 2020 (for further details refer to UniCredit Group Disclosure (Pillar III) as at 31 December 2021).

As at 30 June 2022, a lower deduction was recognised on CET1 capital for €28 million (total deduction €1,370 million) versus first quarter 2022 (total deduction €1,399 million).

## Countercyclical Capital buffer (CCyB)

According to the CRDIV article 130, the Countercyclical Capital buffer (CCyB) shall be calculated on a quarterly basis. With reference to the second quarter 2022, the countercyclical rates were unchanged versus first quarter 2022, except for Norway (from 1.00% to 1.50%); as well, as of the same date, UniCredit group countercyclical capital reserve is equal to 0.05%, in line with first quarter 2022.

# Group results

## 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 2022, 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 2022, the investment held by UniCredit in the quotes of Atlante Fund and Italian Recovery Fund (ex Atlante Fund II), for approximately €309 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 RWEA 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 exposures, it is applied the CRR article 152 (9).

## Financial conglomerate

As at 30 June 2022 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 2021 95).

### 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 2022, CET1 Capital includes ordinary shares issued by UniCredit S.p.A., equal to €20,601 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 in Tier 2 Capital starting from 1 January 2022, following the end of the CRR1 grandfathering regime, being Tier 2 compliant according to CRR2 eligibility conditions.

### 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 (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.



# Group results

## 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 (grandfathering).

The Tier 2 Capital includes also the minority interests for the computable amount not already recognised in the Tier 1 Capital and the T2 instruments issued by the subsidiaries for the computable amount as defined by the CRR.

As at 30 June 2022, the Group Own Funds 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 06.30.2022	AMOUNTS AS AT 03.31.2022
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1 Capital instruments and the related share premium accounts (A)	24,116	26,047
of which: Ordinary shares	24,116	26,047
of which: Instrument type 2	-	-
of which: Instrument type 3	-	-
2 Retained earnings	23,164	22,901
3 Accumulated other comprehensive income (and other reserves) (B)	6,959	3,342
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)	126	128
EU-5a Independently reviewed interim profits net of any foreseeable charge or dividend (C)	1,349	-
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>55,714</b>	<b>52,418</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7 Additional value adjustments (negative amount)	(293)	(303)
8 Intangible assets (net of related tax liability) (negative amount)	(1,386)	(1,422)
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)	(2,056)	(2,065)
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	693	548
12 Negative amounts resulting from the calculation of expected loss amounts	(9)	(9)
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	(37)	93
15 Defined-benefit pension fund assets (negative amount)	(235)	(61)
16 Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) (E)	(1,593)	(1,592)
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	(92)	(94)
EU-20b of which: qualifying holdings outside the financial sector (negative amount)	-	-
EU-20c of which: securitisation positions (negative amount)	(92)	(94)
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)	-	(700)
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	-	(412)
24 Not applicable	-	-
of which: deferred tax assets arising from temporary differences	-	(288)
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)	1,200	1,430
<b>28 Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(3,807)</b>	<b>(4,175)</b>
<b>29 Common Equity Tier 1 (CET1) capital</b>	<b>51,906</b>	<b>48,243</b>



## Group results

continued: Template EU CC1 - Composition of regulatory Own Funds

(€ million)

DESCRIPTION		a	
		AMOUNTS AS AT 06.30.2022	AMOUNTS AS AT 03.31.2022
<b>Additional Tier 1 (AT1) capital: instruments</b>			
30	Capital instruments and the related share premium accounts (H)	5,202	5,697
31	of which: classified as equity under applicable accounting standards	5,202	5,697
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	-	-
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	898	898
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	27	28
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>6,127</b>	<b>6,623</b>
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount) (I)	(31)	(526)
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	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>(31)</b>	<b>(526)</b>
44	<b>Additional Tier 1 (AT1) capital</b>	<b>6,096</b>	<b>6,097</b>
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>58,003</b>	<b>54,340</b>
<b>Tier 2 (T2) capital: instruments</b>			
46	Capital instruments and the related share premium accounts (J)	7,722	7,501
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	-	-
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 (K)	109	189
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	430	447
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Credit risk adjustments	1,026	1,091
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>9,287</b>	<b>9,228</b>
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(50)	(60)
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) (L)	(46)	(820)
56	Not applicable	-	-
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-
EU-56b	Other regulatory adjustments to T2 capital (M)	(407)	(36)
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>(502)</b>	<b>(916)</b>
58	<b>Tier 2 (T2) capital</b>	<b>8,785</b>	<b>8,312</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>66,788</b>	<b>62,652</b>
60	<b>Total Risk exposure amount</b>	<b>316,731</b>	<b>329,922</b>

## Group results

continued: Template EU CC1 - Composition of regulatory Own Funds

		(€ million)	
		a	
DESCRIPTION		AMOUNTS AS AT 06.30.2022	AMOUNTS AS AT 03.31.2022
<b>Capital ratios and requirements including buffers</b>			
61	Common Equity Tier 1 capital	16.39%	14.62%
62	Tier 1 capital	18.31%	16.47%
63	Total capital	21.09%	18.99%
64	Institution CET1 overall capital requirements (N)	9.04%	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	<b>Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (O)</b>	<b>10.90%</b>	<b>9.14%</b>
<b>National minima (if different from Basel III)</b>			
69	Not applicable		
70	Not applicable		
71	Not applicable		
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)	2,908	2,011
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)	4,196	4,114
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)	2,913	2,874
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
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)	3,028	3,347
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach (P)	1,026	1,091
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
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	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

**Notes to the template EU CC1 "Composition of regulatory Own Funds"**

Amounts included in the notes below refer to 30 June 2022 if not otherwise specified. Regarding the transitional adjustments as at 30 June 2022, it is worth mentioning that:

- the grandfathering framework according to the CRR2 article 494 b) entered into force on 27 June 2019; it is 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 Regulation (EU) 873/2020 that amends Regulation (EU) 876/2019.

# Group results

A.

This item does not include €609 million related to the ordinary shares underlying the Usufruct contract (Cashes), which are reclassified in Tier 2, starting from 1 January 2022 under item “46 - Capital instruments and the related share premium accounts”, following the end of the CRR1 grandfathering regime, being Tier 2 compliant according to CRR2 eligibility conditions.

The change compared to 31 March 2022 (negative for €1,931 million) mainly refers to: (i) €1,580 million related to the repurchase of own shares connected to the “Shares Buyback”, in coherence with the authorization received from the Competent Authority (ii) €350 million related to the use of Share premium reserve to cover the negative reserves related to the payment of AT1 coupons.

B.

The change compared to 31 March 2022 (positive for €3,617 million) mainly refers to: (i) the creation of the unavailable reserve (equal to €1,580 million) dedicated to the execution of the “First Tranche of the Buy-Back Programme 2021” launched on 11 May 2022; (ii) the coverage of the negative reserves related to the payment of AT1 coupons (equal to €350 million), through Share premium reserve; (iii) positive change on exchange reserve (equal to €1,321 million) mainly due to Ruble appreciation; (iv) positive change on actuarial reserve (equal to €831 million); (v) negative change on reserves related to equity and debt instruments at fair value (equal to €752 million); (vi) negative change on cash flow hedge reserve (equal to €145 million, subject to prudential filter for Own Funds calculation included in item “11. Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value”).

C.

Refer to paragraph “Consolidated profit/loss eligible for Own Funds purposes” in the introductory section of this chapter.

D.

The amount included in this item (equal to €2,056 million) does not consider the effects related to the transitional adjustments due to IFRS9 that are included in item “27a. Other regulatory adjustments”.

E.

The amount reported in this item (equal to €1,593 million) is mainly related to the authorization received from the Competent Authority for the repurchase of own shares connected to the “First Tranche of the Buy-Back Programme 2021” for €1,580 million.

F.

With reference to 30 June 2022, 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. It is worth mentioning that the amount included in this item does not consider the effects related to the transitional adjustments referred to IFRS9.

G.

The amount reported in this item (equal to €1,200 million) mainly includes:

- the effect related to the transitional arrangements referred to the entry into force of IFRS9 accounting principles according to article 473a of Regulation (EU) 873/2020 published on 27 June 2020 that amends Regulation (EU) 876/2019 (positive for €2,096 million) that includes the following transitional adjustments: (i) static component for €569 million (applicable percentage in 2022 equal to 25%); (ii) dynamic component for €1,521 million (applicable percentage in 2022 equal to 75%);
- the additional deduction of CET1 Capital due to article 3 of CRR (equal to €441 million) in accordance with ECB guidance to banks on non-performing loans.

H.

The change compared to 31 March 2022 (negative for €495 million) is related to the authorization received by the competent authority to early redeem the AT1 instrument (ISIN XS1539597499), executed on the 3 June 2022.

I.

The change compared to 31 March 2022 (positive for €495 million) is related to the execution, on the 3 June 2022, of the authorization received by the competent authority to early redeem the AT1 instrument (ISIN XS1539597499).

## Group results

J.

The change compared to 31 March 2022 (positive for €221 million) is mainly related to the exchange rates.

K.

The change compared to 31 March 2022 (negative for €80 million) is mainly related to the regulatory amortization.

L.

The change compared to 31 March 2022 (positive for €775 million) is mainly related to the disposal of the residual 18% of the stake in Yapı ve Kredi Bankası A.S. that implies the reclassification of the counterparty as “not significant financial sector entity”, therefore the subordinated instruments issued by Yapı ve Kredi Bankası A.S. and held by UniCredit S.p.A. are not deducted anymore from the Own Funds.

M.

The amount reported in this item (negative for €407 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.

N.

Refer to table “Capital requirements and buffers for UniCredit group” in the introductory section of this chapter.

O.

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: 16.39%) 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 2021 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% through T1 and at least 56.25% through CET1). The change compared to 31 March 2022 depends on the following items: (i) increase in Common Equity Tier 1 Capital for €3,664 million and (ii) decrease in risk weighted exposures for €13,191 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)		TOTAL OWN FUNDS REQUIREMENTS
		a	b	c
		06.30.2022	03.31.2022	06.30.2022
1	<b>Credit risk (excluding CCR)</b>	<b>254,129</b>	<b>268,594</b>	<b>20,330</b>
2	Of which the standardised approach	89,398	91,294	7,152
3	Of which the foundation IRB (F-IRB) approach	13,455	13,528	1,076
4	Of which slotting approach	4,944	5,245	395
EU 4a	Of which equities under the simple risk weighted approach	1,534	1,506	123
5	Of which the advanced IRB (A-IRB) approach	141,598	151,556	11,328
6	<b>Counterparty credit risk - CCR</b>	<b>11,804</b>	<b>12,750</b>	<b>944</b>
7	Of which the standardised approach	2,101	2,596	168
8	Of which internal model method (IMM)	8,230	8,271	658
EU 8a	Of which exposures to a CCP	322	131	26
EU 8b	Of which credit valuation adjustment - CVA	1,137	1,612	91
9	Of which other CCR	14	141	1
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	<b>Settlement risk</b>	<b>270</b>	<b>359</b>	<b>22</b>
16	<b>Securitisation exposures in the non-trading book (after the cap)</b>	<b>7,914</b>	<b>6,433</b>	<b>633</b>
17	Of which SEC-IRBA approach	2,021	1,223	162
18	Of which SEC-ERBA (including IAA)	2,978	2,863	238
19	Of which SEC-SA approach	2,914	2,347	233
EU 19a	Of which 1250%/deduction	-	-	-
20	<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>11,487</b>	<b>11,219</b>	<b>919</b>
21	Of which the standardised approach	5,067	3,842	405
22	Of which IMA	6,420	7,377	514
EU 22a	<b>Large exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>
23	<b>Operational risk</b>	<b>31,127</b>	<b>30,566</b>	<b>2,490</b>
EU 23a	Of which basic indicator approach	1,085	1,256	87
EU 23b	Of which standardised approach	2,932	2,421	235
EU 23c	Of which advanced measurement approach	27,110	26,889	2,169
24	<b>Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)</b>	<b>17,355</b>	<b>17,471</b>	<b>1,388</b>
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	<b>Total</b>	<b>316,731</b>	<b>329,922</b>	<b>25,338</b>

# Group results

## Capital strengthening

With reference to the Additional Tier 1 instruments recognised in the "Equity Instruments" of Shareholders' Equity (so-called "Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes") on 3 June 2022 UniCredit S.p.A. exercised its option to early redeem in whole the Additional Tier 1 instruments issued in 2016 for a total amount of €500 million in accordance with the relevant terms and conditions of the securities; the notes called up have been redeemed at par, together with accrued and unpaid interests.

During the first half of 2022, no further issues of Additional Tier 1 instruments were placed.

For additional information concerning shares capital changes refer to chapter "Group and UniCredit share historical data series" of this Consolidated interim report on operations.

## Shareholders' equity attributable to the Group

The Shareholders' equity of the Group, including the net result of the period equal to +€2,285 million, amounted to €62,200 million as at 30 June 2022, compared to €62,185 million as at 31 December 2021.

The following table shows the main changes occurred in the first half of 2022.

### Shareholders' equity attributable to the Group

	(€ million)
<b>Shareholders' equity as at 31 December 2021</b>	<b>62,185</b>
Share buyback <sup>(*)</sup>	(1,495)
Dividends and other allocations	(1,174)
Equity instruments	(495)
Change in reserve related coupon on AT1 instruments	(157)
Change in the valuation reserve relating to the financial assets and liabilities at fair value <sup>(**)</sup>	(1,058)
Change in the valuation of hedging for financial risks	(354)
Change in the valuation of hedges of foreign investments <sup>(***)</sup>	(127)
Exchange differences reserve <sup>(****)</sup>	1,209
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans <sup>(*****)</sup>	1,382
Other changes	(1)
Net profit (loss) for the period	2,285
<b>Shareholders' equity as at 30 June 2022</b>	<b>62,200</b>

#### Notes:

(\*) In execution of the "Second Buy-Back Programme 2021" related to the distribution of 2020 and "First Tranche of the Buy-Back Programme 2021" related to the distribution of 2021.

(\*\*) Mainly due to government securities.

(\*\*\*) Referred to hedges of Ruble investment expired in May 2022.

(\*\*\*\*) This effect is mainly due to the impact of Russian Ruble for +€1,255 million.

(\*\*\*\*\*): Mainly referred to (i) the increase in DBO discount rate induced by the reduction in prices of High Quality Corporate Bonds, partially offset by plan assets performance; (ii) salary & pension trend increase in Germany and Austria to reflect outstanding macroeconomic scenario, characterized by a significant inflation pressure driven by energy and commodities prices.

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

For further information about the organisational structure, refer to part "L" of the Explanatory notes.

### Italy

#### Income statement, key ratios and indicators

ITALY	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Revenue	4,406	4,332	+ 1.7%	2,162	- 3.7%
Operating costs	(1,985)	(2,014)	- 1.5%	(989)	- 0.8%
Loan loss provisions (LLPs)	(29)	(472)	- 93.8%	(39)	n.m.
NET OPERATING PROFIT (LOSS)	2,392	1,845	+ 29.7%	1,134	- 9.8%
PROFIT (LOSS) BEFORE TAX	2,158	1,524	+ 41.6%	1,137	+ 11.3%
Customers loans (net Repos and IC)	172,170	172,235	- 0.0%	172,170	- 0.1%
Customers depots (net Repos and IC)	195,615	188,070	+ 4.0%	195,615	+ 0.6%
Total RWA Eop	128,228	139,723	- 8.2%	128,228	- 4.1%
EVA (€ million)	501	326	+ 53.7%	285	+ 31.7%
Absorbed Capital (€ million)	17,348	17,716	- 2.1%	17,117	- 2.6%
ROAC	+ 14.8%	+ 12.7%	+ 2.1 p.p.	+ 15.7%	+ 1.8 p.p.
Cost/Income	45.0%	46.5%	- 1.5 p.p.	45.7%	1.3 p.p.
Cost of Risk	3 bps	49 bps	- 46 bps	8 bps	10 bps
Full Time Equivalent (eop)	28,108	29,940	- 6.1%	28,108	- 0.4%

### Germany

#### Income statement, key ratios and indicators

GERMANY	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Revenue	2,551	2,251	+ 13.3%	1,188	- 12.8%
Operating costs	(1,281)	(1,368)	- 6.4%	(633)	- 2.2%
Loan loss provisions (LLPs)	(29)	29	n.m.	35	n.m.
NET OPERATING PROFIT (LOSS)	1,241	912	+ 36.1%	590	- 9.5%
PROFIT (LOSS) BEFORE TAX	982	610	+ 61.0%	577	+ 42.4%
Customers loans (net Repos and IC)	130,690	121,318	+ 7.7%	130,690	+ 1.6%
Customers depots (net Repos and IC)	148,463	133,906	+ 10.9%	148,463	+ 2.5%
Total RWA Eop	78,219	82,731	- 5.5%	78,219	- 5.1%
EVA (€ million)	291	(69)	n.m.	205	n.m.
Absorbed Capital (€ million)	10,584	10,477	+ 1.0%	10,444	- 2.6%
ROAC	+ 12.9%	+ 6.4%	+ 6.5 p.p.	+ 15.3%	+ 4.7 p.p.
Cost/Income	50.2%	60.8%	- 10.6 p.p.	53.3%	5.8 p.p.
Cost of Risk	4 bps	- 5 bps	9 bps	- 11 bps	- 30 bps
Full Time Equivalent (eop)	10,769	11,404	- 5.6%	10,769	- 1.5%

# Group results

## Central Europe

### Income statement, key ratios and indicators

(€ million)

CENTRAL EUROPE	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Revenue	1,627	1,475	+ 10.3%	844	+ 7.7%
Operating costs	(799)	(807)	- 1.0%	(400)	+ 0.3%
Loan loss provisions (LLPs)	14	(69)	n.m.	(26)	n.m.
NET OPERATING PROFIT (LOSS)	842	599	+ 40.6%	418	- 1.4%
PROFIT (LOSS) BEFORE TAX	667	472	+ 41.4%	418	+ 68.2%
Customers loans (net Repos and IC)	93,088	85,712	+ 8.6%	93,088	+ 2.0%
Customers depos (net Repos and IC)	91,334	87,761	+ 4.1%	91,334	- 1.2%
Total RWA Eop	59,057	55,831	+ 5.8%	59,057	- 3.3%
EVA (€ million)	210	128	+ 63.8%	172	n.m.
Absorbed Capital (€ million)	7,843	7,078	+ 10.8%	7,779	- 1.6%
ROAC	+ 13.5%	+ 11.5%	+ 2.0 p.p.	+ 17.1%	+ 7.1 p.p.
Cost/Income	49.1%	54.7%	- 5.6 p.p.	47.4%	- 3.5 p.p.
Cost of Risk	- 3 bps	16 bps	- 19 bps	11 bps	28 bps
Full Time Equivalent (eop)	10,233	10,971	- 6.7%	10,233	- 1.4%

## Eastern Europe

### Income statement, key ratios and indicators

(€ million)

EASTERN EUROPE	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Revenue	933	902	+ 3.4%	483	+ 7.5%
Operating costs	(396)	(380)	+ 4.3%	(202)	+ 4.3%
Loan loss provisions (LLPs)	(82)	(94)	- 12.8%	(84)	n.m.
NET OPERATING PROFIT (LOSS)	454	428	+ 6.1%	197	- 23.2%
PROFIT (LOSS) BEFORE TAX	411	376	+ 9.2%	188	- 15.6%
Customers loans (net Repos and IC)	30,931	28,012	+ 10.4%	30,931	+ 3.8%
Customers depos (net Repos and IC)	39,964	36,711	+ 8.9%	39,964	+ 1.8%
Total RWA Eop	28,263	26,037	+ 8.6%	28,263	+ 2.2%
EVA (€ million)	134	100	+ 34.1%	42	- 54.5%
Absorbed Capital (€ million)	3,350	3,224	+ 3.9%	3,439	+ 5.4%
ROAC	+ 17.8%	+ 15.8%	+ 2.0 p.p.	+ 14.7%	- 6.3 p.p.
Cost/Income	42.5%	42.1%	0.4 p.p.	41.9%	- 1.3 p.p.
Cost of Risk	55 bps	68 bps	- 13 bps	110 bps	112 bps
Full Time Equivalent (eop)	13,737	14,066	- 2.3%	13,737	- 0.4%



# Group results

## Russia

### Income statement, key ratios and indicators

(€ million)					
RUSSIA	H1		% CHANGE	2022 Q2	% CHANGE ON Q1 2022
	2022	2021			
Revenue	548	273	n.m.	319	+ 39.8%
Operating costs	(124)	(114)	+ 9.5%	(70)	+ 27.8%
Loan loss provisions (LLPs)	(1,121)	4	n.m.	111	n.m.
NET OPERATING PROFIT (LOSS)	(697)	163	n.m.	360	n.m.
PROFIT (LOSS) BEFORE TAX	(772)	152	n.m.	346	n.m.
Customers loans (net Repos and IC)	10,764	11,026	- 2.4%	10,764	+ 0.9%
Customers depos (net Repos and IC)	13,063	10,456	+ 24.9%	13,063	+ 2.9%
Total RWA Eop	18,295	11,365	+ 61.0%	18,295	- 13.0%
EVA (€ million)	(746)	-	n.m.	248	n.m.
Absorbed Capital (€ million)	2,336	1,463	+ 59.7%	2,556	+ 20.8%
ROAC	- 50.2%	+ 13.8%	- 64.1 p.p.	+ 52.6%	n.m.
Cost/Income	22.7%	41.7%	- 18.9 p.p.	21.9%	- 2.1 p.p.
Cost of Risk	n.m.	- 7 bps	n.m.	- 413 bps	n.m.
Full Time Equivalent (eop)	3,896	4,058	- 4.0%	3,896	- 1.5%

## Other information

### Group activities development operations and other corporate transactions

#### Transactions and initiatives involving shareholdings

##### Execution of the put option on the entire stake held in ABH Holdings S.A.

In November 2021, UniCredit S.p.A. exercised its put option right for the disposal of its entire stake in ABH Holdings S.A., equal to 9.9% of the share capital of the company, pursuant to the shareholders' agreement in force.

The shareholding was acquired in 2016, in the context of the disposal of its Ukrainian bank (Ukrsotsbank).

The closing of the transaction, originally expected in the first semester of 2022, will be finalised as soon as possible, in line with current laws and regulations.

The carrying value of the stake is aligned to the euro equivalent of the put option price (\$325 million). The price of the put option will be partially offset by the liability amount related to a guarantee given by UniCredit S.p.A. in the context of the disposal of Ukrsotsbank; the liability amount is already fully covered by specific provisions.

##### Completion of the disposal of the stake in Yapi Kredi

As communicated in April 2022, UniCredit S.p.A. completed the disposal of its remaining stake in Yapi ve Kredi Bankası A.S. to Koc Holding A.S., representing 18% of the issued share capital of the company.

Following such disposal, UniCredit S.p.A. is no longer a shareholder of Yapi ve Kredi Bankası A.S.

##### Merger by incorporation of Cordusio Sim S.p.A. in UniCredit S.p.A.

The merger for the incorporation of Cordusio SIM S.p.A. into UniCredit S.p.A. took effect on May 2022.

The merger is part of the broader reorganization process of the Group, aimed at simplifying the structure and better exploiting the operational, administrative and corporate synergies, making it possible to complete the concentration within UniCredit of the activities previously carried out by Cordusio SIM and allowing for a rationalization and optimization of decision-making levels, resource management and structural costs.

##### Sale of the stake in La Villata S.p.A. Immobiliare di Investimento e Sviluppo

In June 2022, UniCredit S.p.A. sold the stake (32.5% represented by preference shares) owned in "La Villata S.p.A. Immobiliare di Investimento e Sviluppo" (purchased in April 2020), a real estate company controlled by Esselunga Group that owns most of the real estate properties that hosts the Group's stores; during the holding period, the aforementioned stake, sold at a price of 435 million in line with its carrying value, distributed dividends to UniCredit for a total amount of 60.2 million.

#### Sale initiatives of non-performing portfolios

##### Sale of an Italian Corporate non-performing credit portfolio

On 18 January 2022 UniCredit S.p.A. reached an agreement with a securitisation vehicle managed by KRUK Group in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing corporate credit portfolio both secured and unsecured, in Italy.

The portfolio consists entirely of Italian Non-Performing Exposures with a claim value of approximately €222 million, a gross book value at the transfer date of €148 million and a net book value, at the transfer date, of €23 million.

The impacts were recognised in the first quarter 2022 financial statements.

##### UniCredit successfully completed the transfer a NPL Portfolio with claim amount of €1.1 billion to ITACA

On 15 June 2022, as part of its program of non-performing exposures reduction, UniCredit S.p.A. informed that on 3 May 2022 completed the transfer of €0.9 billion in terms of gross book value (€1.1 billion total claim amount) of a NPL Portfolio including both secured and unsecured loans to a securitisation vehicle (ITACA SPV S.r.l., "Itaca") with the transaction ("Securitisation") structured by UniCredit Bank AG as Sole Arranger.

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

UniCredit Bank AG is the Placement and Settlement Agent of the mezzanine and junior notes, and cap and liquidity line provider.

On 6 May 2022 Itaca issued three classes of notes Asset Backed Secured (ABS): €125 million senior note, €24 million mezzanine note and €6 million junior note, fully subscribed by UniCredit S.p.A.

The senior notes are rated Baa2/BBB by Moody's and Scope respectively,

## Other information

The Securitisation has been structured for complying with the GACS (Garanzia sulle Cartolarizzazioni delle Sofferenze) law in order to obtain the GACS guarantee on the senior note.

On 8 June 2022 UniCredit sold the 95% of the mezzanine and junior notes to a financial institution not belonging to UniCredit group, while retaining the minimum 5% net economic interest in Itaca as required by regulation for originators.

Following the completion of this agreement, UniCredit proceeded with the derecognition of the transferred loans from the Assets.

As at 30 June 2022, the total amount of the notes owned by UniCredit S.p.A. is equal to €125.5 million (€125 million of senior note recorded under item "30. Financial assets at fair value through other comprehensive income", €0.5 million of mezzanine and junior notes recorded under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value").

The impacts were recognised in the second quarter 2022 financial statements.

UniCredit has notified the ECB of its intention to recognise "Significant Risk Transfer" in connection with the sale starting from 30 June 2022.

### UniCredit and Prelios sign partnership for management of Unlikely-To Pay loans

On 29 June 2022, at the conclusion of the competitive selection process launched in the last quarter of 2021, UniCredit informed that signed with Prelios an agreement for the specialized management of Unlikely-To Pay (UTP) loans.

The agreement with Prelios, a leading market operator, has as its main objective the maximization of returns to performing and the resulting positive impact on the bank's customers, with direct benefits on the real economy and the Italian productive and social environment. It also represents for UniCredit an important part of the strategy to enhance the value of the non-performing portfolio, while allowing a reduction in the stock of impaired loans.

The long-term agreement calls for Prelios to be the preferred partner in the management of UTP loans in the corporate segment held by UniCredit: an initial stock under management for the year 2022 will be complemented by future flows of new UTP loans for the next six years.

*"The partnership with Prelios represents a significant step forward in addressing the potential post-pandemic aftermath of Italian companies in a structural manner. We are constantly committed to identify the most effective tools to support our customers, in this case favoring their return to better performance along a path of economically sustainable growth over time"* Andrea Orcel, CEO of UniCredit commented.

*"The choice of UniCredit strengthens our position as market leader in the management of UTP credits"* stated Fabrizio Palenzona, President of the Prelios group, *"and allows us to support the real economy of our country, helping to bring the largest possible number of companies back to performing. This is the mission that Prelios pursues with strength and with even greater determination and efficiency, collaborating with credit institutions and all those involved. Personally, finding myself as a partner of the bank I helped to found is a source of great pride and equal responsibility"*.

At the same time, Prelios advised UniCredit in the sale and securitization of an UTP loan portfolio, mainly in the Corporate and SME segments, to a securitisation vehicle (Altea SPV S.r.l., "Altea") amounting to approximately €2 billion gross of value adjustments, for which Prelios is Master and Special servicer.

UniCredit was assisted by PwC and Deloitte as financial advisors, by Chiomenti, BonelliErede and Uniqlegal as legal advisors.

Prelios was assisted by Bain & Company as strategic advisor, KPMG and EY as financial advisors, CRCCD and Linklaters as legal advisors.

On 21 June 2022 Altea issued three classes of Asset Backed Secured (ABS) notes: €552 million senior note, €162 million mezzanine note and €22 million junior note, fully subscribed by UniCredit S.p.A.

On 24 and 27 June 2022 UniCredit sold the 95% of the mezzanine and junior notes to financial institutions not belonging to UniCredit group (mainly to the American fund Christofferson, Robb and Company), while retaining the minimum 5% net economic interest as required by regulation for originators.

Following the completion of this agreement, as at 30 June 2022 UniCredit proceeded with (i) the derecognition of the transferred loans from the Assets, and (ii) the recognition of the notes held by UniCredit for a total amount of €561 million (senior note for €552 million recorded under item "40. Financial assets at amortised cost, mezzanine and junior notes for €9 million recorded under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value").

The impacts were recognized in the second quarter 2022 financial statements.

UniCredit has notified the ECB of its intention to recognise "Significant Risk Transfer" in connection with the sale starting from 30 June 2022.

### UniCredit announces the sale to illimity of an Italian non-performing loans portfolio

As part of its program of non-performing exposures reduction, on 30 June 2022 UniCredit informed that reached an agreement with a securitisation vehicle managed by illimity S.p.A. ("illimity") in relation to the disposal on a non-recourse basis (pro-soluto) of a mixed non-performing loans portfolio.

The portfolio consists entirely of Italian non-performing exposures both secured and unsecured with a total claim value of approximately €1.3 billion, a gross book value at the transfer date of €446 million and a net book value, at the transfer date, of €74 million.

The impacts were recognized in the second quarter 2022 financial statements.

## Other information

### Other information on Group activities

#### FINO project

In relation to the FINO Project (started in 2016 and completed in 2018), as at 31 December 2021, following the redemptions made, the Notes (Asset Backed Securities) owned by UniCredit S.p.A. amount totally €106 million (€71 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 €35 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).

In first half 2022 the evaluation of the notes classified among other assets mandatorily at fair value led to a negative impact of €4 million, while for the Notes classified among financial assets at fair value through other comprehensive income an impairment has been recognised for €5 million, due to the change in estimation of expected cash flows of the underlying securitised loans.

The receivables related to the Deferred Subscription Price (DSP/Deferred Purchase Price-DPP), owed to UniCredit S.p.A. by third-party entities belonging to the relevant third-party investor's groups, and deriving from the securitisation transactions completed during 2017, have been fully reimbursed in 2020, according to the contractual provisions.

#### 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 2022, following the redemptions made, the total amount of the Notes owned by UniCredit S.p.A. amount to €608 million (of which €606 million recorded under item "30. Financial assets at fair value through other comprehensive income" pertaining to the Senior securities, and €2 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 Mezzanine securities and the Junior Notes).

During the first half 2022, with reference to the notes recorded among the Other financial assets mandatorily at fair value" was recognised in the Income statement a negative impact for €1 million, while for the Notes classified among Financial assets at fair value through other comprehensive income no impairment has been recognised in the Income statement.

#### Relais transaction

In relation to Relais transaction, realised in the fourth quarter 2020, as part of its program to accelerate the Non Core portfolio rundown, UniCredit Leasing S.p.A. (UCL) completed the transfer of €1.6 billion claim of an Italian non-performing real estate lease portfolio to a securitisation vehicle Relais SPV S.r.l., issuer of the Asset Backed Secured Notes (senior, mezzanine e junior), it should be noted that as at 30 June 2022, following the redemptions made, the notes amount to €391 million (senior note for €370 million held by UniCredit S.p.A. and for €20 million held by UCL recognised in item "30. Financial asset at fair value through other comprehensive income", mezzanine and junior notes for €1 million held by UCL and recognised under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value").

During the first half 2022, with reference to the Notes recorded among the "Other financial assets mandatorily at fair value" no significant amount was recognised in the Income statement, while for the note classified among Financial assets at fair value through other comprehensive income no impairment has been recognised in the Income statement.

#### Olympia transaction

In the fourth quarter 2021, as part of its program to finalise the Non Core portfolio run-down, UniCredit S.p.A. completed the transfer of €1.6 billion in terms of gross book value (€2.1 billion total claim amount) of a NPL Portfolio including both secured and unsecured loans to a securitisation vehicle (Olympia SPV S.r.l., "Olympia") through a securitization.

In November 2021 Olympia issued notes (senior, mezzanine and junior) fully subscribed by UniCredit S.p.A. On 9 December 2021 UniCredit sold the 95% of the mezzanine and junior notes to a financial institution not belonging to the Group, while retaining the 5% required by regulation as Originator net economic interest in Olympia. Consequently, UniCredit proceeded with the derecognition of the transferred loans from the Assets. With reference to the regulatory treatment applied, following the notification to the European Central Bank, starting from the fourth quarter 2021, UniCredit represents the related significant risk transfer when reporting the transaction above outlined.

On 28 February 2022, the Ministry of Economy and Finance granted the GACS guarantee on the senior note.

## Other information

As at 30 June 2022, following the redemptions made, the senior notes owned by UniCredit S.p.A. recorded under item "30. Financial assets at fair value through other comprehensive income" amount to €261 million, while the mezzanine and junior notes recorded under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" amount to €1 million.

During the first half 2022, with reference to the notes recorded among the Other financial assets mandatorily at fair value" and the notes classified among Financial assets at fair value through other comprehensive no material impacts have been recognised in the Income statement.

### **Issue of a dual tranche Senior Preferred Notes for a total amount of €1.75 billion**

On 11 January 2022 UniCredit S.p.A. launched a dual tranche Senior Preferred €1.25 billion with 6 years maturity, callable after 5 years, and €500 million with 10 years maturity.

The amount issued is part of the 2022 Funding Plan and confirms once again UniCredit's ability to access the market in different formats.

### **Sale of equity investment in Optima Telekom**

On 21 January 2022, as all necessary regulatory approvals and all other conditions for transactions completion have been met, Zagrebačka banka signed the Share Transfer Agreement with Telemach Hrvatska for the transfer of 36.90% of Optima Telekom shares.

Based on the above, the company was therefore deconsolidated since January 2022.

### **Strengthening of the partnership between UniCredit and Allianz in Italy and abroad**

On 28 January 2022 UniCredit and Allianz announced having signed a multi-country framework agreement, setting the basis for enhanced collaboration benefiting clients of both companies. The agreement covers UniCredit's footprint in Italy, Germany, Central and Eastern Europe and appropriately recognises both partners' contribution to the value that is being created. The agreement encompasses joint investments aimed at integrating and accelerating the digitalization of our processes. It will also pave the way for a cooperation between the two groups in the insure-banking business, allowing UniCredit to offer its best-in-class banking products to customers on Allianz's open platform in Germany, Italy and other jurisdictions.

### **Republic of Slovenia - law for restructuring consumer loans denominated in CHF**

On 2 February 2022, the National Assembly of Republic of Slovenia approved a law aimed at restructuring consumer loans denominated in CHF, or those contractually linked to CHF, originated between 28 June 2004 and 31 December 2010, effectively retroactively introducing a 10% exchange rate cap which limits the amount to be repaid by customers, as capital or interest, following revaluation of the CHF against the EUR.

During the first half of 2022, Slovenian banks filed a petition to the Slovenian Constitutional court to verify the constitutionality of the law also asking, pending the final ruling by the Court, the suspension of its effects.

As of 30 June 2022 no provision has been recognized in light of (i) the circumstance that the Slovenian Constitutional court, admitting the request by the banks, suspended the effects of the law and (ii) the assessment, supported by an external counsel, of the likelihood that the law will be abrogated by the Constitutional court.

### **Compliance with capital requirements set by ECB**

On 3 February 2022 it was announced that, following the communication received from the ECB in relation to the 2021 Supervisory Review and Evaluation Process (SREP), UniCredit's Pillar 2 Capital Requirement (P2R) is confirmed at 175 basis points.

Since 1 March 2022 UniCredit shall respect the capital requirements on a consolidated basis, unchanged with respect to those previously applied. For further details refer to the paragraph "Capital and value management - Capital ratios" of this Consolidated interim report on operations.

### **Conclusion of the Second Buy-Back Programme 2021 related to the 2020 distribution**

UniCredit S.p.A. announced that on 28 February 2022 the share buy-back programme communicated to the market on 9 December 2021 and initiated on 13 December 2021, in execution of the resolution of the shareholders' meeting held on 15 April 2021 which approved the share buy-back programme for a maximum amount of Euro 651,573,111.00 and for a number of UniCredit shares not exceeding 110,000,000 (the "Second Buy-Back Programme 2021"), has been completed.

Under the Second Buy-Back Programme 2021 related to the 2020 distribution, UniCredit purchased in aggregate No.48,536,221.00 shares, equal to 2.18% of the share capital, for a total consideration of Euro 651,573,103.92.

## Other information

### Early redemption of notes for €500 million

On 21 April 2022 UniCredit announced the early redemption of notes, issued on 21 December 2016 (ISIN XS1539597499) for a nominal value of €500 million, in accordance with the relevant Terms and Conditions of the notes themselves. UniCredit S.p.A. exercised its option to early redeem in whole the notes on 3 June 2022 (the first call date). The early redemption of the issue was at par, together with accrued and unpaid interests. The interests ceased to accrue on the same first call date.

### S&P affirmed issuer rating at “BBB”. Outlook remains “positive”

On 27 April 2022 it has been announced that the rating agency S&P Global Ratings (“S&P”) has affirmed UniCredit S.p.A.’s “BBB” long- and “A-2” short-term Issuer Credit Ratings. The outlook remained at “positive”. The instrument ratings have been affirmed as well.

### Above MREL requirements set by Resolution Authorities

On 5 May 2022 it has been announced that, following the communication received by the Single Resolution Board (SRB) and Banca d'Italia, the Minimum Requirements for Own Funds and Eligible Liabilities (MREL) to be applied to UniCredit S.p.A. on a consolidated basis. As at first quarter 2022, UniCredit was well above these requirements.

### Launch of the Share Buy-Back Programme related to the 2021 distribution

Last May 2022 UniCredit S.p.A. announced, as per the authorisation granted by the Shareholders' Meeting of the Company held on 8 April 2022, that it has defined the measures for the execution of the first tranche of the share buy-back programme for a maximum amount of €1,580 million and for a number of UniCredit ordinary shares not exceeding 215,000,000 (the “First Tranche of the Buy-Back Programme 2021” related to the 2021 distribution).

The First Tranche of the Buy-Back Programme 2021 was authorised by the ECB.

For further information refer to paragraphs “Group and UniCredit share historical data series” and “Subsequent events” of this Consolidated interim report on operations.

## Organisational model

### Significant organisational changes in the first half of 2022

#### Organisational structure

In the first half of 2022, coherently with the simplification and accountability path of each area of the Bank, the “Empowerment Italy - Credit Delegations” project has been launched with the aim of increasing the credit delegated powers of the Business maintaining, at the same time, an adequate risk presidium.

Within the project, organizational changes have been made regarding the shift of the **territorial “Poli Creditizi”**, in the first phase, and of the **territorial “Credit Hub”** and related responsibilities, in the second phase (effective since 27 June 2022), from Group Risk Management (Risk Italy) function to hierarchical report to the different Regions within Italy (Italy Network) perimeter, with the assignment of new delegated powers to Business and with a functional reporting line to Risk Italy.

Furthermore Group Risk Management, Italy, Group Client Solutions structures and impacted managerial Committees responsibilities have been updated due to Credit process review.

## Other information

### Conversion of deferred tax assets (DTAs) into tax credits

Referring to financial year 2021, UniCredit S.p.A. and UniCredit Leasing S.p.A. registered a profit in their separate financial statements, hence during 2022 they did not convert Deferred Tax Assets (DTA) into tax credits.

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 starting by the Tax Group from 1 January 2008;
  - IRAP paid registered starting from 1 January 2013 by Legal Entities included in the Tax Group with convertible DTAs;
  - substitute taxes that generated convertible DTAs.

The fee due for the financial year 2022 has been paid on 24 June 2022 for an overall amount of €103.8 million relating to the whole Italian Tax Group, of which €99.6 million for UniCredit S.p.A., €4.0 million for UniCredit Leasing S.p.A. and €0.2 million for UniCredit Factoring S.p.A.

### Certifications and other communications

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

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

- a) according to the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex Art.136 CBA" adopted by the Board of Directors of UniCredit S.p.A. on 8 June 2021, and published on the website [www.unicreditgroup.eu](http://www.unicreditgroup.eu), in the first half 2022 the Bank's Presidio Unico received no report of transaction of greater importance ended in the period;
- b) in the first half of 2022, 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 2022, 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 2022.



# Subsequent events and outlook

## Subsequent events<sup>11</sup>

On 14 July 2022 the First Tranche of the Buy-Back Programme 2021 related to the 2021 distribution was concluded and the shares acquired were cancelled on 19 July 2022.

For additional information refer to paragraphs "Other information on Group activities" and "Group and UniCredit share historical data series" of this Consolidated interim report on operations.

On 4 June 2022, the Hungarian government adopted a new government decree introducing sector-specific taxes for companies viewed by the government as generating "extra profits" in the current adverse economic situation. Among other sectors, the extra profit tax is levied on banking and insurance.

Banks and financial enterprises will have to declare and pay extra tax for tax years 2022 (10%) and 2023 (8%) on a taxable basis which considers interest received minus interest paid, plus certain additional items, such as income from investment services.

With reference to the year 2022, the amount to be settled is: (i) equal to HUF15.8 billion (€42 million); (ii) according to the law requirements, due if both positive net revenues were recognised as at 31 December 2021 and the banking license exists as at 1 July 2022 (entry into force of the law). As a result, the obligating event requested by IFRIC21 for the recognition of a levy is not met as at 30 June 2022 (the related expense is recognised in July 2022, under line item "190. Administrative expenses: b) other administrative expenses").

In December 2021, UniCredit Banka Slovenija d.d. Management and Supervisory Boards approved the disposal of 100% share held in UniCredit Leasing, leasing, d.o.o. resulting in the classification of the related assets and liabilities as "Held for Sale", given the fulfilment of IFRS5 conditions. During 2022, based on the offers received, UniCredit Banka Slovenija d.d. confirmed the interest to exclusively negotiate with a specific counterparty and a Share Purchase Agreement was subsequently concluded on 16 June 2022; however, since the regulatory authorization for the closing of the transaction was not yet obtained as at 30 June 2022, the derecognition of UniCredit Leasing, leasing, d.o.o. net assets was not executed as of the same date, thus being the net assets of the company still classified as held for sale.

The closing of the transaction occurred on 22 July 2022 and, as at such date, UniCredit Leasing, leasing, d.o.o. net assets were deconsolidated.

<sup>11</sup> Up to the date of approval by the Board of Directors' Meeting of 26 July 2022 which, on the same date, authorised the publication also in accordance with IAS10.



## Subsequent events and outlook

### Outlook

The latest economic indicators point to a deterioration in the economic outlook, especially for the manufacturing sector. Global GDP is expected to be impacted by the inflation that continues to move upside and monetary stimulus that is withdrawn globally.

In the euro area, economic activity is expected to be weak in the second half of the year, amid a slowdown in world trade, persistently high energy costs as a result of increasing uncertainty regarding energy supply and tightening financing conditions. Inflation will remain high until the end of the year and is then projected to show a clear deceleration throughout the course of 2023. In Italy, a slowdown in private consumption growth is expected as household purchasing power deteriorates, partly offset by the possibility of using excess savings accumulated during the pandemic to support spending. The increase in financing costs for the private sector will weaken domestic demand, particularly from 2023.

The European Central Bank (ECB) is expected to continue the rate tightening cycle that it began at its July meeting in order to counter the risk of a de-anchoring of inflation expectations. The anti-fragmentation tool announced by the ECB is expected to ensure the homogeneous transmission of monetary policy while the tightening cycle is implemented.

The outlook is surrounded by risks, mainly related to a cessation of gas supply from Russia.

The Group has entered this phase, in which challenges are expected for the global economy, with a resilient and profitable model, a high capitalization and with prudent level of provisions already in place. These characteristics will contribute in maintaining the strong stability of the Group, which will remain focused on the implementation of the 2022-24 Strategic Plan and continue to support the communities in which the Group operates, customers and the financial system.

Milan, 26 July 2022

CHAIRMAN  
PIETRO CARLO PADOAN



THE BOARD OF DIRECTORS

CEO  
ANDREA ORCEL





## Consolidated accounts

### Notes to the consolidated accounts

It should be noted that 2021 comparative figures have been recasted, when relevant, in order to reflect (i) the Banca d'Italia Circular 262 updates, in particular changes referred to table related to commissions; and (ii) the impacts arising from the exit of UniCredit Leasing S.p.A. and its controlled company and of UniCredit Leasing GMBH and its controlled companies out of the non-current assets held for sale.

These impacts referred in particular to the reallocation to proper items of assets and liabilities, previously classified in Asset and Liabilities held for sale, and the recognition of a positive impact into Profit 2021 for €556 million mainly due to the reversal of impairment booked in the fourth quarter of 2021 following the classification into non-current assets held for sale (IFRS5).

For the further details refer to Explanatory notes, Part A, Accounting policies, A.1 - General, Section 2 - General preparation criteria.

### Consolidated balance sheet

ASSETS	AMOUNTS AS AT	
	06.30.2022	12.31.2021
10. Cash and cash balances	122,114	107,407
20. Financial assets at fair value through profit or loss:	84,695	92,247
a) financial assets held for trading	74,668	80,109
b) financial assets designated at fair value	290	279
c) other financial assets mandatorily at fair value	9,737	11,859
30. Financial assets at fair value through other comprehensive income	63,460	68,586
40. Financial assets at amortised cost:	639,396	605,063
a) loans and advances to banks	109,935	91,404
b) loans and advances to customers	529,461	513,659
50. Hedging derivatives	2,650	3,065
60. Changes in fair value of portfolio hedged items (+/-)	(3,747)	1,600
70. Equity investments	4,014	4,073
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	9,400	9,510
100. Intangible assets	2,263	2,234
<i>of which: goodwill</i>	-	-
110. Tax assets:	12,743	13,702
a) current	1,971	1,976
b) deferred	10,772	11,726
120. Non-current assets and disposal groups classified as held for sale	802	2,400
130. Other assets	7,966	7,340
<b>Total assets</b>	<b>945,756</b>	<b>917,227</b>

(€ million)

## Consolidated accounts

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	
	06.30.2022	12.31.2021
10. Financial liabilities at amortised cost:	799,304	762,153
a) deposits from banks	181,883	163,515
b) deposits from customers	531,439	502,740
c) debt securities in issue	85,982	95,898
20. Financial liabilities held for trading	53,882	51,608
30. Financial liabilities designated at fair value	9,417	9,556
40. Hedging derivatives	3,208	4,303
50. Value adjustment of hedged financial liabilities (+/-)	(13,705)	963
60. Tax liabilities:	1,533	1,223
a) current	846	627
b) deferred	687	596
70. Liabilities associated with assets classified as held for sale	553	619
80. Other liabilities	20,948	13,604
90. Provision for employee severance pay	406	520
100. Provisions for risks and charges:	7,586	10,028
a) commitments and guarantees given	1,513	1,427
b) post-retirement benefit obligations	3,002	4,742
c) other provisions for risks and charges	3,071	3,859
110. Technical reserves	-	-
120. Valuation reserves	(3,245)	(4,336)
130. Redeemable shares	-	-
140. Equity instruments	6,100	6,595
150. Reserves	33,367	31,451
160. Share premium	3,516	5,446
170. Share capital	21,220	21,133
180. Treasury shares (-)	(1,043)	(200)
190. Minority shareholders' equity (+/-)	424	465
200. Profit (Loss) for the period (+/-)	2,285	2,096
<b>Total liabilities and shareholders' equity</b>	<b>945,756</b>	<b>917,227</b>

(€ million)

## Consolidated accounts

## Consolidated income statement

ITEMS	AS AT	
	06.30.2022	06.30.2021
10. Interest income and similar revenues	6,983	6,148
<i>of which: interest income calculated with the effective interest method</i>	5,467	4,843
20. Interest expenses and similar charges	(2,161)	(1,727)
<b>30. Net interest margin</b>	<b>4,822</b>	<b>4,421</b>
40. Fees and commissions income	4,154	3,953
50. Fees and commissions expenses	(675)	(586)
<b>60. Net fees and commissions</b>	<b>3,479</b>	<b>3,367</b>
70. Dividend income and similar revenues	314	200
80. Net gains (losses) on trading	53	948
90. Net gains (losses) on hedge accounting	207	42
100. Gains (Losses) on disposal and repurchase of:	211	181
a) financial assets at amortised cost	119	59
b) financial assets at fair value through other comprehensive income	62	125
c) financial liabilities	30	(3)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	496	(293)
a) financial assets/liabilities designated at fair value	977	(253)
b) other financial assets mandatorily at fair value	(481)	(40)
<b>120. Operating income</b>	<b>9,582</b>	<b>8,866</b>
130. Net losses/recoveries on credit impairment relating to:	(1,276)	(533)
a) financial assets at amortised cost	(1,248)	(535)
b) financial assets at fair value through other comprehensive income	(28)	2
140. Gains/Losses from contractual changes with no cancellations	(5)	(1)
<b>150. Net profit from financial activities</b>	<b>8,301</b>	<b>8,332</b>
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
<b>180. Net profit from financial and insurance activities</b>	<b>8,301</b>	<b>8,332</b>
190. Administrative expenses:	(5,172)	(5,303)
a) staff costs	(2,913)	(2,977)
b) other administrative expenses	(2,259)	(2,326)
200. Net provisions for risks and charges:	112	(141)
a) commitments and financial guarantees given	(5)	20
b) other net provisions	117	(161)
210. Net value adjustments/write-backs on property, plant and equipment	(369)	(383)
220. Net value adjustments/write-backs on intangible assets	(256)	(237)
230. Other operating expenses/income	302	291
<b>240. Operating costs</b>	<b>(5,383)</b>	<b>(5,773)</b>
250. Gains (Losses) of equity investments	156	(2)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	16	19
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals on investments	22	1
<b>290. Profit (Loss) before tax from continuing operations</b>	<b>3,112</b>	<b>2,577</b>
300. Tax expenses (income) for the period from continuing operations	(807)	(645)
<b>310. Profit (Loss) after tax from continuing operations</b>	<b>2,305</b>	<b>1,932</b>
320. Profit (Loss) after tax from discontinued operations	3	1
<b>330. Profit (Loss) for the period</b>	<b>2,308</b>	<b>1,933</b>
340. Minority profit (loss) for the period	(23)	(12)
<b>350. Parent Company's profit (loss) for the period</b>	<b>2,285</b>	<b>1,921</b>
Earnings per share (€)	1.044	0.849
Diluted earnings per share (€)	1.037	0.844

## Consolidated accounts

## Consolidated statement of other comprehensive income

(€ million)

ITEMS	AS AT	
	06.30.2022	06.30.2021
<b>10. Profit (Loss) for the period</b>	<b>2,308</b>	<b>1,933</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>	<b>1,699</b>	<b>639</b>
20. Equity instruments designated at fair value through other comprehensive income	47	87
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	180	30
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	81	180
60. Intangible assets	-	-
70. Defined-benefit plans	1,381	337
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	10	5
<b>Other comprehensive income after tax reclassified to profit or loss</b>	<b>(626)</b>	<b>(66)</b>
100. Foreign investments hedging	(127)	-
110. Foreign exchange differences	1,208	239
120. Cash flow hedging	(359)	(86)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(1,296)	(231)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	(52)	12
<b>170. Total other comprehensive income after tax</b>	<b>1,073</b>	<b>573</b>
<b>180. Other comprehensive income (Item 10+170)</b>	<b>3,381</b>	<b>2,506</b>
190. Minority consolidated other comprehensive income	(6)	(14)
<b>200. Parent Company's consolidated other comprehensive income</b>	<b>3,375</b>	<b>2,492</b>

## Consolidated accounts

## Statement of changes in the consolidated shareholders' equity as at 30 June 2022

(€ million)

	BALANCE AS AT 12.31.2021	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2022	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN RESERVES	CHANGES IN THE PERIOD										TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2022	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2022	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2022	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS		SHAREHOLDERS' EQUITY TRANSACTIONS													OTHER COMPREHENSIVE INCOME FIRST HALF 2022
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS						
Share capital:	21,300	-	21,300	-	-	2	87	-	-	-	-	-	-	-	-	21,389	21,220	169		
- ordinary shares	21,300	-	21,300	-	-	2	87	-	-	-	-	-	-	-	-	21,389	21,220	169		
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Share premium	5,542	-	5,542	-	-	(1,929)	-	-	-	-	-	-	-	-	-	3,613	3,516	97		
Reserves:	31,621	-	31,621	908	-	1,050	(87)	-	-	-	-	-	24	-	-	33,516	33,367	149		
- from profits	22,958	-	22,958	908	-	(21)	(87)	-	-	-	-	-	-	-	-	23,758	23,736	22		
- other	8,663	-	8,663	-	-	1,071	-	-	-	-	-	-	24	-	-	9,758	9,631	127		
Valuation reserves	(4,334)	-	(4,334)	-	-	2	-	-	-	-	-	-	-	-	1,073	(3,259)	(3,245)	(14)		
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Equity instruments	6,595	-	6,595	-	-	-	-	-	-	-	(495)	-	-	-	-	6,100	6,100	-		
Treasury shares	(200)	-	(200)	-	-	-	652	(1,495)	-	-	-	-	-	-	-	(1,043)	(1,043)	-		
Profit (Loss) for the period	2,126	-	2,126	(908)	(1,218)	-	-	-	-	-	-	-	-	-	2,308	2,308	2,285	23		
Total shareholders' equity	62,650	-	62,650	-	(1,218)	(875)	652	(1,495)	-	-	(495)	-	24	-	3,381	62,624	62,200	424		
Group shareholders' equity	62,185	-	62,185	-	(1,174)	(872)	652	(1,495)	-	-	(495)	-	24	-	3,375	62,200				
Minority shareholders' equity	465	-	465	-	(44)	(3)	-	-	-	-	-	-	-	-	6	424				

The amounts disclosed in column "Stock Options" represent the effects of the delivery of shares connected with the ESOP Plans and other Group Executive Incentive Plans.

The cumulated change of valuation reserves, for +€1,075 million, mainly includes the effect of the variation for:

- +€1,382 million of defined-benefit plans related to pensions and other post-retirement benefits obligations and provision for employee severance pay;
- +€1,208 million of exchange differences, mainly related to effect of Russian Ruble for +€1,255 million;
- +€79 million of property, plant and equipment related to the properties used in business, ruled by IAS16 "Property, plant and machinery";
- -€41 million of investments valued at net equity;
- -€127 million of hedges of foreign investments;
- -€359 million of cash-flow hedges;
- -€1,068 million of financial asset and liabilities at fair value.

The change in Group share capital refers to the increase for +€87 million following the resolution of the Board of Directors of 15 February 2022 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 8 April 2022 occurred: (i) the allocation of the net profit of the year 2021 to the Reserve for the issue of the shares connected to the medium term incentive plan for Group personnel (€65 million) and to the Statutory reserve (€9,127 million); (ii) coverage of the negative reserves totaling €380 million, partly buy use of Share premium reserve to eliminate the negative components related to the payment of AT1 coupons (€350 million) and partly by use of the Statutory reserve to cover the negative reserve emerged from the cash-out related to the usufruct contract connected to the "Cashes" financial instruments (€30 million); (iii) the allocation of part of the Share Premium Reserve (€1,580 million) to specific unavailable reserve in relation to the purchases of treasury shares in execution of "First Tranche of the Buy-Back Programme 2021" related to the distribution of 2021, authorised by ECB on 3 May 2022.

The change of the other reserves includes the payment of coupons on AT1 equity instruments for -€157 million.

Moreover, the negative changes in the year of the item "Treasury shares" for -€452 million refer to the purchases of UniCredit S.p.A. ordinary shares executed upon completion of the "Second Buy-Back Programme 2021" related to the distribution of 2020. These purchased shares together with the treasury shares purchased in 2021 in execution of the above mentioned Buy-Back Programme (€199 million) were cancelled without reducing the share capital on 2 March 2022 for the overall amount of €651 million corresponding to the maximum expenditure authorised. It is conventionally reported in the column "Issue of new shares". Furthermore, the negative change of the item "Treasury shares" for -€1,043 million is the purchase of ordinary shares, settled by 30 June 2022, under execution of "First Tranche of the Buy-Back Programme 2021" related to the distribution of 2021.

For the further details refer to Consolidated first half financial report as at 30 June 2022, Group and UniCredit share historical data series, Share information. 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 2021

(€ million)

	BALANCE AS AT 12.31.2020	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2021	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE PERIOD										TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2021	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2021	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2021
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS								OTHER COMPREHENSIVE INCOME FIRST HALF 2021			
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS				
Share capital:	21,229	-	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" represented the effects of the delivery of 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 referred 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 included the payment of coupons on AT1 equity instruments for -€165 million.

The change in the period in the item "treasury shares" related 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.



## Consolidated accounts

## Consolidated cash flow statement (indirect method)

			(€ million)
			AS AT
			06.30.2022 06.30.2021
<b>A. OPERATING ACTIVITIES</b>			
<b>1. Operations:</b>		<b>2,500</b>	<b>5,313</b>
- profit (loss) for the period (+/-)		2,308	1,933
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)		(3,702)	(79)
- gains (losses) on hedge accounting (-/+)		(207)	(42)
- net impairment losses/writebacks on impairment for credit risk (+/-)		2,715	1,844
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)		609	602
- net provisions for risks and charges and other expenses/income (+/-)		(280)	(105)
- uncollected net premiums (-)		-	-
- other uncollected insurance income/expenses (-/+)		-	-
- unpaid duties, taxes and tax credits (+/-)		743	564
- impairment/write-backs after tax on discontinued operations (+/-)		-	-
- other adjustments (+/-)		314	596
<b>2. Liquidity generated/absorbed by financial assets:</b>		<b>(22,915)</b>	<b>(7,069)</b>
- financial assets held for trading		13,651	(8,125)
- financial assets designated at fair value		(59)	(28)
- other financial assets mandatorily at fair value		1,677	691
- financial assets at fair value through other comprehensive income		3,782	1,417
- financial assets at amortised cost		(31,547)	788
- other assets		(10,419)	(1,812)
<b>3. Liquidity generated/absorbed by financial liabilities:</b>		<b>38,391</b>	<b>21,556</b>
- financial liabilities at amortised cost		33,291	13,293
- financial liabilities held for trading		(2,733)	4,239
- financial liabilities designated at fair value		1,145	(957)
- other liabilities		6,688	4,981
<b>Net liquidity generated/absorbed by operating activities</b>		<b>17,976</b>	<b>19,800</b>
<b>B. INVESTMENT ACTIVITIES</b>			
<b>1. Liquidity generated by:</b>		<b>314</b>	<b>345</b>
- sales of equity investments		-	18
- collected dividends on equity investments		125	112
- sales of property, plant and equipment		186	186
- sales of intangible assets		-	-
- sales of subsidiaries and business units		3	29
<b>2. Liquidity absorbed by:</b>		<b>(446)</b>	<b>(457)</b>
- purchases of equity investments		(5)	-
- purchases of property, plant and equipment		(198)	(156)
- purchases of intangible assets		(243)	(272)
- purchases of subsidiaries and business units		-	(29)
<b>Net liquidity generated/absorbed by investment activities</b>		<b>(132)</b>	<b>(112)</b>
<b>C. FUNDING ACTIVITIES</b>			
- issue/purchase of treasury shares		(1,500)	(179)
- issue/purchase of equity instruments		(500)	-
- dividend distribution and other		(1,463)	(528)
- sale/purchase of minority control		-	-
<b>Net liquidity generated/absorbed by funding activities</b>		<b>(3,463)</b>	<b>(707)</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD</b>		<b>14,381</b>	<b>18,981</b>

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

## Consolidated accounts

## Reconciliation

ITEMS	AS AT	
	06.30.2022	06.30.2021
Cash and cash balances at the beginning of the period	107,407	117,003
Net liquidity generated/absorbed in the period	14,381	18,981
Cash and cash balances: foreign exchange effect	326	52
Cash and cash balances at the end of the period	122,114	136,036

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) and is mainly related to "Current accounts and Demand deposits with Central Banks" for €104 billion, mostly part held by UniCredit S.p.A. for €59 billion and UniCredit Bank AG for €37 billion.





## 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 2022, pursuant to Regulation (EU) 1606/2002 which was incorporated into Italy's legislation through the Legislative Decree No.38 dated 28 February 2005 and as required by article 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 article 154-ter, paragraph 2, of the Single Finance Act (TUF Legislative Decree No.58 of 24 February 1998).

As required by article 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 article 154-bis 5 TUF.

The Condensed interim consolidated financial statements are subject to review engagement by KPMG S.p.A. as per the resolution passed by the Shareholders' Meeting on 9 April 2020.

#### Section 2 - General preparation criteria

As mentioned above, these Condensed interim consolidated financial statements of UniCredit group as at 30 June 2022 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 IAS/IFRS provisions also with specific reference to the presentation of the effects arising from Covid-19 pandemic and geo-political tensions and their effects on the evaluation processes. In particular, it shall be made reference to the ESMA statements dated 28 October 2020, 29 October 2021, 14 March 2022 and 13 May 2022, to the European Central Bank statement dated 4 December 2020, to the European Banking Authority statements dated 2 December 2020, and to Consob "Call for attention" dated 16 February 2021, 18 March 2022 and 19 May 2022.

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 2022 are coherent with the Banca d'Italia templates as prescribed by the Circular No.262 dated 22 December 2005 (and subsequent amendments) as well as 21 December 2021 communication on impacts of Covid-19 and measures to support the economy. They also present comparative figures, as at 31 December 2021 for the Balance sheet, and as at 30 June 2021 for the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity and the Cash flow statement. More specifically, 2021 comparative figures have been recasted, when relevant, in order to reflect (i) the mentioned Banca d'Italia Circular 262 updates, in particular changes referred to table related to commissions; and (ii) the impacts arising from the "back in use" of subsidiaries previously classified under IFRS5 as "Held for Sale".

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

## Part A - Accounting policies

### 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. 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 2022, as required by the accounting policies, statements and regulations described above.

As at 30 June 2022 the market environment continues to be affected by a risk of a lower predictivity of the macro-economic projections arising from the outbreak of Russian-Ukrainian geopolitical tensions. Indeed, the outbreak of Russian-Ukrainian conflict followed by the sanctions imposed to Russia, which reacted with counter sanctions, have increased uncertainty about growth prospects, despite in the first half of 2022 economic activities have resumed as a result of the lifting by governments of the measures put in place to contain the Covid-19 pandemic.

Such uncertainty is also highlighted by the ECB, reporting, in its Macro-economic Projections published in June 2022<sup>12</sup>, that the geopolitical tensions have severely hit confidence, caused energy and food prices to soar further and, together with pandemic-related disruptions in China, compounded existing supply chain pressures. These factors act as headwinds for the economic recovery in the euro area implying much weaker (though still positive) near-term growth prospects while growth in the medium term would somewhat stand above historical average rates, reflecting a gradual recovery from the economic fallout from the pandemic, as well as the fading of the negative impacts of the war.

In the context of persisting uncertainty explained above, UniCredit group has defined different macro-economic scenarios, to be used for the purposes of the evaluation processes of Condensed interim consolidated financial statements as at 30 June 2022. Such updated scenarios were applied for the valuation of credit exposures and deferred tax assets.

### Macroeconomic scenarios

In order to reflect the heightened uncertainty, the Group has developed the following scenarios:

- **Baseline:** it reflects the assumption that the global economic outlook has worsened. The Russia-Ukraine crisis has been causing a sharp rise in commodities prices and inflationary pressure, further global supply-chain disruption, a tightening of financial conditions, heightened uncertainty, and a sharp drop in consumer confidence. Global central banks will walk a thin line as the growth-inflation trade-off deteriorates. Assuming no major disruptions of energy supplies from Russia, Eurozone GDP is expected to expand by 2.6% in 2022, 1.9% in 2023 and 1.7% in 2024. Russia is expected to shrink by 10% in 2022, with a muted rebound in 2023-2024 akin to stagnation. For FX rates, such scenario envisages a mild and gradual appreciation of the CZK and a mild depreciation for the RON, the HUF and the RSD. For the RUB, the exchange rate vs. the EUR is expected to remain broadly stable in 2022, significantly increase in 2023 and remain at high levels in 2024. As inflation builds up as a result of the increase in energy price and the supply disruptions, the ECB is changing its monetary stance and market is repricing interest rate expectations. In terms of monetary policy, in the eurozone, the ECB is expected to take further steps in normalizing its monetary policy, ended the net asset purchases under its Asset Purchase Program (APP) and raising interest rates. The phasing-out of stimulus is likely to happen gradually to maintain ample liquidity conditions. In CE&EE, in 2022, the scenario assumes further hikes in almost all countries while in Russia policy rate is expected to remain mostly at current levels despite the inflation acceleration. With reference to Interest rate, as monetary policy is normalizing, short term and MM rates are expected to increase. Along with the downside risk and the slower economic activity, long maturity yields are also expected to rise, both in US and Eurozone. The 10Y BTP-Bund spread is expected to increase primarily as a result of a less supportive stance from the ECB and the milder improving of macro fundamentals;
- **Adverse:** it assumes an escalation of the conflict with restricted gas supply, higher energy prices compared to Baseline that result in a Recession for most Western European countries in 2023. Governments will keep expansionary policies in place to mitigate the spillover effects of conflict in Ukraine (e.g., disrupting trade, shortages of materials, and high energy and commodity prices). After expanding by 5.4% in 2021, Eurozone GDP would: (i) increase by 1.5% in 2022 (-1.1pp compared to the Baseline), (ii) followed by a recession of -2.0% in 2023 (-3.9pp vs baseline) and a mild expansion of 2.0% in 2024 (+0.3pp vs baseline). Inflationary forces materialise, as supply-side disruption intensifies together with higher oil prices. As a result, Eurozone headline inflation spikes at 8.5% in 2022, which is well above the tolerance threshold of the ECB. Inflation will reduce in 2023 at 6.4% and close to ECB target at 1.9% in 2024. Because inflation is expected to be temporary and mainly due to exogenous shocks, monetary policy responds to the deterioration in the outlook for growth by remaining reasonable supportive. Policy rates in the Euro area and in the US are expected to increase by less than the baseline. BTP - Bund spreads worsened vs. the Baseline. In this scenario, the spread BTP - Bund is assumed to raise by 45bps above the Baseline in 2022, 75bps in 2023 and 50bps in the following year.

<sup>12</sup> European Central Bank Macroeconomic projections June 2022.

## Part A - Accounting policies

INTEREST RATES AND YIELD ENVIRONMENT, EoP(%)		2022	2023	2024
Baseline	Euribor 3M (bps)	47	60	60
	Mid Swap 10Y (bps)	150	115	110
	Spread BTP – Bund (bps)	180	150	150
	<b>Real GDP growth y/y, %</b>			
	Italy	2.8	1.6	1.4
	Germany	1.9	2.8	2.0
	Central and Eastern Europe	2.8	2.8	3.0
	Russia	(9.9)	0.7	5.0
	<b>Inflation</b>			
	Italy	5.8	1.6	1.3
	Germany	6.9	3.3	1.9
	Central and Eastern Europe	9.9	6.3	3.1
	Russia	18.0	10.7	6.0
Adverse	Euribor 3M (bps)	5	5	5
	Mid Swap 10Y (bps)	60	50	70
	Spread BTP – Bund (bps)	225	225	200
	<b>Real GDP growth y/y, %</b>			
	Italy	1.3	(3.0)	1.9
	Germany	0.6	(2.0)	2.6
	Central and Eastern Europe	1.6	(2.3)	3.4
	Russia	(12.9)	(5.4)	6.0
	<b>Inflation</b>			
	Italy	7.2	4.4	0.9
	Germany	8.6	6.3	1.3
	Central and Eastern Europe	10.8	8.5	4.3
	Russia	21.0	18.7	13.0

**Main items subject to valuation uncertainties**

With reference to the credit exposures as at 30 June 2022, the macroeconomic scenarios used for calculation of credit risk parameters (Probability of Default, Loss Given Default, Exposure at Default) were updated according to the Group policies, on the basis of the scenarios highlighted above. In light of the persistent level of uncertainty, the overall blended probability was worsened by reducing the positive scenario from 5% to 0%, and correspondently increasing the Baseline scenario from 55% to 60%; eventually, the Adverse scenario was kept at 40%. For further information about the valuation of the credit exposures, reference is made to “Section 2.1 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 geo-political tensions between Russia and Ukraine, the effects of sanctions imposed to Russia, as well as the evolution of the pandemic and the reinstatement of the containment measures put in place by governments in order to contain it.

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 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 Deferred tax assets, for the purposes of Condensed interim consolidated financial statements as at 30 June 2022, the following analyses were performed with reference to the Italian Tax Perimeter (which accounts for the significant majority of the DTAs): (i) analysis of the evolution of the macroeconomic scenarios highlighted above compared to the scenario underlying the valuation process at 31 December 2021; (ii) comparison between the actual profit before taxes and the budget underlying the test executed in December 2021; (iii) confirmation of the validity of the additional methodological assumptions (reference tax legislation, perimeter of companies, volatility of the parameters underlying the model and reversal timeline of non-convertible DTAs) 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 policies, A.1 General.

## Part A - Accounting policies

It shall be noted that 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, as the volatility of expected results and by the confidence level used.

Therefore, the results of these evaluations might be subject to changes currently not foreseeable, depending on the existence and degree of economic recovery which in turn depends on the evolution of the geo-political tensions between Russian and Ukraine, the effects of sanctions imposed to Russia, as well as the evolution of the pandemic and the reinstatement of containment measures put in place by governments. 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 regarding the future cash flows, and the consequent change in the valuation.

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 2022. Within next reporting periods, the fair value of these assets might be different from the values presented as at 30 June 2022 as a result of the possible evolution of prices of real estate market which will also depend on the evolution of the geo-political tensions between Russian and Ukraine, the effects of sanctions imposed to Russia as well as the evolution of the pandemic and the reinstatement of containment measures put in place by governments. 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 policies, A.1 General.

In addition to the above 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 2022, 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: (i) general economic and industrial conditions of the regions in which the Group operates or holds significant investments; (ii) exposure to various market risks (e.g. foreign exchange risk); (iii) political stability in the areas in which the Group operates or holds significant investments; (iv) legislative, regulatory and tax changes, including regulatory capital and liquidity requirements, also taking into account increased regulation in response to the financial crisis. Other unknown and unforeseeable factors could determine material deviations between actual and expected results.

It is worth noting that, since 2 March 2022, the ECB stopped the quotation of EUR/RUB exchange rate for the preparation of the Condensed interim consolidated financial statements; therefore, as at 30 June 2022 and in coherence with the first quarter of the year, the Group has applied an OTC foreign exchange rate provided by Electronic Broking Service<sup>13</sup> (EBS). Additional information is provided in "Section 5 - Other matters" of the Condensed interim consolidated financial statement, Explanatory notes, Part A - Accounting policies, A.1 General. In this regard it cannot be excluded that, once the ECB will restart listing RUB/EUR FX rate, these quotes might be different from EBS quotes, thus requiring the recognition of an impact in Net Equity and in P&L.

### 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 the emergence of the geopolitical tension between Russia and Ukraine during the first half of 2022 and the sanctions being imposed by USA and EU to Russia which replied with counter-sanctions. Such event has determined the already mentioned uncertainty in the macro-economic outlook, in terms of GDP, inflation rates and interest rate. Furthermore, the Directors observed the evolution in Covid-19 pandemic and, in the first half of 2022, the on-going lifting of the containment restriction put in place by governments since 2020.

The Directors have considered these circumstances, together with the fact that the Group operates directly in the Russian market through its subsidiary AO UniCredit Bank (Russia), in the assessments of significant items recognised in the Condensed interim consolidated financial statements of UniCredit group as at 30 June 2022, and, on the basis of these assessments, it is believed 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 of UniCredit group as at 30 June 2022 was prepared on a going concern basis. Such conclusion is further corroborated by the circumstance that in an extreme scenario, where the entirety of Group Russian exposure above is non-recoverable, the UniCredit group CET1 ratio would remain above 14%.

<sup>13</sup> EBS is a wholesale electronic trading platform used to trade on the foreign exchange market (FX) with market-making banks. It is part of CME Group (Chicago Mercantile Exchange).



## Part A - Accounting policies

Based upon the aforementioned evaluations, the main regulatory ratios have been taken into account at 30 June 2022, in terms of: (i) the actual figures as at 30 June 2022 (CET1 Ratio Transitional equal to 16.39%; TLAC Ratio equal to 27.06% in terms of RWA and 8.21% in terms of Leverage Exposure; Liquidity Coverage Ratio at 172% based on monthly average on 12 months; (ii) the related buffer versus the minimum requirements at the same reference date (CET1 Ratio Transitional: excess of 735 basis points; TLAC Ratio: excess of 480 basis points in terms of RWA and 146 in terms of Leverage Exposure; Liquidity Coverage Ratio: excess of more than 72 percentage points); (iii) the expected evolution of the same ratios during 2022 (in particular, in 2022, it is expected to maintain a significant margin above the capital requirements, consistently with the UniCredit Unlocked CET1 ratio target of 12.5-13 per cent).

Consistently with such evidence, the Directors have proposed to the Shareholders' meeting, which approved, the distribution of a remuneration, in part in cash and in part through shares buyback subject to the ECB's authorisation. In this regard UniCredit announced the completion on 14 July 2022 of the first tranche of the share buy-back programme communicated to the market on 10 May 2022 and initiated on 11 May 2022 following ECB Authorization.

As part of UniCredit Unlocked, UniCredit aims to ensure a materially increased and growing remuneration in favour of the Shareholders over the course of the Plan, also by means of programmes for the purchase of ordinary shares of UniCredit conditional to authorization by Regulators.

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.

## Part A - Accounting policies

### Section 3 - Consolidation scope and methods

The consolidation criteria and principles used to prepare the Consolidated first half financial report as at 30 June 2022 are described below.

#### Consolidated accounts

For the preparation of the Consolidated first half financial report as at 30 June 2022 the following sources have been used:

- the parent company UniCredit S.p.A. first half accounts as at 30 June 2022;
- the first half accounts as at 30 June 2022 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 2022 of Nuova Compagnia di Partecipazioni group, including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italtipetroli 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.

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

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

## Part A - Accounting policies

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

With respect to companies included in the consolidation scope for the first time, the fair value of the cost paid to obtain control of this equity interest 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

				OWNERSHIP RELATIONSHIP		
COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
A. LINE BY LINE METHOD						
1 UNICREDIT SPA Issued capital EUR 21,220,169,840.48	MILAN	MILAN		PARENT COMPANY		
2 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
3 ALLEGRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
4 ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
5 ALMS LEASING GMBH. Issued capital EUR 36,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
6 ALPHA RENT DOO BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
7 ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
8 ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
9 ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
10 ANTHEMIS EVO LLP Issued capital EUR 27,908,922	LONDON	LONDON	4	UNICREDIT SPA	..	(3)
11 AO UNICREDIT BANK <sup>(4)</sup> Issued capital RUB 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT SPA	100.00	
12 ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
13 ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
14 ARGENTATUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
15 ARNO GRUNDSTUECKSERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
16 AUSTRIA LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.40	
				GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.40	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
17 BA CA SECUND LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
18 BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 363,364	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
19 BA GEBAEUDEVERMIETUNGSGMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH	89.00	
				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
				PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH	1.00	
20 BA GVG-HOLDING GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
21 BA-CA ANDANTE LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
22 BA-CA LEASING DREI GARAGEN GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
23 BA-CA LEASING MAR IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
24 BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. Issued capital EUR 127,177	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
25 BA-CA PRESTO LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
26 BA/CA-LEASING BETEILIGUNGEN GMBH Issued capital EUR 454,000	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
27 BACA CENA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
28 BACA HYDRA LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
29 BACA KOMMUNALLEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
30 BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH Issued capital EUR 18,287	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	98.80 0.20 1.00	
31 BAH-OMEGA ZRT.'V.A.'	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
32 BAHBETA INGATLANHASZNOSITO KFT. Issued capital HUF 30,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
33 BAL CARINA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
34 BAL HESTIA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
35 BAL HORUS IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
36 BAL HYPNOS IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
37 BAL LETO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
38 BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
39 BAL SOBEK IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	0.20 99.80	
40 BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
41 BANK AUSTRIA FINANZSERVICE GMBH Issued capital EUR 490,542	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
42 BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG WOEM GRUNDSTUECKSVORWALTUNGS-GESELLSCHAFT M.B.H.	0.20 99.80	
43 BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
44 BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
45 BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
46 BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
47 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	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
48 BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
49 BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
50 BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
51 BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
52 BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OG Issued capital EUR 0	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	1.00	
				CALG IMMOBILIEN LEASING GMBH	99.00	
53 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	
54 BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
55 BF NINE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
56 BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
57 BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
58 CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
59 CA-LEASING SENIOREN PARK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
60 CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
61 CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
62 CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
63 CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
64 CALG 443 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				CALG IMMOBILIEN LEASING GMBH	1.00	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
65 CALG 445 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.60	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.40	
66 CALG 451 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
67 CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
68 CALG ANLAGEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
69 CALG ANLAGEN LEASING GMBH, WIEN & CO. GRUNDSTUECKSVERMETUNG UND - VERWALTUNG KG Issued capital EUR 2,326,378	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
70 CALG DELTA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
71 CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
72 CALG GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
73 CALG IMMOBILIEN LEASING GMBH Issued capital EUR 254,355	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
74 CALG MINAL GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
75 CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: VERONA CAPITAL MORTGAGE 2007 - 1)		VERONA	4	UNICREDIT SPA	..	(3)
76 CARD COMPLETE SERVICE BANK AG Issued capital EUR 6,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
77 CASTELLANI LEASING GMBH Issued capital EUR 1,800,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	10.00 90.00	
78 CHARADE LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
79 CHEFREN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
80 CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
81 COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	REAL-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
82 COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 103,400	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
83 CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
84 CONTRA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH JAUSERN-LEASING GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	74.80 25.00 0.20	
85 CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
86 CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
87 CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
88 CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
89 DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
90 DIRANA LIEGENSCHAFTSVERTWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
91 DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	10.00 90.00	
92 DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
93 EBS FINANCE S.R.L. Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
94 EBS FINANCE S.R.L. (PATR. SEPARATO)	MILAN	MILAN	4	UNICREDIT SPA	..	(3)
95 ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
96 ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
97 ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
98 ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
99 ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
100 ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
101 ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
102 ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
103 ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
104 ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
105 ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
106 ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
107 ELEKTRA PURCHASE NO. 64 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
108 ELEKTRA PURCHASE NO. 69 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
109 ELEKTRA PURCHASE NO. 71 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
110 ELEKTRA PURCHASE NO. 74 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
111 ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
112 EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
113 EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
114 EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
115 EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
116 EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
117 EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) Issued capital HUF 100,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
118 EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)
119 EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
120 EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
121 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
122 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
123 FACTORBANK AKTIENGESellschaft	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
124 FINN ARSENAL LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESellschaft DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	99.60 0.20 0.20	
125 FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	BAHBETA INGATLANHASZNOSITO KFT.	75.00	
126 FMZ SIGMA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
127 FOLIA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESellschaft DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
128 FONDIARIA LASA SPA Issued capital EUR 3,102,000	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
129 FUGATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESellschaft DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
130 GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. Issued capital EUR 27,434	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
131 GEBAEUDELEASING GRUNDSTUECKSVERWALTUNGSGESellschaft M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESellschaft DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	98.80 0.20 1.00	



## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
132 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	
133 GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG  Issued capital EUR 74,248,181	PULLACH	PULLACH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	98.69	
134 GRUNDSTUECKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAFT  Issued capital EUR 51,500	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
135 GRUNDSTUECKSV ERWALTUNG 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	
136 H.F.S. IMMOBILIENFONDS GMBH  Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
137 H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG  Issued capital EUR 85,430,630	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	99.41	
138 H.F.S. LEASINGFONDS GMBH  Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
139 H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 10 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
140 H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 11 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
141 H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 12 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
142 H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 8 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
143 H.F.S. LEASINGFONDS GMBH & CO. DEUTSCHLAND 9 KG	EBERSBERG	EBERSBERG	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
144 HAWA GRUNDSTUECKS GMBH & CO OHG IMMOBILIENVERWALTUNG  Issued capital EUR 54,300	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
				TIVOLI GRUNDSTUECKS-AKTIENGESSELLSCHAFT	0.50	
145 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	
146 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	
147 HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG  Issued capital EUR 10,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
148 HVB IMMOBILIEN AG  Issued capital EUR 520,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
149 HVB LEASING CZECH REPUBLIC S.R.O.  Issued capital CZK 49,632,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
150 HVB PROJEKT GMBH  Issued capital EUR 24,543,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
				UNICREDIT BANK AG	6.00	
151 HVB TECTA GMBH  Issued capital EUR 1,534,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
				UNICREDIT BANK AG	6.00	
152 HVB VERWA 4 GMBH  Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
153 HVB VERWA 4.4 GMBH  Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
154 HVZ GMBH & CO. OBJEKT KG  Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKS- VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
155 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	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
156 ICE CREEK POOL NO. 5 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
157 ICE CREEK POOL NO. 1 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
158 ICE CREEK POOL NO. 2 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
159 ICE CREEK POOL NO. 3 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
160 IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE Issued capital EUR 180,100,960	ROME	ROME	4	UNICREDIT SPA	..	(3)
161 IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
162 IMPRESA TWO SRL (CARTOLARIZZAZIONE: IMPRESA TWO)	CONEGLIANO	CONEGLIANO	4	UNICREDIT SPA	..	(3)
163 INTRO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H.	100.00	
164 ISB UNIVERSALE BAU GMBH  Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
165 JAUSERN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
166 KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	99.80	0.00
167 KUTRA GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
168 LAGERMAX LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
169 LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
170 LARGO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
				VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
171 LEASFINANZ ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	
172 LEASFINANZ BANK GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
173 LEASFINANZ GMBH  Issued capital EUR 218,019	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
174 LEGATO LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
175 LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
176 LINO HOTEL-LEASING GMBH  Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
177 LIPARK LEASING GESELLSCHAFT M.B.H.  Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
178 LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
179 LOCAT CROATIA DOO Issued capital HRK 39,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	

## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
					HELD BY	HOLDING %	
180	M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO. OG. Issued capital EUR 3,707	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LUNA LEASING GMBH	1.96 98.04	
181	MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
182	MENUETT GRUNDSTUECKSVORWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
183	MERKURHOF GRUNDSTUECKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG Issued capital EUR 5,112,919	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
184	MM OMEGA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
185	MOEGRA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
186	MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	<sup>(3)</sup>
187	MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	<sup>(3)</sup>
188	NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
189	NF OBJEKT FFM GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
190	NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
191	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA Issued capital EUR 200,000	ROME	ROME	1	UNICREDIT SPA	100.00	
192	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
193	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
194	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG UNICREDIT BANK AG	94.00 6.00	
195	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG Issued capital EUR 5,125,701	MUNICH	MUNICH		ORESTOS IMMOBILIEN-VERWALTUNGS GMBH WEALTHCAP LEASING GMBH	94.78 5.22	93.87 5.14
196	OOO UNICREDIT GARANT <sup>(4)</sup> Issued capital RUB 106,998,000	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	
197	OOO UNICREDIT LEASING <sup>(4)</sup> Issued capital RUB 149,160,248	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
198	ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	<sup>(3)</sup>
199	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH Issued capital EUR 10,149,150	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
200	OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH T & P FRANKFURT DEVELOPMENT B.V. T & P VASTGOED STUTTGART B.V.	10.00 30.00 60.00	
201	PAI (BERMUDA) LIMITED Issued capital USD 12,000	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
202	PAI MANAGEMENT LTD Issued capital EUR 1,032,000	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
203	PALAIS ROTHSCCHILD VERMIETUNGS GMBH & CO OG Issued capital EUR 2,180,185	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
204	PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
205 PELOPS LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
206 PENSIONSASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
207 PIANA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
208 PIRTA VERWALTUNGS GMBH Issued capital EUR 2,067,138	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
209 POLLUX IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH UNICREDIT BANK AUSTRIA AG	0.20 99.80	
210 PORTIA GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG Issued capital EUR 500,013,550	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
211 POSATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
212 PRELUDE GRUNDSTUECKSERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	98.80 0.20 1.00	
213 PROJEKT-LEASE GRUNDSTUECKSERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSERWALTUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
214 QUADRE Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
215 QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
216 QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
217 RANA-LIEGENSCHAFTSVERWERTUNG GMBH Issued capital EUR 72,700	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
218 REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
219 REAL-LEASE GRUNDSTUECKSERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
220 REAL-RENT LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
221 REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 726,728	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
222 ROLIN GRUNDSTUECKSPANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 30,677	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
223 ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
224 ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
225 ROSENKAVALIER 2020 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
226 SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MBH & CO. OHG SAARLAND Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
227 SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM Issued capital EUR 2,300,850	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG TIVOLI GRUNDSTUECKS-AKTIENGESELLSCHAFT	97.78 2.22	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
228 SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA	99.60	
229 SCHOELLERBANK AKTIENGESELLSCHAFT Issued capital EUR 20,000,000	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBEITILIGUNGEN GMBH	0.01	
				UNICREDIT BANK AUSTRIA AG	99.99	
230 SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
231 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	
232 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	
233 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	
234 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	
235 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	
236 SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
237 SONATA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	98.80	
238 SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
239 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	
240 STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
241 SUCCESS 2015 B.V.	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(9)
242 T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	100.00	
243 T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	87.50	
244 TERRENO GRUNDSTUECKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
245 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	
246 TIVOLI GRUNDSTUECKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
247 TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
248 TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG Issued capital EUR 6,979,476	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	100.00
249 TRICASA GRUNDBESITZGESELLSCHAFT DES BÜRGERLICHEN RECHTS NR. 1 Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
250 UCLA AM WINTERHAFEN 11 IMMOBILIENLEASING GMBH & CO OG Issued capital EUR 0	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	50.00	
				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	50.00	
251 UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG Issued capital EUR 10,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
				BA-CA ANDANTE LEASING GMBH	10.00	
252 UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
253 UCTAM BH D.O.O. Issued capital BAM 2,000	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
254 UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
255 UCTAM CZECH REPUBLIC SRO Issued capital CZK 45,500,000	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
256 UCTAM D.O.O. BEOGRAD Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
257 UCTAM RU LIMITED LIABILITY COMPANY <sup>(4)</sup> Issued capital RUB 4,000,000	MOSCOW	MOSCOW	1	UCTAM BALTICS SIA	..	
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
258 UCTAM SVK S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UCTAM BALTICS SIA	15.00	0.01
				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99
259 UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
260 UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
261 UNICREDIT ACHTERHAUS LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
262 UNICREDIT AURORA LEASING GMBH Issued capital EUR 219,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
263 UNICREDIT BANK A.D. BANJA LUKA Issued capital BAM 97,055,000	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	99.58	
264 UNICREDIT BANK AG Issued capital EUR 2,407,151,016	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
265 UNICREDIT BANK AUSTRIA AG Issued capital EUR 1,681,033,521	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
266 UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 8,754,617,898	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	
267 UNICREDIT BANK D.D. Issued capital BAM 119,195,000	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
268 UNICREDIT BANK HUNGARY ZRT. Issued capital HUF 24,118,220,000	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
269 UNICREDIT BANK S.A. Issued capital RON 1,177,748,253	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.63	
270 UNICREDIT BANK SERBIA JSC Issued capital RSD 23,607,620,000	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
271 UNICREDIT BANKA SLOVENIJA D.D. Issued capital EUR 20,383,698	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
272 UNICREDIT BETEILIGUNGS GMBH Issued capital EUR 1,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
273 UNICREDIT BPC MORTGAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
274 UNICREDIT BPC MORTGAGE S.R.L. Issued capital EUR 12,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
275 UNICREDIT BROKER S.R.O. Issued capital EUR 8,266	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
276 UNICREDIT BULBANK AD Issued capital BGN 285,776,674	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
277 UNICREDIT CAPITAL MARKETS LLC Issued capital USD 100,100	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
278 UNICREDIT CENTER AM KAISERWASSER GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
279 UNICREDIT CONSUMER FINANCING EAD Issued capital BGN 2,800,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
280 UNICREDIT CONSUMER FINANCING IFN S.A. Issued capital RON 103,269,200	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A. UNICREDIT SPA	50.10 49.90	
281 UNICREDIT DIRECT SERVICES GMBH Issued capital EUR 767,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
282 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	
283 UNICREDIT FACTORING SPA Issued capital EUR 414,348,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
284 UNICREDIT FLEET MANAGEMENT EOOD Issued capital BGN 100,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
285 UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
286 UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
287 UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH Issued capital EUR 57,000	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
288 UNICREDIT GUSTRA LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT PEGASUS LEASING GMBH	10.00 90.00	
289 UNICREDIT HAMRED LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT PEGASUS LEASING GMBH	10.00 90.00	
290 UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
291 UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	BUCHAREST	1	UNICREDIT LEASING CORPORATION IFN S.A.	100.00	
292 UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	
293 UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA Issued capital EUR 13,406,600	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
294 UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
295 UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,000	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
296 UNICREDIT LEASED ASSET MANAGEMENT SPA Issued capital EUR 1,000,000	MILAN	MILAN	1	UNICREDIT LEASING SPA	100.00	
297 UNICREDIT LEASING (AUSTRIA) GMBH Issued capital EUR 17,296,134	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. PAYTRIA UNTERNEHMENS BETEILIGUNGEN GMBH UNICREDIT BANK AUSTRIA AG	10.00 0.02 89.98	
298 UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
299 UNICREDIT LEASING AVIATION GMBH Issued capital EUR 1,600,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
300 UNICREDIT LEASING CORPORATION IFN S.A. Issued capital RON 90,989,013	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A. UNICREDIT CONSUMER FINANCING IFN S.A.	99.96 0.04	
301 UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
302 UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
303 UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
304 UNICREDIT LEASING FINANCE GMBH Issued capital EUR 17,580,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
305 UNICREDIT LEASING FLEET MANAGEMENT S.R.L. Issued capital RON 680,000	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH UNICREDIT LEASING CORPORATION IFN S.A.	90.02 9.98	
306 UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	



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				HELD BY	HOLDING %	
307 UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
308 UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
309 UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
310 UNICREDIT LEASING SPA Issued capital EUR 1,106,877,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
311 UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
312 UNICREDIT LEASING TECHNIKUM GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
313 UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
314 UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
315 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	
316 UNICREDIT MOBILIEN UND KFZ LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
317 UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
318 UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(9)
319 UNICREDIT OK1 LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
320 UNICREDIT PEGASUS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
321 UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
322 UNICREDIT POLARIS LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
323 UNICREDIT SERVICES GMBH Issued capital EUR 1,200,000	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
324 UNICREDIT SERVICES S.C.P.A. Issued capital EUR 194,159,415	MILAN	MILAN	1	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
				UNICREDIT BANK AG	..	
				UNICREDIT FACTORING SPA	..	
325 UNICREDIT STERNECK LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
326 UNICREDIT SUBITO CASA SPA Issued capital EUR 500,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
327 UNICREDIT TECHRENT LEASING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
328 UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
329 UNICREDIT U.S. FINANCE LLC Issued capital USD 130	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	
330 UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
331 UNIVERSALE INTERNATIONAL REALITAETEN GMBH Issued capital EUR 32,715,000	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	..	
				UNICREDIT BANK AUSTRIA AG	100.00	



## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
332 V.M.G. VERMIETUNGSGESELLSCHAFT MBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
333 VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H. VIENNA 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	
334 VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG Issued capital EUR 48,728,161	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
335 VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
336 WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
337 WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
338 WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
339 WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
340 WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
341 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
342 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
343 WEALTHCAP IMMOBILIEN 43 KOMPLEMENTAER GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
344 WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
345 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH Issued capital EUR 25,565	MUNICH	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
346 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
347 WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
348 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	
349 WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
350 WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
351 WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
352 WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUENWALD	GRUENWALD	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
353 WEALTHCAP MANAGEMENT SERVICES GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
354 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
355 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

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % <sup>(2)</sup>
				HELD BY	HOLDING %	
356 WEALTHCAP OBJEKT-VORRAT 39 GMBH & CO. KG Issued capital EUR 10,000	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	33.33
				WEALTHCAP IMMOBILIENANKAUF KOMPLEMENTAER GMBH	..	33.33
				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
357 WEALTHCAP PEIA KOMPLEMENTAR GMBH Issued capital EUR 26,000	GRUENWALD	GRUENWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
358 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	
359 WEALTHCAP REAL ESTATE MANAGEMENT GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
360 WEALTHCAP SPEZIAL- AIF-SV BUERO 8	GRUENWALD	GRUENWALD	4	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	..	(3)
361 WEALTHCAP VORRATS-2 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	100.00	
362 WEICKER S. A R.L. Issued capital EUR 20,658,840	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
363 WOEM GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
364 Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
365 Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
366 Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
367 Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
368 Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
369 Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
370 Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
371 Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
372 Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
373 Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
374 Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
375 Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
376 Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
377 Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP	
					HELD BY	VOTING RIGHTS HOLDING % %(2)
378	Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20
379	Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20
380	Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80
381	Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20
382	Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	10.00 90.00
383	Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80
384	Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20
385	Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80
386	Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT PEGASUS LEASING GMBH	0.20 99.80
387	ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48
388	ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00

## Part A - Accounting policies

OWNERSHIP RELATIONSHIP								
COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	NATURE OF RELATIONSHIP <sup>(5)</sup>	HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>	
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	ST.POELTEN	ST.POELTEN	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	BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 68,062,500	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	37.53 9.85	
7	BARN BV <sup>(4)</sup> Issued capital EUR 237,890,000	AMSTERDAM	AMSTERDAM	8 8	2	AO UNICREDIT BANK	40.00	
8	BKS BANK AG Issued capital EUR 85,886,000	KLagenFURT	KLagenFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	23.15 6.63	
9	CAMFIN S.P.A. Issued capital EUR 110,000,000	MILAN	MILAN	8 8	5	UNICREDIT SPA	8.53	15.82
10	CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	SOFIA	8	2	UNICREDIT BULBANK AD	25.00	
11	CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
12	CNP UNICREDIT VITA S.P.A. Issued capital EUR 381,698,529	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
13	CNP VITA ASSICURA SPA Issued capital EUR 247,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
14	COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 8,282,997,442	ROME	ROME	8	2	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	DA VINCI S.R.L. Issued capital EUR 100,000	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	37.50	
17	INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
18	MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5,000,000	ZAGREB	ZAGREB	8	2	ZAGREBACKA BANKA D.D.	75.00	25.00
19	NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
20	OBERBANK AG Issued capital EUR 105,864,000	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	23.76 3.41	
21	OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130,000,000	VIENNA	VIENNA	8	1	CABET-HOLDING GMBH SCHOELLERBANK AKTIENGESELLSCHAFT UNICREDIT BANK AUSTRIA AG	24.75 8.26 16.14	
22	OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 100,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
23	PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	VIENNA		2	UNICREDIT BANK AUSTRIA AG	24.00	
24	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
25	RISANAMENTO SPA Issued capital EUR 197,951,784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	
26	UNI GEBAEUEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
27	UNICREDIT ALLIANZ ASSICURAZIONI S.P.A. Issued capital EUR 52,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
28	UNICREDIT ALLIANZ VITA S.P.A. Issued capital EUR 112,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	

## Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	NATURE OF RELATIONSHIP <sup>(5)</sup>	OWNERSHIP RELATIONSHIP	
						HELD BY	HOLDING % VOTING RIGHTS % <sup>(2)</sup>
29	WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 9,205,109	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54

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) It should be noted that as at 30 June 2022 the voting rights that can be exercised directly or indirectly relating to subsidiaries based in Russia, or companies subject to significant influence by them, are fully enforceable and not being restricted the ability to appoint members of the Management Bodies there are no indications that lead to reconsider the effectiveness of the shareholding relationship with these companies on the same date.

(5) Nature of relationship:

1= Banks;

2= Financial entities;

3= Ancillary banking entities services;

4= Insurance enterprises;

5= Non-financial enterprises;

6= Other equity investments;

### 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 19 entities compared with 31 December 2021 (2 inclusions and 21 exclusions as a result of disposals, changes of the consolidation method and mergers), from 407 as at 31 December 2021 to 388 as at 30 June 2022.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, are 29, unchanged from the end of 2021 to June 2022.

With reference to 30 June 2022, it can be noted that 193 controlled entities (of which 26 belonging to the banking group) were not consolidated, of which 191 for materiality threshold and/or liquidation procedures, while the remaining 2 companies relate 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
<b>A. Opening balance (from previous year)</b>	<b>407</b>
<b>B. Increased by</b>	<b>2</b>
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	2
<b>C. Reduced by</b>	<b>21</b>
C.1 Disposal/Liquidation	5
C.2 Change of the consolidation method	12
C.3 Absorption by other Group entities	4
<b>D. Closing balance</b>	<b>388</b>

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

### Increases

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

COMPANY NAME	MAIN OFFICE
UNICREDIT ACHTERHAUS LEASING GMBH	VIENNA

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

## Part A - Accounting policies

### Reductions

#### Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
OT-OPTIMA TELEKOM DD	ZAGREB
HVB CAPITAL LLC	WILMINGTON
GELDILUX-TS-2015 S.A.	LUXEMBOURG

COMPANY NAME	MAIN OFFICE
BORGIO DI PEROLLA SRL	MASSA MARITTIMA
HVB CAPITAL LLC III	WILMINGTON

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

#### Change of the consolidation method

COMPANY NAME	MAIN OFFICE
HVB CAPITAL LLC II	WILMINGTON
HVB FUNDING TRUST	WILMINGTON
MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	MUNICH
SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	MUNICH
HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG	MUNICH
WEALTHCAP SPEZIAL WOHNEN 1 KOMPLEMENTAR GMBH	MUNICH

COMPANY NAME	MAIN OFFICE
HVB FUNDING TRUST II	WILMINGTON
HVB FUNDING TRUST III	WILMINGTON
SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	MUNICH
NF OBJEKTE BERLIN GMBH	MUNICH
WEALTHCAP OBJEKT BERLIN III GMBH & CO. KG	MUNICH
WEALTHCAP WOHNEN 1B GMBH & CO. KG	MUNICH

#### Absorption by other Group entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE
UNICREDIT FACTORING EAD	SOFIA
ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG	GRUENWALD
H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	MUNICH
CORDUSIO SIM SPA	MILAN

COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
UNICREDIT BULBANK AD	SOFIA
HVB IMMOBILIEN AG	MUNICH
HVB IMMOBILIEN AG	MUNICH
UNICREDIT SPA	MILAN

#### Entities line by line which changed the company name during the first semester

COMPANY NAME	MAIN OFFICE
BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OG (ex BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG)	VIENNA
CALG ANLAGEN LEASING GMBH, WIEN & CO. GRUNDSTUECKSVERMIETUNG UND -VERWALTUNG KG (ex CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND -VERWALTUNG KG)	MUNICH

COMPANY NAME	MAIN OFFICE
UNICREDIT ACHTERHAUS LEASING GMBH (ex ACHTERHAUS PROJEKT GMBH)	VIENNA

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

	NUMBER OF COMPANIES
<b>A. Opening balance (from previous year)</b>	<b>29</b>
<b>B. Increased by</b>	<b>-</b>
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
<b>C. Reduced by</b>	<b>-</b>
C.1 Disposal/Liquidation	-
C.2 Change of the consolidation method	-
C.3 Absorption by other entities	-
C.4 Other changes	-
<b>D. Closing balance</b>	<b>29</b>

## Part A - Accounting policies

### 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

During the period there were no changes in disposal/liquidation companies, change of the consolidation method and absorption by other entities.

### Joint ventures and the companies under significant influence that changed their names during the first semester

COMPANY NAME	MAIN OFFICE	COMPANY NAME	MAIN OFFICE
UNICREDIT ALLIANZ ASSICURAZIONI S.P.A. (ex CREDITRAS ASSICURAZIONI SPA)	MILAN	UNICREDIT ALLIANZ VITA S.P.A. (ex CREDITRAS VITA SPA)	MILAN
CNP VITA ASSICURA SPA (ex AVIVA SPA)	MILAN		

As at 30 June 2022 the following were carried at cost:

- 8 equity investments (all held either directly or through consolidated subsidiaries) in associates;
- 1 equity investment (held through consolidated subsidiary) in jointly-controlled companies.

## Section 4 - Events subsequent to the reference date

No material events have occurred after 30 June 2022 that would make necessary to change any of the information provided in the "Consolidated first half financial report" at the same date.

For a description of the significant events after reporting date refer to the information below.

On 14 July 2022 the First Tranche of the Buy-Back Programme 2021 was concluded; the shares acquired were cancelled on 19 July 2022. For additional information refer to paragraphs "Other information on Group activities" and "Group and UniCredit share historical data series" of the Consolidated interim report on operations.

On 4 June 2022, the Hungarian government adopted a new government decree introducing sector-specific taxes for companies viewed by the government as generating "extra profits" in the current adverse economic situation. Among other sectors, the extra profit tax is levied on banking and insurance.

Banks and financial enterprises will have to declare and pay extra tax for tax years 2022 (10%) and 2023 (8%) on a taxable basis which considers interest received minus interest paid, plus certain additional items, such as income from investment services.

With reference to the year 2022, the amount to be settled is: (i) equal to HUF15.8 billion (€42 million); (ii) according to the law requirements, due if both positive net revenues were recognised as at 31 December 2021 and the banking license exists as at 1 July 2022 (entry into force of the law). As a result, the obligating event requested by IFRIC21 for the recognition of a levy is not met as at 30 June 2022 (the related expense is recognised in July 2022, under line item "190. Administrative expenses: b) other administrative expenses").

In December 2021, UniCredit Banka Slovenija d.d. Management and Supervisory Boards approved the disposal of 100% share held in UniCredit Leasing, leasing, d.o.o. resulting in the classification of the related assets and liabilities as "Held for Sale", given the fulfilment of IFRS5 conditions. During 2022, based on the offers received, UniCredit Banka Slovenija d.d. confirmed the interest to exclusively negotiate with a specific counterparty and a Share Purchase Agreement was subsequently concluded on 16 June 2022; however, since the regulatory authorization for the closing of the transaction was not yet obtained as at 30 June 2022, the derecognition of UniCredit Leasing, leasing, d.o.o. net assets was not executed as of the same date, thus being the net assets of the company still classified as held for sale.

The closing of the transaction occurred on 22 July 2022 and, as at such date, UniCredit Leasing, leasing, d.o.o. net assets were deconsolidated.

## Section 5 - Other matters

In 2022 the following standards, amendments or interpretations came into force:

- 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);
- whose adoption has not determined substantial effects on the amounts recognised in balance sheet or income statement.

As at 30 June 2022, the following documents have been endorsed by the European Commission:

- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (EU Regulation 2022/357) applicable to reporting starting from 1 January 2023;
- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (EU Regulation 2022/357) applicable to reporting starting from 1 January 2023.



## Part A - Accounting policies

As at 30 June 2022 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:

- 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 IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021);
- Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9 - Comparative Information (December 2021).

The whole document is filed in the competent offices and entities as required by law.

The document "Consolidated first half financial report of UniCredit group as at 30 June 2022" has been approved by the Board of Directors of 26 July 2022 and is subject to review engagement by the External auditors KPMG 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 has been and 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 European 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 avoid disruption to legacy contracts that reference the 1,3 and 6-month GBP and JPY Libor, the FCA deliberate for the publication under a changed methodology basis (also known as 'synthetic'), until end of 2022, of the mentioned 6 Libor settings made available by IBA for use in legacy contracts other than cleared derivatives. Synthetic settings availability provides some relief on LIBOR contracts repapering effort (in particular for contracts subject to UK law).

The European Commission adopted an Implementing Act of the BMR that has been published in the Official Journal of the European Union on 22 October 2021; the Implementing Act provides legal ground for a Statutory Replacement Rate for legacy contracts indexed to CHF LIBOR and EONIA that have not yet been repapered or do not contain adequate fallback rates.

Such a replacement rate operating by law brought further stability in the market and reduced the conduct risk associated with the outstanding stock of assets, liabilities and derivatives transformed or transitioned or yet to be transformed or transitioned



## Part A - Accounting policies

In order to closely follow the developments on IBORs and to properly 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 2022 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).

For the first half 2022, a positive effect for €77 million gross of tax effect 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 €60 million. In addition to this increase, gains for +€11 million were recognised in the income statement;
- for real estate assets held for investment (booked in item "90. Property, plant and equipment"), the recognition of an income statement result positive for €6 million.

### 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<sup>14</sup>, 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.

As at 30 June 2022, the following checks were executed for the performance of the sustainability test:

- In light of the update of the macroeconomic scenarios, differences were assessed between the latest available scenario and the one underlying 2021 Year End test. Such assessment highlighted that (i) Italy GDP rises 5.8% in the period 2021-2024; such a growth stands in the middle between Baseline scenario (7.5%) and Downturn (4.8%) used in December 2021, with a 2024 GDP (+1.4% y/y) above the one used in December 2021 (+1.2% y/y) and (ii) higher interest rates represent a positive driver considering the NII sensitivity, more than offsetting potential costs increases inflation driven.
- Furthermore, actual profit before tax was compared with budget (under the Baseline); such check highlighted that the Italian Fiscal Perimeter profit before tax is above Budget (after exclusion of not recurring loan loss provisions on Russia which does not affect Bank's capability to originate future taxable base). Considering the result of the checks, the profit before tax projections were kept aligned with those ones used in the test of December 2021.
- With reference to Legal Entities included in Italian Tax Perimeter (ITP) it shall be noted that, as at 30 June 2022, the latter included UniCredit Leasing Italy (UCL) following the release of the non-current assets held for sale; the decision to discontinue the disposal process also implied the definition of the updated cash flows projections used for the DTAs sustainability test.

<sup>14</sup> 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".

## Part A - Accounting policies

- With reference to the model tax base: (i) the reversal of convertible DTAs from LLPs was updated to consider «DL Energia»<sup>15</sup>; (ii) the test included the effects of the merge of Cordusio SIM into UniCredit S.p.A.; (iii) the relevant increase of ACE deduction of UniCredit S.p.A. was considered as well.

Finally, (i) the Monte Carlo Multiplier parameter was updated considering the 2021 profit before taxes of the twenty-one largest European Banks (as published by the ECB), showing a reduction in volatility and (ii) the stock of not-convertible DTAs relevant for testing purposes resulted in being substantially aligned with the stock as at December 2021

The execution of the DTAs sustainability test on:

- the ITP by applying the current ordinary tax rate of 24%,
  - UniCredit S.p.A. by applying the additional tax rate of 3.5%,
- determined, according to an approach based on blended scenario (60% Baseline and 40% Adverse), in coherence with the ESMA recommendation<sup>16</sup>, the sustainability of DTAs TLF as at 30 June 2022 for a total amount of €1,809 million, versus the amount of €1,842 million booked as at 31 December 2021; such outcome led to recognise -€33 million write-down as at 30 June 2022, of which -€43 million referred to the ITP entirely booked through Net Equity and +€11 million related to UniCredit S.p.A. (for the additional 3.5% tax rate) fully recognized through P&L. The update of the DTAs test as at 30 June 2022 confirmed the sustainability of temporary differences (both for IRES and IRAP purposes) as tax bases ante reversal were fully capable to absorb the reversal of temporary differences in each of the years within the time horizon.

### Reclassification of UniCredit Leasing S.p.A. and UniCredit Leasing GmbH out of non-current assets held for sale

As at 31 December 2021, following (i) the resolution by the Board of Directors and (ii) the receipt of non-binding offers, UniCredit Leasing S.p.A. and its subsidiary and UniCredit Leasing GmbH and its subsidiaries were classified as non-current assets held for sale, whose disposals were expected to be completed during 2022, also in coherence with the cash flows underlying UniCredit Unlocked multiyear plan.

Such classification and the resulting measurement to fair value less cost to sell - in coherence with the non-binding offers received - led to the recognition of impairment for an overall amount of approx. -€545 million at consolidated level.

In the first half of 2022, the binding offers received for the companies were not coherent with the Board of Directors conditions, as well as the expectations in terms of perimeter to be disposed, conditions and/or price. In light of this circumstance, as at 30 June 2022, the disposal process of was discontinued for both the subsidiaries.

Thus, as at 30 June 2022, the IFRS5 requirements for classifying the companies as "held for sale" were no longer met; indeed, the decision to discontinue the selling process indicated that (i) the commitment to dispose was no longer in place, (ii) the assets are no more marketed for sale; (iii) it cannot be expected that the sale will qualify as a complete sale by 1 year time according to the original plan.

The reclassification out of "held for sale" implied the restatement of 31 December 2021 comparatives presented in first half 2022 financial statements, where assets have been measured at the lower between (i) their recoverable amount (higher between fair value and value in use) and (ii) their carrying value before these net assets were classified as held for sale.

In compliance with IFRS5 par. 28, the resulting adjustments were recognized by restating the 2021 balance sheet figures and consolidated net profit, thus determining an increase of 2022 opening consolidated net equity, substantially coherent - in quantitative terms - with the impairment registered as at last quarter of 2021.

### Implications of geopolitical tensions between Russia and Ukraine on Condensed interim consolidated financial statements

The Group has assets and liabilities potentially exposed to the consequences of the geopolitical tensions between Russia and Ukraine. These assets and liabilities originate from (i) the consolidation of Russian Subsidiaries and (ii) financial assets held by UniCredit S.p.A. or its non-Russian subsidiaries toward Russian counterparties.

#### Assets and liabilities of Russian subsidiaries

The Group has invested in Russia through AO UniCredit Bank and its subsidiaries OOO UniCredit Garant, OOO UniCredit Leasing and Barn BV. The line-by-line consolidation of these subsidiaries determined the recognition of net assets for €1,729 million, as well as a foreign exchange revaluation reserve for -€1,048 million arising from the conversion of their assets and liabilities in EUR using the spot rate as at June 2022<sup>17</sup>.

<sup>15</sup> Reversals of convertible DTAs from LLPs which would have been deductible for IRES and IRAP purposes in the 2022 tax period, are now deferred, on a straight-line basis, to the following 4 years (2023-2026); in addition to this, it is provided that 53% of any pre-existing reversal of convertible DTA from LLP in 2026 will be deducted in 2022; as result of this, in 2026 it will be deducted the residual 47% of the original reversal and 1/4 of 2022 reversal deferred.

<sup>16</sup> Statement ESMA 32-63-1277, "Public statement on implications of Russia's invasion of Ukraine on half-yearly financial reports".

<sup>17</sup> Refer to paragraph "FX rate used as at 30 June for the conversion of exposures denominated in Rubles" for additional information about the exchange rate applied.

## Part A - Accounting policies

The following tables present the balance sheet of these entities together with their incidence over the corresponding consolidated Balance sheet line item.

ASSETS	AMOUNTS AS AT	% OVER CONSOLIDATED ITEM
	06.30.2022	
10. Cash and cash balances	1,103	0.9%
20. Financial assets at fair value through profit or loss:	221	0.3%
a) financial assets held for trading	221	0.3%
b) financial assets designated at fair value	-	0.0%
c) other financial assets mandatorily at fair value	-	0.0%
30. Financial assets at fair value through other comprehensive income	44	0.1%
40. Financial assets at amortised cost:	13,448	2.1%
a) loans and advances to banks	3,118	2.8%
b) loans and advances to customers	10,330	2.0%
50. Hedging derivatives	27	1.0%
60. Changes in fair value of portfolio hedged items (+/-)	(58)	1.5%
70. Equity investments	201	5.0%
80. Insurance reserves charged to reinsurers	-	0.0%
90. Property, plant and equipment	231	2.5%
100. Intangible assets	131	5.8%
<i>of which: goodwill</i>	-	0.0%
110. Tax assets:	7	0.1%
a) current	2	0.1%
b) deferred	5	0.0%
120. Non-current assets and disposal groups classified as held for sale	-	0.0%
130. Other assets	153	1.9%
<b>Total assets</b>	<b>15,508</b>	<b>1.6%</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	% OVER CONSOLIDATED ITEM
	06.30.2022	
10. Financial liabilities at amortised cost:	13,460	1.7%
a) deposits from banks	375	0.2%
b) deposits from customers	13,085	2.5%
c) debt securities in issue	-	0.0%
20. Financial liabilities held for trading	102	0.2%
30. Financial liabilities designated at fair value	-	0.0%
40. Hedging derivatives	9	0.3%
50. Value adjustment of hedged financial liabilities (+/-)	(17)	0.1%
60. Tax liabilities:	6	0.4%
a) current	5	0.6%
b) deferred	1	0.1%
70. Liabilities associated with assets classified as held for sale	-	0.0%
80. Other liabilities	332	1.6%
90. Provision for employee severance pay	-	0.0%
100. Provisions for risks and charges:	258	3.4%
a) commitments and guarantees given	217	14.3%
b) post-retirement benefit obligations	38	1.3%
c) other provisions for risks and charges	3	0.1%
110. Technical reserves	-	0.0%
120. Valuation reserves	(371)	11.4%
Equity	1,729	
<b>Total liabilities and shareholders' equity</b>	<b>15,508</b>	<b>1.6%</b>

## Part A - Accounting policies

During the first half of 2022, the geopolitical tensions between Russia and Ukraine generated effects on the valuation of financial assets, thus implying the recognition of impairment and write-down. Among the others:

- with regards to the loans originated by the local controlled entity and its subsidiaries, write-downs have been recognized following: (i) the update of the macroeconomic scenario for IFRS9 purposes, (ii) the classification of credit exposures in Stage 2, combined with the induced effect of Russia Sovereign downgrade;
- with regards to the loans originated by the controlled entities outside Russian geography, write-downs have been recognized following: (i) the update of the macroeconomic scenario for IFRS9 purposes, (ii) additional overlays applied in order to cope with persisting uncertainties for potential crisis evolution.

With specific reference to the IFRS9 macroeconomic scenario, the update occurred:

- as at 31 March 2022, specifically for Russia, in light of a significant decrease in GDP in 2022 and 2023 coupled with a recovery in 2024, however not strong enough to offset the decrease experienced in the previous two years;
- as at 30 June 2022, under the ordinary bi-annual process adopted for all Legal Entities of UniCredit Group, to adjust the related LLPs to the updated economic projections; in this respect, the scenario was updated for both Russian and the other Group geographies.

In light of the persistent level of uncertainty, the overall blended probability was worsened by reducing the positive scenario from 5% to 0%, and correspondently increasing the Baseline scenario from 55% to 60%; eventually, the Adverse scenario was kept at 40%.

With reference to the first half 2022, the update of the macroeconomic scenario for Russian controlled entities led to recognize loan loss provisions for -€168 million (of which -€160 million related to AO UniCredit Bank (Russia)).

For further information about the valuation of the credit exposures, reference is made to "Section 2.1 - 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 addition, according to IFRS9, a significant increase in credit risk, which requires the classification into Stage 2, may be triggered by an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower<sup>18</sup>. Considering the forecasted significant decrease in Russian GDP for the period 2022-2024, which was observed starting from the first quarter 2022, the mentioned IFRS9 conditions triggering a significant increase in credit risk were deemed to be satisfied. On this basis, AO UniCredit Bank (Russia) local exposures were entirely classified in Stage 2.

Furthermore, internal ratings for Sovereign exposures (resulting from IRB Groupwide Sovereign PD Model) have been downgraded in March 2022 to timely embed the worsening of Russia creditworthiness, triggered by the severity of Western countries' sanctions, Russian authorities' response (ban on transfer of FX abroad) and economic effects of the war. The downgrade of the Sovereign internal ratings triggered the downgrades of Groupwide Multinationals (i.e., MNC) and Banks (the bulk of downgrades), which had Russia as country of risk. These downgrades determined an increase in the Expected Credit Loss and Loan Loss Provisions in light of the circumstance that counterparty rating, in line with Group's IFRS9 methodologies, is used for the calculation of the Expected Credit Loss (resulting from the combination of PD, LGD and EAD parameters).

As at the date of their adoption (31 March 2022), the impact for AO UniCredit Bank (Russia) deriving from the Stage2 classification and re-rating was equal to -€128 million in terms of additional LLP; since then, the loan loss provision related to these exposures have been measured accordingly.

In this regard it should be noted that on 27 June 2022, Russia entered into selective default as a result of sanctions that impeded the payment of coupons on USD denominated bonds. Despite such selective default, internal rating models on Russian Government did not report any further deterioration, as they reflect the circumstance that the default stems neither from the worsening in financial/liquidity conditions of Russia nor from worsening in creditworthiness, but rather from the fact that, following the sanctions imposed by USA and EU, the corresponding banks did not process the payments on such bonds.

As a result, the selective default only affects off-shore foreign investors holding USD or EUR denominated bonds issued by Russia. Therefore, for the time being there is no reason to believe that such selective default of Russia might affect the credit exposures held by AO UniCredit Bank (i.e. an "on-shore" Russian Bank). Furthermore, no massive economic indication of counterparties' defaults, with consequent reclassification on Stage 3, were observed for Russian exposures. Such approach is coherent with the observation (outlined in the next paragraph) that, starting from the first quarter of 2022, a differentiation in assets valuation between on-shore and off-shore investors occurred, given the sanctions imposed to the Russia, with off-shore investors penalized vs on-shore in their ability to recover the claims against investments in Russia.

<sup>18</sup> IFRS9 par. B5.5.17.

## Part A - Accounting policies

Finally, given the persisting uncertainties regarding potential evolution of the crisis and related effects on AO UniCredit Bank (Russia) portfolio, additional actions have been taken in the second quarter 2022 with the aim to preserve sound level of provisioning to count for potential future default migrations, as well as to cope with the following two elements:

- corporate portfolio re-rating with the updating of financial information (publication of the 2021 Financial Statement). The 2021 financial year was a positive year but not representative of the future after Russia-Ukraine crisis outbreak (whose effects will be embedded in 2022 financials);
- pure temporary benefits on behavioural payment trends that may stem from adherence to legislative moratoria programs launched both on Corporate and Retail by Governments/Central Bank to sustain clients in potential difficulty due to Western countries sanctions.

Thus, the following local specific overlays have been applied in the second quarter of 2022 for an overall amount of -€65 million in terms of LLP:

- fixing the LLP to the level as at 31 March 2022 (i.e. after application of loan loss provisions aimed at covering Russia direct risk in the first quarter of 2022) in order to ensure a minimum coverage representative of the situation after Russia-Ukraine crisis outbreak;
- temporary freezing of the point-in-time IFRS9 calibration considering the last portfolio distribution (and influence by first re-rating with 2021 Financial Statement).

It should be additionally noted that the specific measures on IFRS9 calibration<sup>19</sup> adopted since June 2021 were fully confirmed, being deemed suitable given the current circumstances.

In addition to loans, since 31 March 2022 also Russian Debt securities belonging to the Amortized cost and FVtOCI portfolios were classified in Stage 2 and downgraded, given the increase in credit risk according to the internal models. As at the date of reclassification and re-rating (31 March 2022), the impact was equal to -€51 million under P&L item "130. Net losses/recoveries on credit impairment"; then, since that date, the P&L item 130 for Russian Government debts have been measured accordingly.

Coherently with the same assumptions reported for the loans, for the time being there is no reason to believe that the selective default of Russia, triggered for western counterparties by western sanctions, may affect such securities under a consolidated perspective, given that they are basically held by AO UniCredit Bank (i.e. a Russian company).

The following table provides the breakdown of financial assets held by Russian subsidiaries broken down by accounting portfolio and Credit quality. As mentioned above Performing assets were entirely classified in Stage 2.

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	750	450	299	-	13,712	564	13,149	13,448
2. Financial assets at fair value through other comprehensive income	-	-	-	-	68	27	41	41
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	-	-
5. Financial instruments classified as held for sale	1	1	-	-	-	-	-	-
<b>Total 30/06/2022</b>	<b>751</b>	<b>451</b>	<b>299</b>	<b>-</b>	<b>13,780</b>	<b>590</b>	<b>13,190</b>	<b>13,490</b>

With specific reference to Russian Debt securities belonging to the FVtOCI portfolios, a negative effect for -€346 million was recognised in OCI reserve during the first half, as a result of the adjustment of the carrying value of FVtOCI Russian Government debt securities to their fair value as at 30 June 2022.

Indeed, starting from 28 February 2022, the Moscow Stock Exchange (MOEX) closed, and RUB bonds quotes became rare, disperse and actually not executable. Despite the MOEX progressively resumed trading starting from 21 March 2022, the bonds quotes was deemed to be not suitable for valuation purposes at consolidated level: as a matter of fact, from the perspective of UniCredit group (i.e. a western based financial institution), the Russian market is not accessible and it cannot be representative of the fair value for consolidated purposes' evaluation; as a consequence, the fair value of the Russian Government debt securities was determined by applying a mark-to-model approach, instead of a mark-to-market approach, thus using interest rates curves and CDS (Credit Default Swap) quotes as inputs.

Regarding the use of the CDS, it is suitable to outline the following:

- the CDS quotation was stopped on 2 June 2022, following the decision by the EMEA Credit Derivative Determination Committee that a failure to pay credit event has occurred with respect to Russia;

<sup>19</sup> Primarily aimed at sterilizing the deflating effect on Default Rates adopted in model calibration as consequence of the huge Government supporting measures occurred during pandemic period.

## Part A - Accounting policies

- nonetheless Russia CDS quotes as at 1 June 2022 were still considered for valuation purposes as it was assessed that such levels best represent the current market assessment of credit risk embedded in these instruments; indeed, alternative references (i.e. credit spread curves embedded in Russian bonds traded offshore), though assessed, were discarded given that the secondary market of such bonds has dried-up following US sanctions which forbid US investors from trading.

The resulting fair value has been classified as Level 3 of the fair value hierarchy.

With reference to derivatives, the sanctions and restrictions lead the affected counterparties to interrupt servicing (stopping settlement and disregarding margin call); as a result, a close-out process has been activated according to ISDA Master Derivatives Agreements/Credit Support Annex. Such circumstance determined the recognition in the first half of 2022 of Trading Profit/Losses and Loan Loss Provisions for -€94 million and -€21 million respectively. It is worth to note that the Loan Loss provisions refer to the write-downs recognised in "excess" of collaterals, posted by counterparties and measured in Group Balance sheet at amortized cost.

With reference to the Fair value calculation, an update of XVA methodologies, and in particular calibration of risk inputs, was introduced since 31 March 2022, to reflect off-shore risk (i.e. Russian risk assessment outside Russia) approach for AO UniCredit Bank (Russia) derivatives exposures, and the different perspective vs on-shore risk. Indeed, till February 2022, CVA risk mapping assimilated Russian risk to the average of Eastern Europe counterparties, considering an aligned perception of country risk; then, since March 2022 a new CVA risk mapping was introduced to assess Russian counterparty credit risk by referencing the Russian Sovereign Credit Default Swap (CDS), separated from the Eastern Europe counterparties in light of the changed geopolitical framework. As at 30 June 2022, the overall impact stemming from XVA, also including the update in methodology, was equal to -€34 million.

Finally, it is worth emphasizing that with reference to the real estate portfolio of Russian subsidiaries (mainly composed by owned instrumental assets located in Moscow and Saint Petersburg Commercial Business District), the external independent appraisals executed right before 30 June 2022 for updating the fair value of the assets led to recognize a non-material economic effect.

### *Sensitivity of Expected Credit Losses (ECL) to macroeconomic scenario for AO UniCredit Bank (Russia)*

The sensitivity of IFRS9 ECL to scenarios change is estimated by comparing the ECL calculated alternatively weighting at 100% the adverse and baseline scenarios. In details, compared to the baseline, the ECL of AO UniCredit Bank (Russia) would increase by about 13.8% equivalent to around €108 million in the adverse scenario.

Moreover, the sensitivity<sup>20</sup> of ECL to GDP variations embedded in the different scenarios was also estimated as the ratio of:

- the difference between ECL estimated under the alternative and the baseline scenario;
- the GDP points deviations (on 3 years cumulative basis) between alternative and baseline scenarios respectively.

The implied assumptions are:

- GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity;
- for AO UniCredit Bank, the Russian GDP is considered for the calculation of the respective sensitivity.

The results considering the current IFRS9 scenarios and portfolio shows that for 1 point of GDP drop (cumulated over 3 years) the ECL of AO UniCredit Bank (Russia) is estimated to increase by +1.8%.

### **Financial assets held by UniCredit S.p.A. and its non-Russian subsidiaries toward Russian counterparties**

The present section provides information about the amount of credit exposures subject to Russian risk held by UniCredit S.p.A. and its non-Russian subsidiaries (i.e., such exposures include neither the positions held by the Russian Legal Entities belonging to UniCredit Group, nor the Letters of Credit).

<sup>20</sup> The sensitivity of AO UniCredit Bank (Russia) is significantly affected by S2 restaging of the entire portfolio.



## Part A - Accounting policies

The overall Gross Book Value for €4 billion is composed as follows:

- €2.6 billion attributable to the credit exposures of the Russia operating segment, having the following features:
  - €2.6 billion on-balance, and an amount lower than €0.05 billion off-balance;
  - with an overall coverage for approx. 34%;
- €1.4 billion related to the exposures basically held by the Group Entities not belonging to the Russian Operating Segment, having the following features:
  - €0.8 billion on-balance (ECA guaranteed for €0.6 billion), and €0.6 billion off-balance;
  - whose coverage substantially reflects the presence of ECA guarantees for most of the exposures.

	PERFORMING ASSETS <sup>(*)</sup>		
	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURES
Deposits	-	-	-
Financial assets held for trading	-	-	-
Financial assets at FV through OCI	-	-	-
Financial assets at amortized cost	3,358	875	2,483
<b>Totale on balance exposures</b>	<b>3,358</b>	<b>875</b>	<b>2,483</b>
Off Balance	642	40	602
<b>Total</b>	<b>4,000</b>	<b>915</b>	<b>3,085</b>

Note:

(\*) Non-performing assets substantially immaterial having a net exposure of €1 million.

The assessment reported in the previous paragraph (i.e., reclassification into Stage 2 and rating downgrade) were also applied to these exposures.

Furthermore, in the course of first half of 2022, a series of events occurred:

- several Multinational Corporations decided to exit from Russian market and, among them, certain financial group disposed their activities in Russia or announced their intention to do so even incurring significant losses resulting from significant impairment and write-downs due to the reduced recoverable value of their assets in such country together with difficulties in disposing it;
- certain Russian counterparties, including Russia, entered in technical default as a result of sanctions imposed against Russia which impeded them to repay their debt toward foreign counterparty in accordance with the original terms of the contract subscribed.

As anticipated in the previous section, these events:

- point to a clear differentiation in asset valuation between on-shore and off-shore investors, where off-shore investors are penalized vs on-shore in their ability to recover the claims against investments in Russia;
- were considered indicative of the circumstance that the cash flows expected to be received as offshore investor would be lower than those implied by a Stage 2 and ordinary rating downgrade and, as such, embedded in the evaluation of these credit exposures as at 30 June 2022.

Indeed, in the perspective of off-shore UniCredit group Legal Entities exposed towards obligors with direct risk on Russia, such exposures are expected to suffer higher risk of missed fulfilment of credit obligation. In order to incorporate the mentioned events in the measurements of Loan Loss provision, it is worth reminding that, as per IFRS9 requirements, credit models used for LLP calculation shall apply historical information, adjusted to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based. To this regard, the credit models used by UniCredit are based on historical experience, adjusted to reflect current and forecasted conditions assuming ordinary credit recovery process.

Such models, however, do not reflect the specificities highlighted above in term of differentiation between on-shore and off-shore investors, also in light of the Groupwide nature of these clients, primarily Multinational and Banks assessed with credit models, that, in line with prudential regulation requirement and the nature of the underlying models, shall provide unique rating independently from the Legal Entities where they are booked. Considering the above, in order to comply with the mentioned IFRS9 requirements, overlay measures were recognised as at 30 June 2022 in order to reflect such widening effect from the perspective of UniCredit group as off-shore investor. The overlays were quantified in line with a coverage ratio that would result from the proactive classification of these exposures as unlikely to pay.

As a result of the above as at 30 June 2022, stock of loan loss provisions is equal to €915 million.

### Spill-over effects resulting from Russia-Ukraine crisis

On top to the measures related to the Russian-related exposures, a further specific assessment was executed, especially in the Italian perimeter, in order to incorporate the spill-over effects of the geopolitical tensions on non-Russian exposures in the second quarter 2022.

## Part A - Accounting policies

More in details:

- overlay for energy intensive sectors, prone to be more affected by spill-over effects linked to Russia - Ukraine crisis, specifically impacting the energy supply and related price soaring. Such overlay has been quantified by recognizing additional LLP according to average coverage of UTP portfolio on the inferred additional defaulted exposures in-flows, this latter estimated according to the projection of increasing default rates representative of an adverse scenario. The overlay has resulted in additional loan loss provisions of -€244 million;
- calibration adjustment to LGD NPE in order to make LLP booked on stock of defaults in place (or generated) within the previous downturn Covid period, now affected by persisting economic environment uncertainty, representative of a "downturn-like coverage". This overlay has resulted in additional loan loss provisions of approx. -€35 million.

Outside of the Italian perimeter, since 31 December 2021 additional overlays were adopted in order to cope with increasing macroeconomic uncertainties stemming from: (i) the worsening of Supply Chain bottleneck crisis<sup>21</sup>, and (ii) persisting uncertainties, also deriving from Covid-19 prolonged effects. During the first half of 2022, while the negative effects of Covid-19, were progressively fading, as governments lifted restrictions, the outbreak of the geopolitical tensions between Russia and Ukraine heightened macroeconomic uncertainties compounding the existing supply chain pressures. In light of this such overlays have been deemed currently representative for their maintenance in the current situation, contributing for -€176 million, as at 30 June 2022, to the stock of loan loss provision.

### FX rate used as at 30 June for the conversion of exposures denominated in Rubles

As a result of the geopolitical tension, the ECB suspended the EUR/RUB listing since 2 March 2022 (last fixing on 1 March 2022), while Central Bank of Russia ("CBR") continued to provide a fixing versus other currencies. It is worth reminding that, despite such suspension, the availability of RUB FX rate is needed for preparing the Condensed interim consolidated financial statements for the conversion into EUR of:

- RUB denominated exposures held by UniCredit S.p.A. and subsidiaries having a presentation currency different from EUR;
- Russian subsidiaries' net assets (and related FX reserve) in the consolidated financial results of UniCredit group.

In light of the IAS21 requirements (which establish that when several exchange rates are available the rate used is the one at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date), the Group decided to adopt the RUB quotes listed by the Electronic Broking Service ("EBS") in substitution of the lacking EUR/RUB quote.

The choice of the provider has been executed following qualitative and quantitative assessment, which reported the following outcome: (i) the RUB quotes published by the platform are representative of effective transactions between participants to the market; (ii) the FX quotes are liquid; (iii) the EBS RUB quotes resulted from actual transactions by non-Russian based operators, thus granting that such quote effectively represents a market participant assessment of the value of the RUB and therefore of the economic conditions of Russia. Such conclusions are also corroborated by the meeting held by ECB - Foreign Exchange Contact Group during May 2022 in which EBS representative reported that EBS EUR/RUB Market continue to function, and that liquidity in the Russian rouble is below pre-invasion levels, with activity concentrated mostly among larger banks in offshore markets. In more detail, the mentioned EBS rate was used both for converting RUB denominated exposures held by entities having EUR as presentation currency, as well as for consolidating the net assets of AO UniCredit Bank (Russia) and determining the related FX reserve.

In addition to the above, it is worth reminding those exposures held by Russian subsidiaries and denominated into currencies different from RUB shall be first converted into RUB for the purpose of consolidated financial statements preparation. In this regard, while the adoption of EBS RUB quote would appropriate, the conversion into RUB of exposures denominated in foreign currencies held by Russian Subsidiaries was executed considering the rate provided by CBR considering that difference between CBR and EBS quotes was not significant<sup>22</sup>.

## 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 2021.

<sup>21</sup> Specifically, in the fourth quarter 2021 additional measures for ECL quantification were assessed for Czech Republic, Germany and Austria, as identified the most impacted countries considering the relevance that the supply chain bottlenecks may have for the local economy. The overlay was determined considering: (i) the sensitivity of ECL to GDP through the Satellite model used for forward looking inclusion; (ii) the weight of the exports on local GDP of the countries. Considering the current circumstances this overlay has been deemed currently still broadly representative of the current situation hence not triggering additional interventions for the loan loss provision determination as at 30 June 2022. Just a methodological enhancement on German perimeter, considering the vulnerability of major continental manufacturing economies (like Italy and Germany) to spill-over effects from Russia-Ukraine crisis, has been introduced along the line of the existing supply chain risk overlay. Furthermore, it is highlighted that the energy-intensive overlay method adopted in Italy has been applied also in Bulgaria under the vein of the methodological enhancement of an existent overlay applied in fourth quarter 2021 considering the locally specific persistent complexity of macroeconomic environment, exacerbated also by a certain political instability. Furthermore, being consistent also in the new context after Russia-Ukraine crisis outbreak, the other local specific macroeconomic overlays adopted for Czech Republic perimeter related to floor to LGD IFRS9 estimates on the "through-the-cycle" value due to inflated house price index in the country and overlay for the impact of increasing interest rates already included in the course of 2021 are confirmed for 30 June 2022 Financial Reporting. Finally, as at 30 June 2022, a managerial overlay has been adopted in Romania perimeter in order to factor-in the launch of a legislative moratoria program aimed at supporting clients that may encounter difficulty consequently to the adverse local circumstances (e.g., high inflation, high energy prices, also stemming from Russia-Ukraine crisis outbreak). The overlay is based on potential projections of the share of eligible portfolio opting-in for the moratoria and potentially triggering a forbore performing classification.

<sup>22</sup> For sake of reference the difference as at 30 June 2022 between EBS and CBR quotes was equal to 2.49 RUB with reference to EUR.



## Part A - Accounting policies

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

There were no transfers between portfolios of financial assets in the first half 2022.

### 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.

For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference and assigns a greater weighting to those prices that are considered representative of the instrument being valued.

This valuation can include the feasibility of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the info provider to obtain the information.

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

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

## Part A - Accounting policies

### Assets and Liabilities measured at fair value on a recurring basis

#### *Fixed-income securities*

Fixed-income securities are priced in a two-tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1<sup>23</sup>. In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account: the number of executable bid/ask quotes, their relative sizes and spreads. Such indicator is tracked over a 20 business days' time window in order to obtain a stable monthly indicator.

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

In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

#### *Structured financial products*

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

#### *Asset Backed Securities*

UniCredit valuation process relies on internal policies centred on two pillars:

- extension and implementation across all the Group's legal entities of an Independent Price Verification ("IPV") process suited to the changed market conditions for Structured credit bonds;
- integration of current Fair Value Adjustments Policy.

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

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

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

#### *Derivatives*

Fair value of derivatives not traded in an active market is determined using a mark-to-model valuation technique.

Where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts.

Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use significant unobservable inputs are referred to as Level 3 valuations.

#### *Equity instruments*

Equity instruments are assigned to Level 1 when a quoted price is available on a liquid market and to Level 3 when no quotations are available, or quotations have been suspended indefinitely. These instruments are classified 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.

<sup>23</sup> As far as Italian government bonds are concerned, it is worth stressing they are typically exchanged on the MTS market which is largely acknowledged as the main liquid platform for this kind of asset.

## Part A - Accounting policies

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 localization, 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.
- 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.

### *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.

## Part A - Accounting policies

### *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 UniCredit group's subordinated and non-subordinated risk curves.

On the other hand, fair value for other financial liabilities is determined using the discounted cash flow model adjusted for UniCredit credit risk.

The Credit Spread is determined using UniCredit group'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.

## Part A - Accounting policies

### *Hazard Rate Model*

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

### *Market Approach*

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

### *Gordon Growth Model*

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

### *Dividend Discount Model*

A model used to determine the value of a stock based on expectations on its future dividend flow.

Given a series of forecasts on dividends payable in future exercises and an hypothesis on the subsequent annual growth of dividends at a constant rate, the model estimates the fair value of a stock as the sum of the current value of all future dividends.

### *Adjusted NAV*

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

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

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

#### *Volatility*

Volatility is the measure of the variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.

There are different types of volatility:

- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices.

#### *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.

## Part A - Accounting policies

### *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 refers to the rates in currencies for which a market liquidity doesn't exist in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

### *Inflation swap rate*

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

### *Credit spreads*

Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name.

The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate (typically either U.S. Treasury or LIBOR/EURIBOR other ARR) and is generally expressed in terms of basis points.

The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

### *Loss Given Default ("LGD")/Recovery Rate*

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

### *Price*

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

### *Prepayment Rate ("PR")*

The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security.

In general, as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending on the nature of the security and the direction of the change in the weighted average life.

### *Probability of Default ("PD")*

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

### *Early conversion*

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

### *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



## Part A - Accounting policies

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 Risk Management Functions. The aim of this independent control structure is evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily *mark-to-market* or *mark-to-model* valuation, the *Independent Price Verification* ("IPV") is applied by from *Market Risk* function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.

### A.4.3 Fair value hierarchy

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

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all the significant valuation inputs used.

A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.

In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

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

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

**Level 1 (quoted prices in active markets):** quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the Group legal 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

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 06.30.2022			AMOUNTS AS AT 12.31.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	28,273	51,851	4,571	39,317	48,889	4,041
a) Financial assets held for trading	24,692	48,237	1,739	33,191	45,717	1,201
b) Financial assets designated at fair value	290	-	-	279	-	-
c) Other financial assets mandatorily at fair value	3,291	3,614	2,832	5,847	3,172	2,840
2. Financial assets at fair value through other comprehensive income	51,873	8,543	3,044	54,113	11,856	2,617
3. Hedging derivatives	100	2,537	13	38	3,027	-
4. Property, plant and equipment	-	-	5,984	-	-	5,955
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>80,246</b>	<b>62,931</b>	<b>13,612</b>	<b>93,468</b>	<b>63,772</b>	<b>12,613</b>
1. Financial liabilities held for trading	9,503	42,417	1,962	14,376	36,071	1,161
2. Financial liabilities designated at fair value	-	8,767	650	-	8,907	649
3. Hedging derivatives	174	3,026	8	51	4,252	-
<b>Total</b>	<b>9,677</b>	<b>54,210</b>	<b>2,620</b>	<b>14,427</b>	<b>49,230</b>	<b>1,810</b>

Item "1. c) Other financial assets mandatorily at fair value" at Level 3 as at 30 June 2022 includes the investments in Atlante and Italian Recovery Fund, (former Atlante II) carrying value €309 million and in "Schema Volontario" carrying value €1 million.

Since no market valuations or prices of comparable securities are available for "Schema Volontario", at 30 June 2022 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 2021, 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 first half 2022 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, designated at fair value and mandatorily at fair value) for €1,180 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for €462 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designated at fair value) for €2 million.
- from Level 2 to Level 1 owing to an improvement of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV (Independent Price Verification) process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designated at fair value and mandatorily at fair value) for €184 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for €1,517 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 2022							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
<b>1. Opening balances</b>	<b>4,041</b>	<b>1,201</b>	<b>-</b>	<b>2,840</b>	<b>2,617</b>	<b>-</b>	<b>5,955</b>	<b>-</b>
<b>2. Increases</b>	<b>2,808</b>	<b>1,729</b>	<b>-</b>	<b>1,079</b>	<b>742</b>	<b>161</b>	<b>209</b>	<b>-</b>
2.1 Purchases	1,340	682	-	658	133	83	9	-
2.2 Profits recognised in	817	727	-	90	34	65	122	-
2.2.1 Income statement	817	727	-	90	5	65	45	-
- of which unrealised gains	223	172	-	51	-	-	45	-
2.2.2 Equity	X	X	X	X	29	-	77	-
2.3 Transfers from other levels	590	297	-	293	503	13	-	-
2.4 Other increases	61	23	-	38	72	-	78	-
<b>3. Decreases</b>	<b>2,278</b>	<b>1,191</b>	<b>-</b>	<b>1,087</b>	<b>315</b>	<b>148</b>	<b>180</b>	<b>-</b>
3.1 Sales	1,306	801	-	505	10	65	11	-
3.2 Redemptions	439	-	-	439	168	-	-	-
3.3 Losses recognised in	347	249	-	98	125	83	103	-
3.3.1 Income statement	347	249	-	98	20	83	86	-
- of which unrealised losses	164	89	-	75	-	-	27	-
3.3.2 Equity	X	X	X	X	105	-	17	-
3.4 Transfers to other levels	153	141	-	12	2	-	53	-
3.5 Other decreases	33	-	-	33	10	-	13	-
of which: business combinations	-	-	-	-	-	-	-	-
<b>4. Closing balances</b>	<b>4,571</b>	<b>1,739</b>	<b>-</b>	<b>2,832</b>	<b>3,044</b>	<b>13</b>	<b>5,984</b>	<b>-</b>

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" reports the profits and the losses arising from fair value changes on financial assets at fair value through other comprehensive income and tangible assets used in business, with reference to land and buildings, according to the rules explained below.

With reference to financial assets at fair value through other comprehensive income these profits and losses 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".

With reference to tangible assets used in business, the profits arising from the valuation are recognised in item "120. Valuation reserves" of shareholder's equity for the portion exceeding the cumulated losses recognised in item "260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value". Losses arising from the valuation are recognised in item "120. Valuation reserves" up to the cumulated profits recognised in the same item. Further losses are recognised in item "260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value". On disposal the cumulated profits reported in item "120. Valuation reserves" are recycled to item "150. Reserves".

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

## 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 2022		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>1,161</b>	<b>649</b>	<b>-</b>
<b>2. Increases</b>	<b>2,313</b>	<b>420</b>	<b>316</b>
2.1 Issuance	723	281	85
2.2 Losses recognised in	902	22	226
2.2.1 Income statement	902	21	226
- of which unrealised losses	206	18	-
2.2.2 Equity	X	1	-
2.3 Transfers from other levels	674	111	5
2.4 Other increases	14	6	-
<b>3. Decreases</b>	<b>1,512</b>	<b>419</b>	<b>308</b>
3.1 Redemptions	904	24	222
3.2 Purchases	-	19	-
3.3 Profits recognised in	383	135	85
3.3.1 Income statement	383	117	85
- of which unrealised gains	191	116	-
3.3.2 Equity	X	18	-
3.4 Transfers to other levels	216	235	-
3.5 Other decreases	9	6	1
of which: business combinations	-	-	-
<b>4. Closing balances</b>	<b>1,962</b>	<b>650</b>	<b>8</b>

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 first half 2022 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 06.30.2022			AMOUNTS AS AT 12.31.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial assets (non-derivatives)</b>						
<b>1. Debt securities</b>	11,568	963	295	12,220	1,112	369
1.1 Structured securities	3	435	-	2	699	-
1.2 Other debt securities	11,565	528	295	12,218	413	369
<b>2. Equity instruments</b>	5,818	6	-	7,727	1	-
<b>3. Units in investment funds</b>	1,398	929	18	1,509	842	74
<b>4. Loans</b>	1,976	9,995	-	6,838	8,593	-
4.1 Reverse Repos	-	1,419	-	-	2,188	-
4.2 Other	1,976	8,576	-	6,838	6,405	-
<b>Total (A)</b>	<b>20,760</b>	<b>11,893</b>	<b>313</b>	<b>28,294</b>	<b>10,548</b>	<b>443</b>
<b>B. Derivative instruments</b>						
<b>1. Financial derivatives</b>	3,911	36,295	1,416	4,881	34,983	755
1.1 Trading	3,911	35,978	1,416	4,881	34,839	755
1.2 Linked to fair value option	-	43	-	-	20	-
1.3 Other	-	274	-	-	124	-
<b>2. Credit derivatives</b>	21	49	10	16	186	3
2.1 Trading	21	49	10	16	186	3
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>Total (B)</b>	<b>3,932</b>	<b>36,344</b>	<b>1,426</b>	<b>4,897</b>	<b>35,169</b>	<b>758</b>
<b>Total (A+B)</b>	<b>24,692</b>	<b>48,237</b>	<b>1,739</b>	<b>33,191</b>	<b>45,717</b>	<b>1,201</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>74,668</b>			<b>80,109</b>

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value of the 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 2022, already included in the net presentation of these transactions, totaled €160,219 million increased in comparison to €35,559 million as at 31 December 2021 due to the evolution of the reference market conditions, relating to the activities of the subsidiary UniCredit Bank AG.

## Part B - Consolidated balance sheet - Assets

### 2.3 Financial assets designated at fair value: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2022			AMOUNTS AS AT 12.31.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>290</b>	<b>-</b>	<b>-</b>	<b>279</b>	<b>-</b>	<b>-</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	290	-	-	279	-	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
<b>Total</b>	<b>290</b>	<b>-</b>	<b>-</b>	<b>279</b>	<b>-</b>	<b>-</b>

<b>Total Level 1, Level 2 and Level 3</b>	<b>290</b>	<b>279</b>
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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.

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2022			AMOUNTS AS AT 12.31.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>2,798</b>	<b>2,497</b>	<b>235</b>	<b>5,490</b>	<b>1,664</b>	<b>259</b>
1.1 Structured securities	-	-	2	-	-	2
1.2 Other debt securities	2,798	2,497	233	5,490	1,664	257
<b>2. Equity instruments</b>	<b>473</b>	<b>84</b>	<b>208</b>	<b>334</b>	<b>85</b>	<b>646</b>
<b>3. Units in investment funds</b>	<b>20</b>	<b>18</b>	<b>1,445</b>	<b>23</b>	<b>38</b>	<b>1,402</b>
<b>4. Loans</b>	<b>-</b>	<b>1,015</b>	<b>944</b>	<b>-</b>	<b>1,385</b>	<b>533</b>
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,015	944	-	1,385	533
<b>Total</b>	<b>3,291</b>	<b>3,614</b>	<b>2,832</b>	<b>5,847</b>	<b>3,172</b>	<b>2,840</b>

<b>Total Level 1, Level 2 and Level 3</b>	<b>9,737</b>	<b>11,859</b>
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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 €35 million, (ii) Mezzanine and Junior bonds of Prisma securitisation for €2 million, (iii) Mezzanine and Junior bonds of Olympia for €1 million and (iv) Mezzanine and Junior bonds of Relais for €1 million, presented among Level 3 instruments, and (v) Junior bonds of Altea securitisation for €9 million, presented among Level 2 instruments.

The item "2. Equity instruments" (i) includes the investment in a "Schema Volontario" (presented among Level 3 instruments) with a value of €1million and (ii) it decreases in respect of the 31 December 2021 mainly due to the sale of the stake owned in "La Villata S.p.A. Immobiliare di Investimento e Sviluppo" (purchased in April 2020) sold in June 2022 at a price of 435 million in line with its carrying value.

The item "3. Unit in investment funds" includes the investments in Atlante and Italian Recovery Fund, former Atlante II (presented among Level 3) instruments, with a value of €309 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%.

## Part B - Consolidated balance sheet - Assets

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 2022 UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value with a carrying value of €149 million. The year-to-date overall cash investments are equal to €844 against which impairments for €684 million and positive fair value changes for €13 million were carried out. Received reimbursement amount to €24 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 2022 UniCredit S.p.A. holds shares with a carrying value of €160 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 €5 million were carried out. Received reimbursement amount to €32 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 2022 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 reduced value of €9 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.

### 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.

## Part B - Consolidated balance sheet - Assets

Following the update of the assessment received from the SV (supported by the analysis of the appointed advisor), as at 30 June 2022 UniCredit S.p.A. recognised an accumulated impairment of €3.3 million (€0.7 million during 2022). Thus, 30 June 2022, UniCredit S.p.A. carrying value of investments related to securitisation is equal to nearly €1 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 in the following periods has determined a fair value of €5.1 million at 31 December 2020, substantially zeroed at 31 December 2021. At 30 June 2022 the position is nil.

## 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

ITEMS/VALUES	AMOUNTS AS AT 06.30.2022			AMOUNTS AS AT 12.31.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>51,868</b>	<b>8,119</b>	<b>2,139</b>	<b>54,106</b>	<b>11,254</b>	<b>1,750</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	51,868	8,119	2,139	54,106	11,254	1,750
<b>2. Equity instruments</b>	<b>5</b>	<b>424</b>	<b>905</b>	<b>7</b>	<b>602</b>	<b>867</b>
<b>3. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>51,873</b>	<b>8,543</b>	<b>3,044</b>	<b>54,113</b>	<b>11,856</b>	<b>2,617</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>63,460</b>			<b>68,586</b>		

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information refer to 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 one part of instrument Mezzanine notes with a value of €71 million entirely reported within Level 3 of the Fair Value hierarchy, (ii) in Senior bonds of Prisma securitisation for €606 million, (iii) in Senior bonds of Olympia securitisation for €261 million and (iv) in Senior bonds of Itaca for €125 million, all investments presented among Level 3 instruments, and (v) in Senior bonds of Relais for €390 million, presented among Level 3 instruments (in Level 2 as at 31 December 2021).

The Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among Level 2 instruments), with a value of €375 million and (ii) ABH Holding SA investments (presented among Level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsofbank to Alfa Group, with a value of €313 million.

## Part B - Consolidated balance sheet - Assets

### Information about the shareholding in Banca d'Italia

As at 30 June 2022, UniCredit S.p.A. has a shareholding of 5% in the share capital of Banca d'Italia, with a carrying value of €375 million. The current stake is the result of the disposal process started at the end of 2015, when UniCredit S.p.A. owned 22.1% (€1,659 million) of Banca d'Italia share capital. The disposals settled in the first semester of 2022 are equal to 2.4% (€179 million) of the share capital of Banca d'Italia, bringing the overall transactions settled starting from 2015 to 17.1% (€1,284 million). All the transactions occurred at a consideration corresponding to the carrying value, equal to €7,500 million for a 100% stake. The relevant measurement was therefore confirmed as Level 2 in the fair value classification.

Following a legislative change occurred at the end of 2021, the shareholders of Banca d'Italia can benefit of economic rights up to a stake of 5%, from previous 3%.

With regard to the regulatory treatment as at 30 June 2022, the value of the investment, measured at fair value, has a weighting of 100%.

### 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 06.30.2022			AMOUNTS AS AT 12.31.2021		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
<b>A. Loans and advances to Central Banks</b>	<b>66,103</b>	<b>-</b>	<b>-</b>	<b>59,465</b>	<b>-</b>	<b>-</b>
1. Time deposits	2,247	-	-	2,839	-	-
2. Compulsory reserves	50,693	-	-	50,947	-	-
3. Reverse repos	12,556	-	-	5,077	-	-
4. Other	607	-	-	602	-	-
<b>B. Loans and advances to banks</b>	<b>43,830</b>	<b>2</b>	<b>-</b>	<b>31,939</b>	<b>-</b>	<b>-</b>
1. Loans	31,819	2	-	23,418	-	-
1.1 Current accounts	-	-	-	-	-	-
1.2 Time deposits	8,613	1	-	7,918	-	-
1.3 Other loans	23,206	1	-	15,500	-	-
- Reverse repos	19,293	-	-	11,144	-	-
- Lease Loans	3	-	-	3	-	-
- Other	3,910	1	-	4,353	-	-
2. Debt securities	12,011	-	-	8,521	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	12,011	-	-	8,521	-	-
<b>Total</b>	<b>109,933</b>	<b>2</b>	<b>-</b>	<b>91,404</b>	<b>-</b>	<b>-</b>

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2022			AMOUNTS AS AT 12.31.2021		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
<b>1. Loans</b>	<b>453,082</b>	<b>6,938</b>	<b>29</b>	<b>439,161</b>	<b>8,002</b>	<b>32</b>
1.1 Current accounts	29,800	615	1	24,953	683	1
1.2 Reverse repos	23,970	-	-	18,239	-	-
1.3 Mortgages	185,756	2,038	11	182,348	2,923	13
1.4 Credit cards and personal loans, including wage assignment	17,401	282	-	16,324	311	1
1.5 Lease loans	13,511	637	-	14,040	699	-
1.6 Factoring	12,961	135	-	13,437	129	-
1.7 Other loans	169,683	3,231	17	169,820	3,257	17
<b>2. Debt securities</b>	<b>69,412</b>	<b>-</b>	<b>-</b>	<b>66,451</b>	<b>13</b>	<b>-</b>
2.1 Structured securities	50	-	-	41	-	-
2.2 Other debt securities	69,362	-	-	66,410	13	-
<b>Total</b>	<b>522,494</b>	<b>6,938</b>	<b>29</b>	<b>505,612</b>	<b>8,015</b>	<b>32</b>

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

Sub-items "1.2. Reverse repos" and "1.7 Other loans" do not include the type of securities lending transactions collateralised by securities or not collateralised.

The sub-item "2.2 Other debt securities" includes investments in Senior bonds of Altea securitisation for a carrying amount of €552 million.



## Part B - Consolidated balance sheet - Assets

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

(€ million)

	GROSS VALUE					TOTAL ACCUMULATED IMPAIRMENTS				PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1		STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT IMPAIRED	STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT IMPAIRED	
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION								
1. EBA-compliant moratoria loans and advances	2	-	13	-	-	-	1	-	-	-
2. Loans under moratorium no longer compliant to the GL requirements and not valued as forborne exposure	1,961	-	1,703	100	2	25	125	71	-	-
3. Loans and advances with other forbearance measures	2	-	321	911	2	-	18	177	1	-
4. Newly originated loans and advances	20,536	-	7,681	350	3	31	74	107	1	-
Total 06.30.2022	22,501	-	9,718	1,361	7	56	218	355	2	-
Total 12.31.2021	21,146	-	14,990	2,467	7	53	591	774	-	-

The amounts related to year 2021 differ from the ones published at that time due to the recast needed as a result of "back in use" of UniCredit Leasing S.p.A. and its subsidiary and UniCredit Leasing GMBH and its subsidiaries, previously classified as "held for sale".

As at 30 June 2022, most of the Covid-19 measures have ended. Specifically, with reference to the main countries:

- the moratorium "EBA compliant" are expired as at 30 June 2022 in all countries except Italy in which there is a decrease compared to December 2021;
- the other moratorium (legal and offered by bank) are, as at 30 June 2022:
  - expired with reference to: Bosnia and Herzegovina and Slovenia;
  - still in force with reference to: Italy, Germany, Bulgaria, Croatia, Hungary, Austria, Slovakia, Czech Republic, Romania.

With reference to Hungary, it should be noted that the local government has decided to extend the moratorium expiring on 30 June 2022 for customers whose debt was found to be in a moratorium on 17 June 2022. In July, customers who present the conditions may request the extension of the moratorium until the end of the year.

The decrease compared to December 2021 is mainly referred to Italy.

## 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 2022 intangible assets amounted to €2,263 million and mostly referred to software slightly increased in comparison to €2,234 million as at 31 December 2021.

## 10.1 Intangible assets: breakdown by asset type

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 06.30.2022		AMOUNTS AS AT 12.31.2021	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
A.1.1 Attributable to the Group	X	-	X	-
A.1.2 Attributable to minorities	X	-	X	-
<b>A.2 Other intangible assets</b>	<b>2,263</b>	<b>-</b>	<b>2,234</b>	<b>-</b>
of which: software	2,262	-	2,232	-
A.2.1 Assets carried at cost	2,263	-	2,234	-
a) Intangible assets generated internally	1,777	-	1,751	-
b) Other assets	486	-	483	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>2,263</b>	<b>-</b>	<b>2,234</b>	<b>-</b>
<b>Total finite and indefinite life</b>	<b>2,263</b>		<b>2,234</b>	

The Group does not use the revaluation model (fair value) to measure intangible assets.



## Part B - Consolidated balance sheet - Assets

## 10.2 Intangible assets: annual changes

(€ million)

	CHANGES IN FIRST HALF 2022						TOTAL
	OTHER INTANGIBLE ASSETS						
	GOODWILL	GENERATED INTERNALLY		OTHER			
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE		
A. Gross opening balance	15,736	5,196	-	5,204	902	27,038	
A.1 Total net reduction in value	(15,736)	(3,445)	-	(4,721)	(902)	(24,804)	
A.2 Net opening balance	-	1,751	-	483	-	2,234	
B. Increases	-	222	-	96	-	318	
B.1 Purchases	-	11	-	42	-	53	
B.2 Increases in intangible assets generated internally	X	189	-	-	-	189	
B.3 Write-backs	X	-	-	-	-	-	
B.4 Increases in fair value	-	-	-	-	-	-	
- In equity	X	-	-	-	-	-	
- Through profit or loss	X	-	-	-	-	-	
B.5 Positive exchange differences	-	8	-	53	-	61	
B.6 Other changes	-	14	-	1	-	15	
of which: business combinations	-	-	-	-	-	-	
C. Reduction	-	196	-	93	-	289	
C.1 Disposals	-	-	-	-	-	-	
C.2 Write-downs	-	192	-	64	-	256	
- Amortisation	X	187	-	62	-	249	
- Write-downs	-	5	-	2	-	7	
+ In equity	X	-	-	-	-	-	
+ Through profit or loss	-	5	-	2	-	7	
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	-	3	-	16	-	19	
C.6 Other changes	-	1	-	13	-	14	
of which: business combinations	-	-	-	-	-	-	
D. Net closing balance	-	1,777	-	486	-	2,263	
D.1 Total net write-down	(15,885)	(3,652)	-	(4,831)	(902)	(25,270)	
E. Gross closing balance	15,885	5,429	-	5,317	902	27,533	
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 2021, are due to goodwill of legal entities which reporting currency is different to Euro, completely impaired in the previous periods.

## Part B - Consolidated balance sheet - Assets

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

Non-current assets or 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.

Please note that figures of December 2021 have been restated following the reclassification of UniCredit Leasing S.p.A. and its controlled company and of UniCredit Leasing GMBH and its controlled companies out of the non-current assets held for sale.

In the balance sheet as at 30 June 2022, compared with 31 December 2021, the main variations are referred to the sale of the non-performing loans related to portfolio's sale initiatives.

As regards the data for asset relating to discontinued operations and associated liabilities, compared to the figure as at 31 December 2021, it should be noted the sale of the controlled company OT-Optima Telekom (Croatia).

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 - Assets

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

	AMOUNTS AS AT	
	06.30.2022	12.31.2021
(€ million)		
<b>A. Assets held for sale</b>		
A.1 Financial assets	466	1,934
A.2 Equity investments	15	16
A.3 Property, plant and equipment	280	263
<i>of which: obtained by the enforcement of collateral</i>	19	24
A.4 Intangible assets	5	5
A.5 Other non-current assets	36	111
<b>Total (A)</b>	<b>802</b>	<b>2,329</b>
<i>of which: carried at cost</i>	60	1,528
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	118	40
<i>of which: designated at fair value - level 3</i>	624	761
<b>B. Discontinued operations</b>		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-
B.6 Intangible assets	-	13
B.7 Other assets	-	58
<b>Total (B)</b>	<b>-</b>	<b>71</b>
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	71
<i>of which: designated at fair value - level 3</i>	-	-
<b>C. Liabilities associated with assets classified as held for sale</b>		
C.1 Deposits	416	420
C.2 Securities	-	-
C.3 Other liabilities	137	145
<b>Total (C)</b>	<b>553</b>	<b>565</b>
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	2	-
<i>of which: designated at fair value - level 3</i>	551	565
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	54
<b>Total (D)</b>	<b>-</b>	<b>54</b>
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	54
<i>of which: designated at fair value - level 3</i>	-	-

## 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

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT	
	06.30.2022	12.31.2021
<b>1. Deposits from central banks</b>	<b>110,730</b>	<b>108,867</b>
<b>2. Deposits from banks</b>	<b>71,153</b>	<b>54,648</b>
2.1 Current accounts and demand deposits	16,423	10,950
2.2 Time deposits	10,934	11,479
2.3 Loans	40,352	31,156
2.3.1 Repos	23,397	14,444
2.3.2 Other	16,955	16,712
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	11	10
2.6 Other deposits	3,433	1,053
<b>Total</b>	<b>181,883</b>	<b>163,515</b>

The deposits from central banks consist mainly of funding from Targeted Longer-Term Refinancing Operations III (TLTRO - III).

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.

The increase in stocks as at 30 June 2022 compared to the 31 December 2021 is mainly attributable to UniCredit S.p.A. and its subsidiaries UniCredit Bank AG and UniCredit Bank Austria AG.

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

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT	
	06.30.2022	12.31.2021
1. Current accounts and demand deposits	426,072	420,060
2. Time deposits	55,832	50,111
3. Loans	43,510	26,148
3.1 Repos	41,073	23,743
3.2 Other	2,437	2,405
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease deposits	1,940	2,052
6. Other deposits	4,085	4,369
<b>Total</b>	<b>531,439</b>	<b>502,740</b>

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.

The increase in stocks as at 30 June 2022 compared to the 31 December 2021 is mainly attributable to UniCredit S.p.A. and its subsidiaries UniCredit Bank AG and UniCredit Bank Czech Republic and Slovakia.

## Part B - Consolidated balance sheet - Liabilities

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

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT	
	06.30.2022	12.31.2021
<b>A. Debt securities</b>		
1. Bonds	79,897	86,093
1.1 Structured	1,079	1,147
1.2 Other	78,818	84,946
2. Other securities	6,085	9,805
2.1 Structured	47	47
2.2 Other	6,038	9,758
<b>Total</b>	<b>85,982</b>	<b>95,898</b>

The sum of sub-items "1.1 Bonds - Structured" and "2.1 Other securities - Structured" amounts to €1,126 million and account for 1.3% of total debt securities. They mainly refer to interest-rate linked instruments with closely related embedded derivatives identified, according to the classification rules of Mifid.

The fair value of derivatives embedded in structured securities 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 €13 million negative.

## Section 2 - Financial liabilities held for trading - Item 20

### 2.1 Financial liabilities held for trading: breakdown by product

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2022					AMOUNTS AS AT 12.31.2021				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Cash liabilities</b>										
1. Deposits from banks	278	448	518	57	1,024	-	662	179	90	931
2. Deposits from customers	1,278	4,066	1,339	4	5,387	2,272	7,745	2,347	87	10,178
3. Debt securities	4,780	-	4,112	548	4,657	3,290	-	3,028	360	3,382
3.1 Bonds	2,644	-	2,328	198	2,525	1,403	-	1,270	119	1,386
3.1.1 Structured	1,529	-	1,215	198	X	1,403	-	1,270	119	X
3.1.2 Other	1,115	-	1,113	-	X	-	-	-	-	X
3.2 Other securities	2,136	-	1,784	350	2,132	1,887	-	1,758	241	1,996
3.2.1 Structured	2,136	-	1,784	350	X	1,887	-	1,758	241	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total (A)</b>	<b>6,336</b>	<b>4,514</b>	<b>5,969</b>	<b>609</b>	<b>11,068</b>	<b>5,562</b>	<b>8,407</b>	<b>5,554</b>	<b>537</b>	<b>14,491</b>
<b>B. Derivatives instruments</b>										
1. Financial derivatives	X	4,978	36,394	1,231	X	X	5,912	30,332	531	X
1.1 Trading derivatives	X	4,978	35,928	1,219	X	X	5,912	29,967	512	X
1.2 Linked to fair value option	X	-	91	-	X	X	-	130	-	X
1.3 Other	X	-	375	12	X	X	-	235	19	X
2. Credit derivatives	X	11	54	122	X	X	57	185	93	X
2.1 Trading derivatives	X	11	54	122	X	X	57	185	93	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total (B)</b>	<b>X</b>	<b>4,989</b>	<b>36,448</b>	<b>1,353</b>	<b>X</b>	<b>X</b>	<b>5,969</b>	<b>30,517</b>	<b>624</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>9,503</b>	<b>42,417</b>	<b>1,962</b>	<b>X</b>	<b>X</b>	<b>14,376</b>	<b>36,071</b>	<b>1,161</b>	<b>X</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>53,882</b>					<b>51,608</b>	

**Note:**

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

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

## Part B - Consolidated balance sheet - Liabilities

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

The offset effect as at 30 June 2022, already included in the net presentation of these transactions, totaled €161,323 million increased in comparison to €42,509 million as at 31 December 2021 due to the evolution of reference market conditions, relating to the activities of the subsidiary UniCredit Bank AG.

The sub-items "1. Deposits from banks" and "2. Deposits from customers" include short selling totaling €4,849 million as at 30 June 2022 (€8,772 million as at 31 December 2021), in respect of which no nominal amount was attributed.

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

#### 3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2022					AMOUNTS AS AT 12.31.2021				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	<b>3</b>	-	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	-	<b>2</b>	<b>1</b>	<b>3</b>
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	3	-	2	1	X	3	-	2	1	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>2. Deposits from customers</b>	<b>763</b>	-	<b>660</b>	<b>42</b>	<b>694</b>	<b>724</b>	-	<b>702</b>	<b>56</b>	<b>748</b>
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	763	-	660	42	X	724	-	702	56	X
of which:										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>3. Debt securities</b>	<b>9,585</b>	-	<b>8,105</b>	<b>607</b>	<b>8,767</b>	<b>8,632</b>	-	<b>8,203</b>	<b>592</b>	<b>8,607</b>
3.1 Structured	9,105	-	7,619	607	X	8,047	-	7,581	592	X
3.2 Other	480	-	486	-	X	585	-	622	-	X
<b>Total</b>	<b>10,351</b>	-	<b>8,767</b>	<b>650</b>	<b>9,464</b>	<b>9,359</b>	-	<b>8,907</b>	<b>649</b>	<b>9,358</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>9,417</b>					<b>9,556</b>	

**Note:**

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

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

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

Refer to Section 12 - Non-current assets and disposal groups classified as held for sale - Item 120 Assets.

## Part B - Consolidated balance sheet - Liabilities

### Section 10 - Provisions for risks and charges - Item 100

#### 10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	AMOUNTS AS AT	
	06.30.2022	12.31.2021
1. Provisions for credit risk on commitments and financial guarantees given	1,390	1,285
2. Provisions for other commitments and other guarantees given	123	142
3. Pensions and other post-retirement benefit obligations	3,002	4,742
4. Other provisions for risks and charges	3,071	3,859
4.1 Legal and tax disputes	717	889
4.2 Staff expenses	1,281	1,804
4.3 Other	1,073	1,166
<b>Total</b>	<b>7,586</b>	<b>10,028</b>

As at 30 June 2022 Provision for risks and charges amounted to €7,586 million, of which about €1,390 million relating to total impairment losses on off-balance sheet exposures, €3,002 million relating to pensions and other post-retirement benefit obligations and €3,071 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.

#### 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 60% 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 2022 (including those relating to employee severance pay for so-called *Trattamento di fine rapporto del personale*) leads to a decrease, compared to 31 December 2021 levels, of €1,382 million, net of taxes, in the negative Balance of the valuation reserve of actuarial gains/losses on defined benefit plans determined by a rise in Euro yield curve (up to +225bps for pension funds and +230bps for *Trattamento di fine rapporto del personale*, vis-a-vis December 2021) driven by a reduction of HQCB bond prices partially offset by plan assets performance and by the increase in the revaluation rates of pension and salary in Austria and Germany to reflect outstanding macroeconomic scenario, characterized by a significant inflation pressure driven by energy and commodities prices.

## Part B - Consolidated balance sheet - Liabilities

In particular with reference to:

- UniCredit Bank Austria AG, in June the assessment of pension and salary trend was conducted, also referred to long term 2022-2033 expected average Consumer Price Index (increased by +41bps) resulting in equivalent increase in the rate of revaluation of pension and salary (to 2.65% and 2.89% respectively) for a negative impact in the valuation reserve of -€101 million (after tax);
- UniCredit Bank AG, the benefit arising from (i) discount rate increases and (ii) DTA recognition (+€159 million) have been offset by (i) segregated plan asset performance; and (ii) by an increase in the revaluation rates of pension and salary respectively by +25bps (from 1.75% to 2%) and +50 bps (from 2% to 2.50%), for a negative impact in the valuation reserve of -€121 million (after tax). During the first semester 2022 DTA evaluation has also led to a positive Income statement impact for €69 million.

### 10.6 Provisions for risks and charges - other provisions

	AMOUNTS AS AT	
	06.30.2022	12.31.2021
<b>4.3 Other provisions for risks and charges - other</b>		
Real estate risks/charges	104	106
Restructuring costs	66	81
Allowances payable to agents	88	95
Disputes regarding financial instruments and derivatives	14	15
Costs for liabilities arising from equity investment disposals	16	16
Other	785	853
<b>Total</b>	<b>1,073</b>	<b>1,166</b>

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.

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

As at 30 June 2022 the Group shareholders' equity, including the result for the period of +€2,285 million, amounted to €62,200 million, against €62,185 million at the end of 2021.

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

### Group shareholders' equity: breakdown

	AMOUNTS AS AT		CHANGES	
	06.30.2022	12.31.2021	AMOUNT	%
1. Share capital	21,220	21,133	87	0.4%
2. Share premium reserve	3,516	5,446	-1,930	-35.4%
3. Reserves	33,367	31,451	1,916	6.1%
4. Treasury shares	(1,043)	(200)	-843	n.m.
a. Parent Company	(1,043)	(199)	-844	n.m.
b. Subsidiaries	-	(1)	1	-100.0%
5. Valuation reserve	(3,245)	(4,336)	1,091	-25.2%
6. Equity instruments	6,100	6,595	-495	-7.5%
7. Net profit (loss)	2,285	2,096	189	9.0%
<b>Total</b>	<b>62,200</b>	<b>62,185</b>	<b>15</b>	<b>0.0%</b>



## Part B - Consolidated balance sheet - Liabilities

The +€15 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 15 February 2022	87
Use of share premium reserve:	
· for (i) the allocation to specific unavailable reserve in relation to the purchases of treasury shares in execution of "First Tranche of the Buy-Back Programme 2021" related to the distribution of 2021 (-€1,580 million); (ii) coverage of the negative reserves to eliminate the negative components related to the payment of AT1 coupons (-€350 million)	(1,930)
Change in reserves, including those one in treasury shares arising from:	1,073
· the attribution to the reserve of the result of the previous year of the Group, net of dividends and other allocations	922
· (i) the allocation of a portion of the Share Premium Reserve to set up the specific unavailable reserve for the execution of the "First Tranche of the Buy-Back Programme 2021" related to the distribution of 2021 (+€1,580 million); (ii) coverage of the negative reserves to eliminate the components related to the payment of AT1 coupons (+€350 million)	1,930
· the purchases of UniCredit S.p.A. ordinary shares executed upon completion of the "Second Buy-Back Programme 2021" related to the distribution of 2020 (-€452 million). This amount together with the treasury shares purchased in 2021 in execution of the above mentioned Buy-Back Programme for €199 million were cancelled without reducing the share capital on 2 March 2022 for the overall amount of €651 million corresponding to the maximum expenditure authorized. Moreover, in execution of "First Tranche of the Buy-Back Programme 2021" related to the distribution of 2021 there have been purchased the ordinary shares of UniCredit S.p.A. (-€1,043 million)	(1,495)
· the allocation to the reserves of the coupon paid to subscribers of the Additional Tier 1 notes, net of the related taxes	(157)
· the 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 15 February 2022	(87)
· the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items	(43)
· the charge to reserves for the disbursements made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" relating to coupon paid in May 2022 referring to the results of the year 2021	(29)
· change in reserves connected to Share Based Payments	24
· other changes	8
Change in valuation reserves related to:	1,091
· actuarial gains (losses) on defined-benefit plans	1,382
· exchange rate differences	1,209
· tangible assets	79
· the valuation of companies carried at equity	(41)
· hedging of foreign investments	(127)
· hedging for financial risks	(354)
· financial assets and liabilities valued at fair value	(1,058)
· non-current assets classified held-for-sale	1
Change in equity instruments:	
· early redemption of the Additional Tier 1 instruments issued in 2016 exercising the redemption option in accordance with the relevant terms and conditions of the securities, net of the related placement costs	(495)
Change of the profit for the period compared with that of 31 December 2021	189

## Part B - Consolidated balance sheet - Liabilities

## 13.4 Reserves from profits: other information

(€ million)

	AMOUNTS AS AT	
	06.30.2022	12.31.2021
Legal reserve	1,518	1,518
Statutory reserve	15,754	6,828
Other reserves	6,464	14,568
<b>Total</b>	<b>23,736</b>	<b>22,914</b>

Reference is made to the paragraph “12.4 Reserves from profit: other information” of the Company report and accounts 2021 of UniCredit S.p.A., Notes to the accounts, Part B - Balance sheet - Liabilities, Section 12 - Shareholders' equity - Item 110, 130, 140, 150, 160, 170 and 180 which is herewith quoted entirely.

## 13.6 Other Information

## Valuation reserves: breakdown

(€ million)

ITEM/TYPES	AMOUNTS AS AT	
	06.30.2022	12.31.2021
1. Equity instruments designated at fair value through other comprehensive income	(153)	(200)
2. Financial assets (other than equity instruments) at fair value through other comprehensive income	(543)	743
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)	40	(141)
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	1,792	1,713
7. Intangible assets	-	-
8. Hedges of foreign investments	(127)	-
9. Cash-flow hedges	(691)	(337)
10. Exchange differences	(1,455)	(2,664)
11. Non-current assets classified as held for sale	1	-
12. Actuarial gains (losses) on defined-benefit plans	(2,414)	(3,796)
13. Part of valuation reserves of investments valued at net equity	28	69
14. Special revaluation laws	277	277
<b>Total</b>	<b>(3,245)</b>	<b>(4,336)</b>

The FX currency reserves as at 30 June 2022 mainly refer to the Russian Ruble for -€1,066 million included in the item “Exchange differences” and +€24 million included in the item “Part of valuation reserves of investments valued at net equity”.

The main variations in comparison to 31 December 2021 refer to the following reserves:

- “Actuarial gains (losses) on defined-benefit plans” for +€1,382 million mainly referred to (i) the increase in DBO discount rate induced by the reduction in prices of High Quality Corporate Bonds, partially offset by plan assets performance; (ii) salary & pension trend increase in Germany and Austria to reflect outstanding macroeconomic scenario, characterized by a significant inflation pressure driven by energy and commodities prices;
- “Exchange differences” for +€1,209 million mainly referred to Russian Ruble for +€1,255 million and Hungarian Forint for -€81 million;
- “Financial assets (other than equity instruments) at fair value through other comprehensive income” for -1,286 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 06.30.2022				AS AT 06.30.2021
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
<b>1. Financial assets at fair value through profit or loss</b>	<b>121</b>	<b>47</b>	<b>452</b>	<b>620</b>	<b>452</b>
1.1 Financial assets held for trading	81	2	452	535	360
1.2 Financial assets designated at fair value	1	-	-	1	1
1.3 Other financial assets mandatorily at fair value	39	45	-	84	91
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>344</b>	<b>-</b>	<b>X</b>	<b>344</b>	<b>362</b>
<b>3. Financial assets at amortised cost</b>	<b>287</b>	<b>4,836</b>	<b>X</b>	<b>5,123</b>	<b>4,481</b>
3.1 Loans and advances to banks	40	507	X	547	150
3.2 Loans and advances to customers	247	4,329	X	4,576	4,331
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>(148)</b>	<b>(148)</b>	<b>3</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>178</b>	<b>178</b>	<b>82</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>866</b>	<b>768</b>
<b>Total</b>	<b>752</b>	<b>4,883</b>	<b>482</b>	<b>6,983</b>	<b>6,148</b>
<i>of which: interest income on impaired financial assets</i>	<i>1</i>	<i>156</i>	<i>-</i>	<i>157</i>	<i>170</i>
<i>of which: interest income on financial lease</i>	<i>X</i>	<i>204</i>	<i>X</i>	<i>204</i>	<i>230</i>

The interests on financial liabilities, contributing to net interest margin, include positive benefit arising from TLTRO III facilities.

## 1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2022				AS AT 06.30.2021
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
<b>1. Financial liabilities at amortised cost</b>	<b>(872)</b>	<b>(856)</b>	<b>X</b>	<b>(1,728)</b>	<b>(1,347)</b>
1.1 Deposits from central banks	(13)	X	X	(13)	(5)
1.2 Deposits from banks	(86)	X	X	(86)	(79)
1.3 Deposits from customers	(773)	X	X	(773)	(270)
1.4 Debt securities in issue	X	(856)	X	(856)	(993)
<b>2. Financial liabilities held for trading</b>	<b>(1)</b>	<b>(73)</b>	<b>(495)</b>	<b>(569)</b>	<b>(373)</b>
<b>3. Financial liabilities designated at fair value</b>	<b>(3)</b>	<b>(24)</b>	<b>-</b>	<b>(27)</b>	<b>(24)</b>
<b>4. Other liabilities and funds</b>	<b>X</b>	<b>X</b>	<b>28</b>	<b>28</b>	<b>(22)</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>571</b>	<b>571</b>	<b>481</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(436)</b>	<b>(442)</b>
<b>Total</b>	<b>(876)</b>	<b>(953)</b>	<b>104</b>	<b>(2,161)</b>	<b>(1,727)</b>
<i>of which: interest expenses on lease deposits</i>	<i>(14)</i>	<i>X</i>	<i>X</i>	<i>(14)</i>	<i>(15)</i>

## 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 06.30.2022	AS AT 06.30.2021
a) Financial Instruments	608	740
1. Placement of securities	465	596
1.1 Underwriting and/or on the basis of an irrevocable commitment	9	21
1.2 Without irrevocable commitment	456	575
2. Reception and transmission of orders	61	67
2.1 Reception and transmission of orders of financial instruments	61	67
2.2 Execution of orders on behalf of customers	-	-
3. Other fees related to activities linked to financial instruments	82	77
of which: proprietary Trading	6	6
of which: individual portfolio management	76	71
b) Corporate Finance	39	24
1. M&A advisory	13	6
2. Treasury services	1	1
3. Other fee and commission income in relation to corporate finance activities	25	17
c) Fee based advice	48	43
d) Clearing and settlement	-	-
e) Collective portfolio management	101	107
f) Custody and administration of securities	131	137
1. Custodian Bank	42	59
2. Other fee and commission income in relation to corporate finance activities	89	78
g) Central administrative services for collective investment	1	1
h) Fiduciary transactions	-	-
i) Payment services	736	630
1. Current accounts	25	20
2. Credit cards	58	46
3. Debits cards and other card payments	203	157
4. Transfers and other payment orders	216	199
5. Other fees in relation to payment services	234	208
j) Distribution of third party services	842	787
1. Collective portfolio management	339	329
2. Insurance products	496	447
3. Other products	7	11
of which: individual portfolio management	1	3
k) Structured finance	-	-
l) Loan securitization servicing activities	12	4
m) Loan commitment given	51	55
n) Financial guarantees	177	167
of which: credit derivatives	-	-
o) Lending transaction	298	259
of which: factoring services	39	34
p) Currency trading	132	91
q) Commodities	-	-
r) Other fee income	978	908
of which: management of sharing multilateral trading facilities	-	-
of which: management of organized trading systems	-	-
<b>Total</b>	<b>4,154</b>	<b>3,953</b>

## Part C - Consolidated income statement

Item "r) other fee income" mainly comprise:

- fees for ancillary services linked to current accounts (e.g., token, debt card): €422 million in the first half 2022, €361 million in the same period of 2021 (+16.9%);
- fees for immediate funds availability: €158 million in the first half 2022, €166 million in the same period of 2021 (-4.8%);
- fees for ATM and credit card services not included in collection and payment services: €143 million in the first half 2022, €118 million in the same period of 2021 (+21.2%);
- fees for current accounts keeping: €62 million in the first half 2022, €57 million in the same period of 2021 (+8.8%).

### 2.2 Fees and commissions expenses: breakdown

(€ million)		
SERVICES/VALUES	AS AT 06.30.2022	AS AT 06.30.2021
a) Financial instruments	(54)	(37)
of which: trading in financial instruments	(36)	(29)
of which: placement of financial instruments	(14)	(4)
of which: individual Portfolio management	(4)	(4)
- own portfolio	-	-
- third party portfolio	(4)	(4)
b) Clearing and settlement	(2)	(2)
c) Portfolio management: collective	(17)	(17)
1. Own portfolio	(10)	(10)
2. Third party portfolio	(7)	(7)
d) Custody and Administration	(90)	(85)
e) Collection and payments services	(360)	(293)
of which: debit credit card service and other payment cards	(310)	(247)
f) Loan securitization servicing activities	-	-
g) Loan commitment given	(5)	(4)
h) Financial guarantees received	(45)	(43)
of which: credit derivatives	-	-
i) Off - site distribution of financial instruments, products and services	(30)	(24)
j) Currency trading	(5)	(4)
k) Other commission expenses	(67)	(77)
<b>Total</b>	<b>(675)</b>	<b>(586)</b>

## Section 3 - Dividend income and similar revenues - Item 70

### 3.1 Dividend income and similar revenues: breakdown

(€ million)				
ITEMS/REVENUES	AS AT 06.30.2022		AS AT 06.30.2021	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	227	-	149	-
B. Other financial assets mandatorily at fair value	54	6	26	8
C. Financial assets at fair value through other comprehensive income	23	-	15	-
D. Equity investments	4	-	2	-
<b>Total</b>	<b>308</b>	<b>6</b>	<b>192</b>	<b>8</b>
<b>Total dividends and similar revenues</b>	<b>314</b>		<b>200</b>	

Dividends are recognised in the Income statement when distribution is approved.

In the first half 2022 dividend income and similar revenues totaled €314 million, as against overall €200 million for the previous period.

## Part C - Consolidated income statement

The item "A. Financial assets held for trading" includes the dividends received relating to the following mainly equity securities: Allianz SE NA O.N. (€11 million), Mercedes-Benz GRP NA O.N. (€11 million), Assicurazioni Generali S.p.A. (€8 million), Enel S.p.A. (€7 million), Volkswagen AG VZO O.N. (€7 million), Stellantis NV (€7 million), Basf SE NA O.N. (€7 million), Intesa Sanpaolo (€6 million), Siemens AG NA O.N. (€6 million). In the first half 2021 the item included the dividends received relating to the following mainly 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).

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 €29 million (€16 million in 2021).

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 for €17 million (€10 million in 2021), the increase arises from the regulatory change which took place at the end of 2021 leading to an increase, starting from 2022, of the stake to 5% (compared to the previous 3%) for which the stakeholders of Banca d'Italia can benefit from dividends.

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

#### 4.1 Net gains (losses) on trading: breakdown

AS AT 06.30.2022					
TRANSACTIONS/INCOME ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
<b>1. Financial assets held for trading</b>	<b>8,023</b>	<b>1,651</b>	<b>(10,170)</b>	<b>(1,904)</b>	<b>(2,400)</b>
1.1 Debt securities	245	709	(1,485)	(663)	(1,194)
1.2 Equity instruments	215	369	(983)	(924)	(1,323)
1.3 Units in investment funds	11	71	(290)	(130)	(338)
1.4 Loans	2,256	6	(2,637)	(73)	(448)
1.5 Other	5,296	496	(4,775)	(114)	903
<b>2. Financial liabilities held for trading</b>	<b>753</b>	<b>259</b>	<b>(78)</b>	<b>(202)</b>	<b>732</b>
2.1 Debt securities	558	164	(51)	(94)	577
2.2 Deposits	-	-	(1)	(3)	(4)
2.3 Other	195	95	(26)	(105)	159
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(295)</b>
<b>4. Derivatives</b>	<b>432,359</b>	<b>43,547</b>	<b>(426,053)</b>	<b>(48,740)</b>	<b>2,016</b>
4.1 Financial derivatives	432,036	43,449	(425,767)	(48,620)	2,001
- On debt securities and interest rates	412,242	32,333	(407,957)	(35,900)	718
- On equity securities and share indices	6,968	3,529	(6,639)	(3,092)	766
- On currencies and gold	X	X	X	X	903
- Other	12,826	7,587	(11,171)	(9,628)	(386)
4.2 Credit derivatives	323	98	(286)	(120)	15
of which: economic hedges linked to the fair value option	X	X	X	X	-
<b>Total</b>	<b>441,135</b>	<b>45,457</b>	<b>(436,301)</b>	<b>(50,846)</b>	<b>53</b>

## Part C - Consolidated income statement

## 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 06.30.2022	AS AT 06.30.2021
<b>A. Gains on</b>		
A.1 Fair value hedging instruments	15,677	4,869
A.2 Hedged financial assets (in fair value hedge relationship)	69	323
A.3 Hedged financial liabilities (in fair value hedge relationship)	13,294	2,385
A.4 Cash-flow hedging derivatives	8	2
A.5 Assets and liabilities denominated in currency	-	-
<b>Total gains on hedging activities (A)</b>	<b>29,048</b>	<b>7,579</b>
<b>B. Losses on</b>		
B.1 Fair value hedging instruments	(20,261)	(5,765)
B.2 Hedged financial assets (in fair value hedge relationship)	(8,462)	(1,704)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(64)	(66)
B.4 Cash-flow hedging derivatives	(54)	(2)
B.5 Assets and liabilities denominated in currency	-	-
<b>Total losses on hedging activities (B)</b>	<b>(28,841)</b>	<b>(7,537)</b>
<b>C. Net hedging result (A-B)</b>	<b>207</b>	<b>42</b>
<i>of which: net gains (losses) of hedge accounting on net positions</i>	-	-

The increase in the items gain and losses on the hedging derivatives is mainly attributable to the evolution in the markets interest rate curves observed in the first half of 2022.

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

Net profit from gains/losses on disposals/repurchases of financial assets/liabilities as at 30 June 2022 is equal to +€211 million (+€181 million in 2021), of which +€181 million on financial assets and +€30 million on financial liabilities.

Net result recognised under sub-item "1. Financial assets at amortised cost" equal to +€119 million is mainly due to loan and advances to customers, basically 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 +€62 million and includes principally gains on disposal of UniCredit S.p.A., mainly due to Italian Government securities.

The sub-item "3. Debt securities in issue" equal to +€29 million mainly includes gains for buy-back of bonds issued by UniCredit S.p.A.

## 6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)						
ITEMS/INCOME ITEMS	AS AT 06.30.2022			AS AT 06.30.2021		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
<b>A. Financial assets</b>						
1. Financial assets at amortised cost	363	(244)	119	139	(80)	59
1.1 Loans and advances to banks	-	(55)	(55)	2	-	2
1.2 Loans and advances to customers	363	(189)	174	137	(80)	57
2. Financial assets at fair value through other comprehensive income	257	(195)	62	218	(93)	125
2.1 Debt securities	257	(195)	62	218	(93)	125
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>620</b>	<b>(439)</b>	<b>181</b>	<b>357</b>	<b>(173)</b>	<b>184</b>
<b>B. Financial liabilities at amortised cost</b>						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	1	-	1	-	-	-
3. Debt securities in issue	43	(14)	29	1	(4)	(3)
<b>Total liabilities (B)</b>	<b>44</b>	<b>(14)</b>	<b>30</b>	<b>1</b>	<b>(4)</b>	<b>(3)</b>
<b>Total financial assets/liabilities</b>			<b>211</b>			<b>181</b>

## 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 06.30.2022				NET PROFIT [(A+B)-(C+D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets</b>	<b>1</b>	<b>-</b>	<b>(48)</b>	<b>(12)</b>	<b>(59)</b>
1.1 Debt securities	1	-	(48)	(12)	(59)
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>1,316</b>	<b>68</b>	<b>(283)</b>	<b>(65)</b>	<b>1,036</b>
2.1 Debt securities	1,178	68	(272)	(62)	912
2.2 Deposits from banks	53	-	(11)	-	42
2.3 Deposits from customers	85	-	-	(3)	82
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>1,317</b>	<b>68</b>	<b>(331)</b>	<b>(77)</b>	<b>977</b>

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 06.30.2022				NET PROFIT [(A+B)-(C+D)]
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
<b>1. Financial assets</b>	<b>125</b>	<b>11</b>	<b>(547)</b>	<b>(70)</b>	<b>(481)</b>
1.1 Debt securities	41	7	(328)	(67)	(347)
1.2 Equity securities	8	1	(65)	-	(56)
1.3 Units in investment funds	51	1	(53)	(2)	(3)
1.4 Loans	25	2	(101)	(1)	(75)
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>125</b>	<b>11</b>	<b>(547)</b>	<b>(70)</b>	<b>(481)</b>

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.

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

As of 30 June 2022, net losses on credit impairment amounts to -€1,276 million which are affected by write-downs for -€2,048 million mainly arising from the following phenomena:

- update in macroeconomic scenarios in all geographies;
- classification in Stage 2 and re-rating of exposures, on-shore and off-shore, subject to Russian risk;
- effects associated to the sale of non performing exposures;
- additional overlays recognized in order to account for (i) the geopolitical situation on off shore credit exposures subject to Russian Risk and (ii) spill over effect on non Russian exposures.

For further details refer to Part E - Information on risks and hedging policies, Section 2 - Risks of the prudential consolidated perimeter, 2.1 Credit risk and, with specific reference to exposures subject to Russian risk, to Part A - Accounting policies, A.1 General, Section 5 - Other Matters.



## Part C - Consolidated income statement

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

AS AT 06.30.2022												(€ million)
TRANSACTIONS/INCOME ITEMS	WRITE-DOWNS						WRITE-BACKS				TOTAL	TOTAL
	STAGE 1	STAGE 2	STAGE 3		PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		
			WRITE-OFF	OTHER	WRITE-OFF	OTHER						
A. Loans and advances to banks	(33)	(35)	-	(16)	-	(9)	6	21	-	-	(66)	6
- Loans	(33)	(35)	-	(16)	-	(9)	5	20	-	-	(68)	5
- Debt securities	-	-	-	-	-	-	1	1	-	-	2	1
B. Loans and advances to customers	(371)	(2,149)	(42)	(1,507)	-	(24)	469	1,160	1,281	1	(1,182)	(541)
- Loans	(370)	(2,102)	(42)	(1,507)	-	(24)	466	1,154	1,281	1	(1,143)	(555)
- Debt securities	(1)	(47)	-	-	-	-	3	6	-	-	(39)	14
Total	(404)	(2,184)	(42)	(1,523)	-	(33)	475	1,181	1,281	1	(1,248)	(535)

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

AS AT 06.30.2022												AS AT 06.30.2021
TRANSACTIONS/INCOME ITEMS	WRITE-DOWNS						WRITE-BACKS				TOTAL	TOTAL
	STAGE 1	STAGE 2	STAGE 3		PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS		
			WRITE-OFF	OTHER	WRITE-OFF	OTHER						
A. Debt securities	(8)	(27)	-	(1)	-	-	4	4	-	-	(28)	2
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(8)	(27)	-	(1)	-	-	4	4	-	-	(28)	2

## Section 12 - Administrative expenses - Item 190

## 12.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	AS AT 06.30.2022	AS AT 06.30.2021
1) Employees	(2,886)	(2,950)
a) Wages and salaries	(2,071)	(2,109)
b) Social charges	(497)	(509)
c) Severance pay	(9)	(10)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(4)	(4)
f) Provision for retirements and similar provisions	(73)	(58)
- Defined contribution	(1)	(1)
- Defined benefit	(72)	(57)
g) Payments to external pension funds	(108)	(115)
- Defined contribution	(107)	(114)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(24)	(43)
i) Other employee benefits	(100)	(102)
2) Other non-retired staff	(14)	(12)
3) Directors and Statutory Auditors	(4)	(4)
4) Early retirement costs	-	-
5) Recoveries of payments for seconded employees to other companies	7	9
6) Refund of expenses for seconded employees to the company	(16)	(20)
Total	(2,913)	(2,977)

## Part C - Consolidated income statement

## 12.5 Other administrative expenses: breakdown

(€ million)		
TYPE OF EXPENSES/SECTORS	AS AT 06.30.2022	AS AT 06.30.2021
<b>1) Indirect taxes and duties</b>	<b>(286)</b>	<b>(283)</b>
1a. Settled	(286)	(282)
1b. Unsettled	-	(1)
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(699)</b>	<b>(672)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(52)</b>	<b>(52)</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(1,222)</b>	<b>(1,319)</b>
a) Advertising marketing and communication	(52)	(72)
b) Expenses relating to credit risk	(51)	(61)
c) Indirect expenses relating to personnel	(29)	(26)
d) Information & Communication Technology expenses	(566)	(566)
Lease of ICT equipment and software	(37)	(36)
Software expenses: lease and maintenance	(150)	(143)
ICT communication systems	(34)	(36)
Services ICT in outsourcing	(282)	(285)
Financial information providers	(63)	(66)
e) Consulting and professionals services	(50)	(89)
Consulting	(33)	(70)
Legal expenses	(17)	(19)
f) Real estate expenses	(198)	(203)
Premises rentals	(23)	(24)
Utilities	(70)	(68)
Other real estate expenses	(105)	(111)
g) Operating costs	(276)	(302)
Surveillance and security services	(23)	(35)
Money counting services and transport	(27)	(25)
Printing and stationery	(15)	(14)
Postage and transport of documents	(37)	(37)
Administrative and logistic services	(81)	(78)
Insurance	(33)	(43)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(37)	(43)
Other administrative expenses - other	(23)	(27)
<b>Total (1+2+3+4)</b>	<b>(2,259)</b>	<b>(2,326)</b>

## 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.

## Part C - Consolidated income statement

- The Directive 2014/49/EU of 16 April 2014, in relation to the DGS - Deposit Guarantee Schemes, aims to enhance the protection of depositors through the harmonisation of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of at least 0.8% of the amount of its members' covered deposits to be collected by 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If the available financial resources have been reduced to below two thirds of the target level after it has been reached for the first time, the regular contribution shall be set at that level which allows to reach the target level within six years. The national contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

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

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 2022, 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 €606 million, entirely referred to ordinary contributions (of which, €242 million UniCredit S.p.A.).

With reference to Directive No.49 (DGS contribution), the entire amount of €93 million 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<sup>24</sup>. As at 30 June 2022, 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.
<b>Directive No.59 (SRF contributions), o/w:</b>		
Ordinary contributions, as at 30 June:		
2022	606	242
2021	510	201
Extraordinary contributions, as at 30 June:		
2022	-	-
2021	65	65
<b>Directive No.49 (DGS contributions), o/w:</b>		
Ordinary contributions, as at 30 June:		
2022	93	-
2021	97	-

### 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 into 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.

The fee due for financial year 2022 has been paid on 24 June 2022 for an overall amount of €103.8 million relating to the whole Italian Tax Group, of which €99.6 million for UniCredit S.p.A., €4.0 million for UniCredit Leasing S.p.A. and €0.2 million for UniCredit Factoring S.p.A.

<sup>24</sup> 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 06.30.2022		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(327)	313	(14)
Financial guarantees given	(274)	250	(24)

## 13.2 Net provisions for other commitments and guarantees given: breakdown

(€ million)

	AS AT 06.30.2022		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Other commitments	(16)	14	(2)
<i>of which: commitment related to contribution for Resolution funds and Guarantee schemes</i>	-	-	-
Other guarantees given	(18)	53	35

## 13.3 Net provisions for risks and charges: breakdown

(€ million)

ASSETS/INCOME ITEMS	AS AT 06.30.2022			AS AT 06.30.2021 TOTAL
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL	
<b>1. Other provisions</b>				
1.1 Legal disputes	(103)	156	53	(154)
1.2 Staff costs	-	-	-	-
1.3 Other	(40)	104	64	(7)
<b>Total</b>	<b>(143)</b>	<b>260</b>	<b>117</b>	<b>(161)</b>

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. (refer to Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Risks arising from legal disputes).

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 - B. Risks arising from legal disputes.

## Part C - Consolidated income statement

### Section 16 - Other operating expenses/income - Item 230

#### Other net operating income: breakdown

(€ million)		
INCOME ITEMS/VALUE	AS AT 06.30.2022	AS AT 06.30.2021
Total of other operating expenses	(277)	(329)
Total of other operating income	579	620
<b>Other operating expenses/income</b>	<b>302</b>	<b>291</b>

#### 16.1 Other operating expenses: breakdown

(€ million)		
TYPE OF EXPENSE/VALUES	AS AT 06.30.2022	AS AT 06.30.2021
Costs for operating leases	(1)	(1)
Non-deductible tax and other fiscal charges	(1)	(1)
Write-downs on leasehold improvements	(26)	(29)
Costs relating to the specific service of financial leasing	(19)	(23)
Other	(230)	(275)
<b>Total other operating expenses</b>	<b>(277)</b>	<b>(329)</b>

The item "Other" includes -€42 million related to trading in gold and precious metals.

The remaining part mainly includes: (i) -€27 million expenses pertaining to instrumental Group companies and other entities different from banks and other financial companies (mostly non-banking business costs and ancillary costs for leasing business); and (ii) -€69 million paid by the Group Banks to clients for settlements and indemnities linked to banking and financial business.

#### 16.2 Other operating income: breakdown

(€ million)		
TYPE OF REVENUE/VALUES	AS AT 06.30.2022	AS AT 06.30.2021
<b>A) Recovery of costs</b>	<b>233</b>	<b>247</b>
<b>B) Other revenues</b>	<b>346</b>	<b>373</b>
Revenues from administrative services	17	18
Revenues from operating leases	91	90
Recovery of miscellaneous costs paid in previous years	12	5
Revenues on financial leases activities	38	39
Other	188	221
<b>Total other operating income (A+B)</b>	<b>579</b>	<b>620</b>

The item "B) Other revenues" includes €87 million related to trading in gold and precious metals.

The remaining part includes profits pertaining to instrumental Group companies and other entities different from banks and other financial companies mainly due to profits arising from non-business activity and from settlement and indemnities.

## 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 06.30.2022	AS AT 06.30.2021
Net profit (Loss) attributable to the Group (€ million)	2,256	1,891
Average number of outstanding shares	2,161,608,605	2,228,043,134
Average number of potential dilutive shares	12,700,779	12,876,312
Average number of diluted shares	2,174,309,384	2,240,919,446
<b>Earnings per share (€)</b>	<b>1.044</b>	<b>0.849</b>
<b>Diluted earnings per share (€)</b>	<b>1.037</b>	<b>0.844</b>

The first half 2022 net profit attributable to the Group of €2,285 million has been deducted of €29 million due to the disbursements (charged to net equity and relating to coupon paid in May 2022 referring to the results of the year 2021) in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€30 million was deducted from 2021 first half net profit attributable to the Group and relating to the last coupon referred to the results of the year 2019).

Net of the average number of treasury shares, considering the shares buyback made during the first half of 2022 (partially cancelled in March), and of further average 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 Risk Management function.

The structure's "Risk Management" mission, under the responsibility of the Group Risk Officer (Group CRO) is to:

- optimise the quality of the Group's assets, minimising the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and Entities with the criteria for assessing, managing, measuring, monitoring and communicating risk and ensures that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- help to build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent People & Culture functions;
- help to find ways to rectify asset imbalances, where needed in conjunction with Group CFO functions;
- help the Business Functions to 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 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 Group CRO, with the contribution of Group CFO and other relevant functions; each parameter can be complemented by limits and thresholds proposed by the Group CRO<sup>25</sup> and targets proposed by the Group CFO and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, Group CRO is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the RAF. Group CFO remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures;
- supporting the Chief Executive Officer in the management and supervision of Internal Control System ("ICS"), in particular promoting and monitoring the initiatives impacting the overall Internal Control System.

Such mission is accomplished by coordinating the Group's risk management as a whole. More specifically, it involves carrying out the following macro-functions<sup>26</sup>:

- governing and checking credit, cross-border, market, Balance sheet, liquidity, operational and reputational risk for the Group as well as any other risks relating to Basel II Pillar II (e.g. strategic, real estate, financial investment, business risks), by defining risk strategies and limits, developing risk measurement methodologies<sup>27</sup>, performing stress tests and portfolio analysis;
- supervising, on a Group level and for UniCredit S.p.A., Basel accords related activities;
- coordinating the internal capital measurement process within the "Internal Capital Adequacy Assessment Process" ("ICAAP") and coordinating activities for drawing up the "ICAAP Regulatory Report";
- performing internal validation activities, at Group level<sup>28</sup>, on systems for measuring, credit, operating and market risks, or Pillar II risks<sup>29</sup> on related processes and data quality and IT components, as well as on models for pricing financial instruments, in order to check that they conform to regulatory requirements and in-house standards, overseeing consequently the non-compliance risk regarding to such regulatory requirements;
- ensuring that the competent Bodies/Functions get adequate reports;
- developing the strategy and oversee the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the entire Group<sup>30</sup>. The Group CRO define 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, including those on treasury and credit treasury portfolios, within the Group and the Parent Company;
- 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;

<sup>25</sup> Possible triggers and limits on profitability parameters must be agreed between CRO and Group CFO.

<sup>26</sup> Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A., as detailed in the Organizational Book - Application.

<sup>27</sup> Directly or by issuing guidelines to Group Entities to be developed depending on type of methodology (direct supervision of Group-wide methodologies and risk measurement methodologies for the counterparties of UniCredit S.p.A., through guidelines on methodologies developed locally).

<sup>28</sup> Directly validating with direct supervision on group-wide methodologies for which UniCredit S.p.A. is competent, indirect on local methodologies.

<sup>29</sup> Liquidity, Business, Real Estate, Financial Investments, Reputational, Strategic.

<sup>30</sup> "Non-Performing Exposure: exposures (loans, debt securities, off-balance-sheet items) other than held for trading that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past-due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or the number of days past due. Non-performing exposures include the defaulted and impaired exposures. The total NPE is given by the sum of non-performing loans, non-performing debt securities and nonperforming off-balance-sheet items" (source: ECB NPL Guidance).

## Part E - Information on risks and hedging policies

- 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;
- analysing and controlling, at Italian perimeter level, credit, operating and reputational risks generated by the activities of Italy Division;
- carrying out the functional coordination of Legal Entities in its area of competence.

Moreover, the Risk Management structure has direct responsibilities<sup>31</sup> for UniCredit S.p.A. in particular:

- release “risk opinions” by assessing creditworthiness of the counterparties under the responsibility of Italy following defined processes to support the decisions of the competent functions/body (and, in relation to the delegated powers, coordinate and manage the underwriting and credit-granting activities);
- coordinating and handling the post-decision phase and ensuring that outstanding positions and the credit portfolio of UniCredit S.p.A. are properly monitored;
- coordinating and managing restructuring and workout files including the Debt to Equity and Debt to Asset transactions and the related equity participations/assets;
- evaluating, monitoring and making supervision, at Group level, of the Large Credit Transactions<sup>32</sup> and managing the Global Credit Model of Financial Institutions, Banks and Sovereigns (FIBS). Furthermore, it is responsible for the assessment, approval and daily management of Country Risks and Cross-Border credit risk-taking;
- contributing to the management of risks through the definition and improvement of credit processes (e.g. underwriting, monitoring, collection e loan administration) for the perimeter of UniCredit S.p.A., in line with strategic guidelines and credit policies;
- performing second-level controls on risks.

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.

The Group Executive Committee (GEC), the Group Financial and Credit Risk Committee (GFRC) and Group Non Financial Risks and Controls Committee (GNFRC) support the CEO in the role of steering, coordinating and monitoring the strategic and all categories of risks (included compliance risk), at Group level, as well as defining the Group Recovery Plan.

The Group Executive Committee (GEC) - “Risk” session, which has approval as well as consulting and proposal functions, aims at supporting the CEO in its role of steering, coordinating and monitoring all categories of risks (included compliance risk), managing and overseeing the internal control system also at a Group level, as well as discussing and approving strategic risk topics such as Group Risk Appetite Framework, ICAAP, ILAAP, SREP, key highlights from Internal Control Systems, NPE, ESG.

The Group Executive Committee (GEC) - “Group Recovery Plan” session support the CEO to deal with the Group Recovery Plan, defining the proposal to be submitted to the Board of Directors’ final decision and to solve issues emerged during the production and the maintenance of the Plan.

The “Group Financial and Credit Risks Committee” (GFRC) supports the CEO in the steering, coordination and control of the risks at Group level and consists of the following sessions: (i) Credit Risk session, responsible for defining policies, operational limits and methodologies for the measurement, management and control of the credit risks, (ii) Rating approval session, responsible for approving rating overrides (iii) Market Risk session, responsible for approving strategies, policies and methodologies for Market Risks and for the monitoring of related risks, (iv) ALCO session, responsible for approving strategies, policies and methodologies for Financial Risks and for the monitoring of risks related to Fund Transfer Pricing.

The Group Non-Financial Risks and Controls Committee (GNFRC) supports the CEO in the role of steering and monitoring the Non-Financial Risks (NFRs) at Group level, also overseeing the related internal control system (ICS). The GNFRC enables the coordination among the three lines of defence with the aim to identify and share Group priorities concerning Non-Financial Risks (e.g. events, regulations or emerging risks), assessing and monitoring the effectiveness of initiatives put in place in order to address them.

Without prejudice to the role reserved to the Board of Directors by the provisions in being at the time, the GNFRC, in order to support the CEO in implementing the strategic guidelines and the Group general Risk Management policies is responsible for:

- defining and approving policies, operational limits and methodologies for the measurement, management and control of Non-Financial Risks, as well as for the definition of the methodologies for the measurement, management, and control of Non-Financial Risks (Operational and Reputational Risk) internal capital;
- promoting the annual managerial self-assessment processes and evaluating its results, in order to ensure a systematic approach to operational risk assessment and to the supervision of the Internal Control System;
- overseeing Group Non-Financial Risks profile, emerging threats as well as the internal control system robustness at Group level, through the monitoring of most relevant events and incidents, weaknesses and shortcomings, also addressing and prioritizing, when needed, potential corrective actions;
- evaluating and providing guidelines for the management of risk relevant (e.g. reputational, security, data protection) single customer transactions or third party contracts, and for definition and implementation of business continuity plans.

<sup>31</sup>Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A., as detailed in the Organizational Book - Application.

<sup>32</sup>Defined in the Group Credit Risk Management Framework



## Part E - Information on risks and hedging policies

Group Transactional Committee (GTC) - Group Credit Committee Session (GCC) is 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, temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by Group regulation Debt to Equity transactions and transactions relating to Equity participations deriving from Debt to Equity transactions; the Debt Capital Market (DCM) transactions issuing Non-Binding Credit Opinion, ECM Risk transactions above specific threshold levels of transaction's value.

Group Transactional Committee (GTC) - "Group Transactional Credit Committee Session" (GTCC) has the responsibility, within its assigned sub delegations of powers for credit activities and the related thresholds, to assess and approve the underwriting and the review of the credit lines and to evaluate and approve the loan loss provisions, asset value adjustments and releases of capital and/or capitalized interests related to the Corporate/Client Solutions and FIBS portfolio, reviewing and assessing debt and debt related placement transactions on the primary market for which UniCredit S.p.A. or a Group Legal Entity provides its commitment according to the sub delegation powers, by analysing the market risks and the credit risk linked to the transactions.

Additionally the Committee is 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 and workout ones, status classification of files relevant strategies and corrective actions to be taken for watching list files, single issuer exposure limits on trading book, Debt-to-Equity transactions and/or actions/rights-execution relating to equity participations resulting from Debt-to-Equity transactions, Debt-to-Assets transactions and/or actions/rights execution related to asset resulting from Debt-to-Asset transactions, proposal of distressed asset disposal, in accordance with the regulated specifications and limitations, the Debt Capital Market (DCM) transactions issuing Non-Binding Credit Opinion (NBCO), ECM Risk transactions above specific threshold levels of transaction's value; in addition, the GTCC approves temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by dedicated Group regulation.

Further information on Corporate Governance, is included in the document "Corporate Governance Report", published on the Group internet site in the section: Governance » Our Governance System (<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 Economic Capital.

#### **2. Risk measurement and stress testing**

The second phase is the identification of the internal methodologies for measurement and quantification of the different risk profiles, resulting into the calculation of Group Economic Capital. The Economic 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 economic capital. It is also a key element of the Risk Appetite Framework of the Group.

#### **4. Monitoring and Reporting**

Capital adequacy evaluation is a dynamic process that requires a regular monitoring to support the decision-making processes.

The Bank monitors its main risk profile with a frequency consistent with the nature of each single risk. On top of this, a quarterly reporting of integrated risks and Risk Appetite evolution is reported to the relevant Risk Committees and Governing Bodies, in order to set and implement and efficient and effective ICAAP framework.

## Part E - Information on risks and hedging policies

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 (Economic Capital - "EC"). The AFR are computed according to the Group 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 in Going Concern approach;
- permanence;
- flexibility of payments.

The ratio between AFR and EC is the Risk Taking Capacity ("RTC"). This ratio must be above 100% ( $AFR > EC$ ) in order to avoid that risk exposures are 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 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;
- provide qualitative statements concerning identified risks in order to strategically guide the relevant processes, the internal control system and ensure prevention/early intervention on emerging risks.

The Group Risk Appetite is defined consistently with UniCredit group business model. For this purpose, Group Risk Appetite is integrated in the budget process, in order to guide the selection of the desired risk-return profile in alignment with the Strategic Plan guidelines and at inception of the budget process.

UniCredit Compensation Policy is consistent with the Group Risk Appetite to allow the effective implementation of risk reward remuneration for bonus definition and payments.

The structure of the Risk Appetite in UniCredit group includes the Group Risk Appetite Statement and the Group Risk Appetite KPIs Dashboard.

The Risk Appetite Statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external stakeholders' expectations and includes:

- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in line with the Group's overall strategy;
- the risks the bank is willing to accept or should avoid both in normal and stressed conditions;
- 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, including material risks to which the Group is exposed and addressing the following categories:

- 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.

## Part E - Information on risks and hedging policies

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. If specific Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The thresholds are identified as follows (on certain KPIs, not all the thresholds may be meaningful):

- *Targets* represent the amount of risk the Group is willing to take on in normal conditions in line with the Group ambition. They are the reference thresholds for the development and steering of the business;
- *Triggers* represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a Warning Level, and are set consistently to assure that the Group can operate, even under stress conditions;
- *Limits* are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

Thresholds setting is evaluated by the relevant competent functions, also through managerial decision by the Board of Directors, respecting regulatory and supervisory requirements and also taking into account stakeholders' expectations and positioning versus peers. In addition, UniCredit group has a series of transversal operational limits and metrics that cover the main risk profiles in order to supplement the Risk Appetite Framework. According to the EBA guidelines, each year ICAAP information is collected for SREP purposes and sent to the Regulator. The Board of Directors, which authorises the sending of this information to the Authorities, also acknowledges that the risk governance of the Group is deemed adequate, guaranteeing that the risk management system in place is in line with the risk profile and strategy of the Group. In addition, the Board of Directors approved and signed the Capital Adequacy Statement during the last Board of Directors held on 7 April 2022. In the Capital Adequacy Statement, the Board of Directors states that the Group demonstrated to have a strong capital position, allowing to maintain under baseline scenario an adequate managerial buffer on top of combined buffer requirement (CBR) and, in case of more severe conditions, to ensure adequate buffer in addition to the total SREP capital ratio (TSCR). In light of the current geopolitical environment, the Management and the Board of Directors are taking a prudent and sustainable approach, assessing any possible impact on the capital adequacy and related mitigation actions, and in parallel proceeding with the implementation of the strategic plan.

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. The indicators of a sound risk culture, to be considered collectively, are:

- *Tone from the top*: the Board of Directors and senior management are the starting point for setting the financial institution's core values and risk culture, and their behaviors must reflect the values being espoused;
- *Accountability*: a successful risk management requires employees at all levels to understand the core values of the institution's risk culture and its approach to risk, be capable of performing their prescribed roles, and be aware that they are held accountable for their actions in relation to the institution's risk-taking behavior;
- *Effective communication and challenge*: a sound risk culture promotes an environment of open communication and effective challenge in which decision-making processes encourage a range of views, allow for testing of current practices, and stimulate a positive, critical attitude among employees and an environment of open and constructive engagement;
- *Incentives*: performance and talent management should encourage and reinforce maintenance of the financial institution's desired risk management behavior. Financial and non-financial incentives should reward servicing the long-term interests of the financial institution and its clients, including sustained profitability, as opposed to short-term revenue generation.

The 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.

## Part E - Information on risks and hedging policies

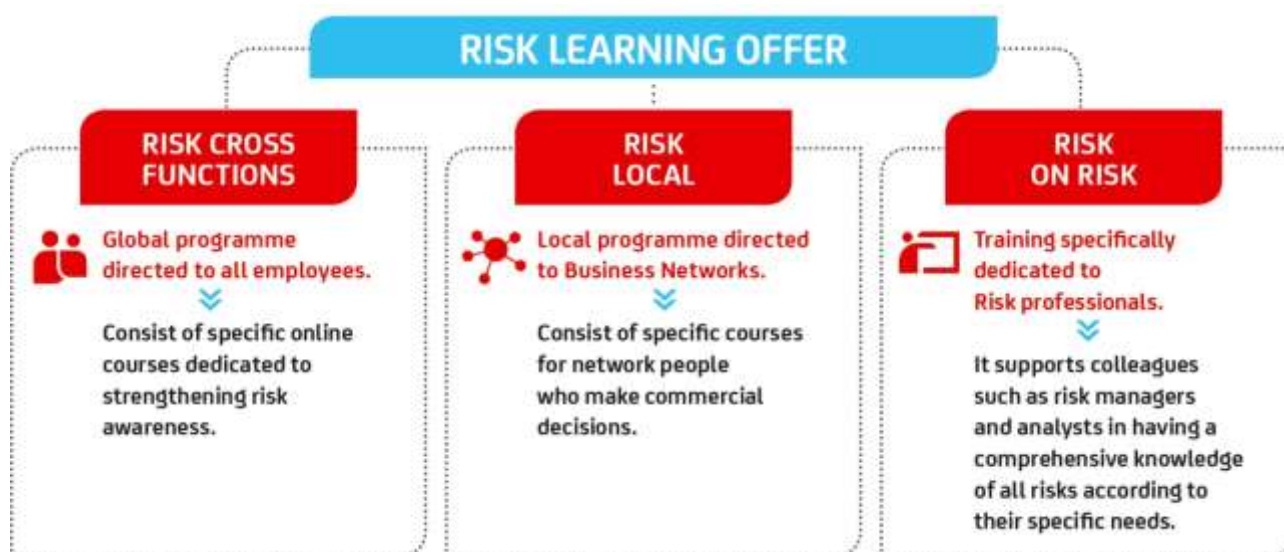
### 1. Governance

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

The 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.



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 and upon the input of involved functions ensures the link between profitability, risk and reward within Group incentive systems.

**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. People & Culture (P&C) 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, P&C 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 and Learning & Development.

## Part E - Information on risks and hedging policies

The **Group Incentive System** preserve a strong link between remuneration, risk and sustainable profitability and is supported by the annual performance management process assuring coherence, consistency, and clarity of performance objectives and behavioural expectation aligned with business strategy. The setting of the annual objectives (known as Goal Setting) is the initial phase of this process and is supported by a structured framework that includes a catalogue of performance indicators (the “KPI Bluebook”) annually certified by relevant Group key functions (i.e. People & Culture, Finance, Risk Management, Compliance, Group ESG Strategy & Impact Banking) and guidelines in line with regulatory provisions and group standards.

Also, the System provides risk adjusted metrics in order to guarantee long-term sustainability, regarding company financial position and to ensure compliance with regulations.

The remuneration framework is linked to company results and is adequately adjusted to take into account all risks, ensures that capital, funding and liquidity levels are more than adequate to support all our ongoing activities and promotes the right behaviors, avoiding distorted incentives that could lead to violation of laws or regulations, or excessive risk taking.

Individual bonus will be allocated managerially, considering the individual performance appraisal and it will be also considered the respect of provisions of law, Group’s compliance rules, Company policies or Corporate values, Code of Conduct and the application of claw-back clauses, as legally enforceable. Moreover, each participant has to complete the mandatory training courses and, for impacted roles, the customer due diligence periodic.

### 4. Communication

Within UniCredit Risk Culture framework, the aim is aligning and revamping key messages on Group mission in line with our values of Integrity, Ownership, Caring. GEC members are focused on communicating concrete actions or initiatives in which the risk culture is fully embedded. A series of virtual events have been held and a training and communication plan is in continuous development to enhance the risk culture across the Competence Line and the Group and continue to drive our mindset to win. The Right Way. Together.

## 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.

	AMOUNTS AS AT 06.30.2022			(€ million)
	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA <sup>(*)</sup>	
<b>ASSETS</b>				
10. Cash and cash balances	122,114	122,107	(7)	
20. Financial assets at fair value through profit or loss:	84,695	84,692	(3)	
a) financial assets held for trading	74,668	74,668	-	
b) financial assets designated at fair value	290	290	-	
c) other financial assets mandatorily at fair value	9,737	9,734	(3)	
30. Financial assets at fair value through other comprehensive income	63,460	63,381	(79)	
40. Financial assets at amortised cost:	639,396	639,825	429	
a) loans and advances to banks	109,935	109,935	-	
b) loans and advances to customers	529,461	529,890	429	
50. Hedging derivatives	2,650	2,650	-	
60. Changes in fair value of portfolio hedged items (+/-)	(3,747)	(3,747)	-	
70. Equity investments	4,014	4,408	394	
80. Insurance reserves charged to reinsurers	-	-	-	
90. Property, plant and equipment	9,400	8,636	(764)	
100. Intangible assets	2,263	2,262	(1)	
<i>of which: goodwill</i>	-	-	-	
110. Tax assets:	12,743	12,741	(2)	
a) current	1,971	1,971	-	
b) deferred	10,772	10,770	(2)	
120. Non-current assets and disposal groups classified as held for sale	802	761	(41)	
130. Other assets	7,966	8,105	139	
<b>Total assets</b>	<b>945,756</b>	<b>945,821</b>	<b>65</b>	

	AMOUNTS AS AT 06.30.2022			(€ million)
	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA <sup>(*)</sup>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
10. Financial liabilities at amortised cost:	799,304	799,457	153	
a) deposit from banks	181,883	181,826	(57)	
b) deposit from customers	531,439	531,649	210	
c) debt securities in issue	85,982	85,982	-	
20. Financial liabilities held for trading	53,882	53,883	1	
30. Financial liabilities designated at fair value	9,417	9,417	-	
40. Hedging derivatives	3,208	3,208	-	
50. Value adjustment of hedged financial liabilities (+/-)	(13,705)	(13,705)	-	
60. Tax liabilities:	1,533	1,494	(39)	
a) current	846	844	(2)	
b) deferred	687	650	(37)	
70. Liabilities associated with non-current assets held for sale	553	512	(41)	
80. Other liabilities	20,948	20,957	9	
90. Provision for employee severance pay	406	405	(1)	
100. Provision for risks and charges:	7,586	7,526	(60)	
a) commitments and guarantees given	1,513	1,513	-	
b) post-retirement benefit obligations	3,002	3,001	(1)	
c) other provisions for risks and charges	3,071	3,012	(59)	
110. Technical reserves	-	-	-	
120. Valuation reserves	(3,245)	(3,245)	-	
130. Redeemable shares	-	-	-	
140. Equity instruments	6,100	6,100	-	
150. Reserves	33,367	33,367	-	
160. Share premium	3,516	3,516	-	
170. Share capital	21,220	21,220	-	
180. Treasury shares (-)	(1,043)	(1,043)	-	
190. Minority shareholders' equity (+/-)	424	467	43	
200. Profit (Loss) for the period (+/-)	2,285	2,285	-	
<b>Total liabilities and shareholders' equity</b>	<b>945,756</b>	<b>945,821</b>	<b>65</b>	

**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	837	5,556	566	8,696	623,741	639,396
2. Financial assets at fair value through other comprehensive income	-	-	-	-	62,126	62,126
3. Financial assets designated at fair value	-	-	-	-	290	290
4. Other financial assets mandatorily at fair value	-	33	-	6	7,450	7,489
5. Financial instruments classified as held for sale	26	27	1	-	198	252
<b>Total 06.30.2022</b>	<b>863</b>	<b>5,616</b>	<b>567</b>	<b>8,702</b>	<b>693,805</b>	<b>709,553</b>
<b>Total 12.31.2021</b>	<b>1,276</b>	<b>6,375</b>	<b>529</b>	<b>8,371</b>	<b>666,961</b>	<b>683,512</b>

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

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	GROSS EXPOSURE	OVERALL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	13,898	6,939	6,959	1,125	638,273	5,836	632,437	639,396
2. Financial assets at fair value through other comprehensive income	2	2	-	-	62,235	109	62,126	62,126
3. Financial assets designated at fair value	-	-	-	-	X	X	290	290
4. Other financial assets mandatorily at fair value	123	90	33	43	X	X	7,456	7,489
5. Financial instruments classified as held for sale	131	77	54	89	198	-	198	252
<b>Total 06.30.2022</b>	<b>14,154</b>	<b>7,108</b>	<b>7,046</b>	<b>1,257</b>	<b>700,706</b>	<b>5,945</b>	<b>702,507</b>	<b>709,553</b>
<b>Total 12.31.2021</b>	<b>17,755</b>	<b>9,575</b>	<b>8,180</b>	<b>2,093</b>	<b>670,566</b>	<b>4,806</b>	<b>675,332</b>	<b>683,512</b>

Note:

(\*) Value shown for information purposes.

(€ million)

PORTFOLIOS/QUALITY	ASSETS OF EVIDENT LOW CREDIT QUALITY		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	
1. Financial assets held for trading	7	220	66,279
2. Hedging derivatives	-	-	2,650
<b>Total 06.30.2022</b>	<b>7</b>	<b>220</b>	<b>68,929</b>
<b>Total 12.31.2021</b>	<b>35</b>	<b>97</b>	<b>72,924</b>

## 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*

##### **Credit policies**

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 risks portfolio at Country level.

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 Risk Management 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 ("Group General Principles for credit activities", "Group Credit Risk Management Framework", "Guidelines on Loan Categorization and Forbearance Classification", "Credit Risk Parameters and IFRS9 Modelling and Planning"), defining Group-wide rules and principles for guiding, classifying, managing, governing and standardising the credit risk assessment and management, as well as the development of its models, 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;
- 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.

In UniCredit S.p.A., lending is governed by a regulatory framework, called the Testo Unico del Credito, which is constantly updated. This framework includes the guidelines and operating procedures for managing the various phases of the credit life cycle, taking into account potential changes in the credit strategy and progressive process and procedural improvements.

More specifically, the following process phases are regulated:

- the assessment of the creditworthiness of the borrower, including the rating assignment procedures;
- the decision to grant credit lines, their implementation and the rules for managing them;
- the acquisition, management and monitoring of the value of collaterals and guarantees;
- the performance monitoring process and the initiatives to improve the sustainability of the counterpart, the customer classification process;
- the restructuring and the credit recovery process (debt collection policy/workout) to be started in the event of failure of the risk containment initiatives.

The purpose of the workout activities is to recover the customer's exposure as much as possible and close the relationship with the same, proceeding, if necessary, to the enforcement of any guarantees. The recovery initiatives, carried out through a robust IT infrastructure and the result of a combined approach between subjective assessment and automated process, can be managed: i) internally, by personnel belonging to a specialized structure within the bank, ii) externally, it gives to an external company in charge of managing the position on the basis of a servicing contract.

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.



## Part E - Information on risks and hedging policies

### **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 have been 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 has been mitigated with:

- acquisition of public guarantees in line with the mechanisms put in place by the various governments;
- an ex-ante and ongoing evaluation of the client's risk profile.

UniCredit has defined Group guiding principles for underwriting, monitoring and management of moratorium/emergency schemes, to cope with the new challenges and to early detect potential signals of asset quality deterioration.

With specific reference to the moratorium measures, and in order to provide relief to the lockdown measures put in place for containing Covid-19 outbreak, UniCredit group arranged several initiatives available to customers, whose specific features are different in each country in terms of scope of customers and product types, typically allow the postponement of instalments and the increase in the residual maturity of credit exposures.

Among these initiatives, a number of moratoriums have specifically met the definition of "General Payment" (either legislative or assimilated non-legislative ones) in line with "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis"<sup>33</sup> (issued by EBA in April 2020 and further updated in September and December 2020), as broadly applied by credit institution on the basis of national laws or industry- or sector-wide private initiatives. The Group has also implemented other moratorium initiatives not specifically referred to the above mentioned EBA guidelines and therefore granted by the Institutions as additional customer support tools to deal with the context of difficulties and independently from national law or industry- or sector-wide private initiatives.

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" - Unlikely To Pay) assessment. In particular, General Payment moratoriums granting, in line with the EBA requirements, did not automatically activate a classification of forbearance, however a specific assessment is aimed at verifying the financial difficulty; in this case the UTP assessment has been applied both during the moratorium period and shortly after its end. In this regard, the updates of the guidelines provided by EBA in December 2020, have extended to 31 March 2021, the date by which a legislative and assimilated non-legislative ones can be applied and considered as a "General Payment" and introduced a cumulative maximum limit of 9 months to the benefit from the moratoriums granted or extended after 30 September 2020.

After this period, the usual forbearance and financial difficulty assessment process is applied as other moratorium initiatives that are not in line with the specific EBA requirements (e.g., other early moratorium initiatives granted by the Bank): in this case, the financial difficulty is assessed at the time of the concession and after its end.

The guidelines established regarding the treatment of Moratorium General Payment for Forbearance and Default classification purposes are to be considered valid for the entire duration of the Covid-19 moratoriums, including their extension.

### **Credit strategies**

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. 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 regarding:

- 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.

<sup>33</sup> Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis issued on 2 April 2020 ("EBA/GL/2020/02") and subsequent amendment EBA/GL/2020/15.

## Part E - Information on risks and hedging policies

### 2. Credit risk management policies

#### 2.1 Organisational aspects

##### *Factors that generate credit risk*

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

The main reasons of a default consist in the borrower's failure to fulfil its credit obligation (due to the lack of liquidity, for insolvency reasons, etc.), as well as the occurrence of macro-economic and political events that are affecting the debtor's operating and financial conditions.

Other banking operations, in addition to traditional lending and deposit activities, can constitute other credit risk factors. In this view, "non-traditional" credit risk may arise from:

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

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

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

##### *Organisational structure*

The credit risk management in the UniCredit group under responsibility of Group Risk Management, responsible for steering, governance, control of credit risk and 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:

##### • **Group Credit Risk**

The structure has the following mission: responsible for the overall steering and governance of the credit risk at Group level, including, e.g., Group credit risk strategies setting monitoring and controlling, control risk framework and methodologies, overall asset quality planning and monitoring, NPE strategy, large credit transactions and FIBS group-wide assessment- monitoring-oversight, country risks & cross-border risks, credit risk models governance and roadmap, it is also responsible for ensuring risk control activities in the Asia & Pacific area.

The structure of "Group Credit Risk" breaks down in the following structures:

##### - Group NPE

The structure has the following mission: develop the strategy, oversee the management, the monitoring, the process and set targets and execute disposals and platforms of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the entire Group.

Group NPE is also responsible for the assessment of transactions regarding counterparties classified as restructuring or workout above defined thresholds.

##### - Credit Models & Risk Policies and Standards

The structure has the following mission: responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar 1 Credit 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.

## Part E - Information on risks and hedging policies

### - Credit Risk Strategies, Monitoring and Controls

The structure has the following mission: 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 of Group portfolio.

Responsible, within the credit processes, for the definition and application of the “risk assessment” methodology in order to identify the risk areas and the mitigation actions to be implemented.

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 has 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.

### - Group Credit Transactions

The structure has the following mission: responsible for the Group-wide assessment, monitoring and oversight of Large Credit Transactions and Financial Institutions, Banks and Sovereigns (hereinafter also “FIBS”) global credit model management. Furthermore, it is responsible for the assessment, approval and daily management of Country Risks and Cross-Border credit risk-taking.

The structure is also responsible to define and manage the framework of Groupwide lending processes (e.g. FIBS Underwriting, GAM) in terms of methodology, training support and IT tools ensuring alignment with other related frameworks and GRM guidelines.

### • Group Internal Validation

The structure has the following mission: responsible for validating, at Group level, the risk measurement methodologies, the related processes, the IT components and the data quality, for Pillar I and Pillar II risks, the main managerial models, as well as Group Risk Reporting, as defined in the Global Policy on Internal Validation, providing adequate reporting for Company Bodies and the Supervisory Authority as well as for assessing, monitoring and reporting, at Group level, the model risk for the models in scope of the Model Risk Management (MRM) framework, providing adequate reporting for competent committees and the Board of Directors.

### • Group Strategic & Integrated Risks

The structure has the following mission: responsible, at Group level, for integrated risk strategies definition, risk appetite and stress testing, monitoring and controlling, the integrated view across Pillar I and II risks to Top Management.

Furthermore, it is responsible to embed the ESG risks into the risk management framework.

### • GRM Office & Strategy

The structure has the following mission: responsible for managing and monitoring major initiatives and projects within the Competence Line, implementing managerial decisions and handling of budget planning and costs analysis, promoting training projects and risk culture initiatives.

### • Risk CE&EE

The structure has the following mission: responsible for the management and control of credit operations activities and for credit risk steering in relation to Central Europe and Eastern Europe (CE&EE) portfolio booked in UniCredit S.p.A. and for the comprehensive view and the coordination of the management of different types of risks (e.g. credit, financial, operational, liquidity, reputational risks) in regard to CE&EE portfolio booked in UniCredit S.p.A. and CE&EE Legal Entities, together with the risk management responsible functions.

With respect to credit risk, the following specific Committees are active:

- the **Group Executive Committee (GEC) - “Risk” session**, which has approval as well as consulting and proposal functions, aims at supporting the CEO in its role of steering, coordinating and monitoring all categories of risks (included compliance risk), managing and overseeing the internal control system also at a Group level, as well as discussing and approving strategic risk topics such as Group Risk Appetite Framework, ICAAP, ILAAP, SREP, key highlights from Internal Control Systems, NPE, ESG.
- the **“Group Financial and Credit Risks Committee” (GFRC)** supports the CEO in the steering, coordination and control of the risks at Group level and consists of the following sessions: (i) *Credit Risk session*, responsible for defining policies, operational limits and methodologies for the measurement, management and control of the credit risks, (ii) *Rating approval session*, responsible for approving rating overrides, (iii) *Market Risk session*, responsible for approving strategies, policies and methodologies for Market Risks and for the monitoring of related risks, (iv) *ALCO session*, responsible for approving strategies, policies and methodologies for Financial Risks and for the monitoring of risks related to Fund Transfer Pricing.
- **Group Transactional Committee (GTC) - Group Credit Committee Session (GCC)** meets with consulting and proposal functions concerning Debt-to-Equity transactions or Equity participations resulting from Debt-to-Equity transactions, to be submitted to the Board of Directors, for which the powers to approve or issue a Non-Binding Credit Opinion (NBCO) have not been delegated to the Group Transactional Credit Committee (GTCC). The GTC - Group Credit Committee Session (GCC) meets with approval/NBCO function (decision-making and/or issuing of NBCO to the Group Legal Entities) within the delegated powers.
- **Group Transactional Committee (GTC) - Group Transactional Credit Committee (GTCC)** has the main responsibility, within the assigned sub-delegations of powers for credit activities and the related thresholds, to assess and approve the underwriting and the review of credit lines as well as of the loan loss provisions, asset value adjustments, and releases of capital and/or capitalized interests related to the ‘Group Client Solutions’ and ‘Financial Institutions, Banks, and Sovereigns’ (FIBS) portfolios.

## Part E - Information on risks and hedging policies

### 2.2 Credit risk management, measurement and control

#### 2.2.1 Credit risk management

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 behavior within the entity or the banking system (e.g. Centrale dei Rischi of Banca d'Italia), and results in a rating, i.e. the counterpart's probability of default ("PD") on a one-year time horizon.

Each borrower's credit rating is reviewed at least annually on the basis of the new information acquired. Each borrower is also assessed in the context of the belonging economic group by taking into account, when needed, the risk for the entire group.

The internal rating assigned to each borrower and its economic group exposure both contribute to the lending decision calculation, defined in such a way that, at a constant credit amount, the approval powers granted to each decision-making corporate body are gradually reduced in proportion to the increased borrower/related risk level.

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

## Part E - Information on risks and hedging policies

### 2.2.2 Risk parameters

Besides the methodologies summarised in the rating systems, the Group Risk Management function leverages on portfolio model enabled to measure credit risk for Basel Pillar 2 purposes 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 counterparties. 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 counterparties 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 Economic 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 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).

## Part E - Information on risks and hedging policies

### 2.2.3 Rating systems

In order to determine capital requirements for credit 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 S.p.A.), 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, UniCredit Banka Slovenija d.d., UniCredit Bulbank AD, UniCredit Bank Czech Republic and Slovakia, a.s., UniCredit Bank Hungary Zrt., UniCredit Bank SA (Romania) and AO UniCredit Bank (Russia). In October 2021, UniCredit Leasing GMBH and Subsidiaries have been authorized to revert to the use of the Standardised Approach and to apply the Permanent Partial Use of the Standardised Approach for all AIRB portfolios. From 1 November 2021, UniCredit Bank Ireland plc. was merged in UCI S.p.A. and for exposures coming from UniCredit Bank Ireland the RWA calculation approaches authorised in UCI S.p.A. were adopted.

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	Groupwide	Sovereign (PD, LGD, EAD)	UCI S.p.A., UCB AG, UCBA AG, UCB CZ, UCB SK, UCB RO(*)
Institutions		Financial Institutions & Banks (PD, LGD, EAD)	UCI S.p.A., UCB AG, UCBA AG, UCB Slo(*), UCB BG(*), UCB CZ, UCB HU(*) (**), UCB SK, UCB RO(*)
Corporate		Multinational (PD, LGD, EAD)	UCI S.p.A.(***), UCB AG, UCBA AG, UCB Slo(*), UCB BG, UCB CZ, UCB HU*, UCB SK, UCB RO(*), AO UCB(*)
		Global Project Finance (PD, LGD, EAD)	UCI S.p.A., UCB AG, UCBA AG, UCB CZ, UCB SK
	Local	Integrated Corporate Rating RIC (PD, LGD)	UCI S.p.A.
		Mid Corporate (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ, UCB BG, UCB HU(*), UCB SK(*), UCB RO(*)
		Foreign Small and Medium Sized Enterprises (PD, LGD, EAD)	UCB AG
		Income Producing Real Estate (IPRE) (PD, LGD, EAD)	UCB AG, UCB CZ
		Acquisition and Leverage Finance (PD, LGD, EAD)	UCB AG
		Wind Project Finance (PD, LGD, EAD)	UCB AG
		Commercial Real Estate Finance (PD, LGD, EAD)	UCB AG
		Real Estate Customers (PD, LGD, EAD)	UCBA AG
Income Producing Real Estate (IPRE) (Slotting criteria)		UCI S.p.A., UCBA AG, UCB BG, UCB SK	
Project Finance (Slotting Criteria)		UCB BG	
Retail exposures	Integrated Small Business Rating RISB (PD, LGD)	UCI S.p.A.	
	Integrated Private Rating (RIP-One) (PD, LGD, EAD) (****)	UCI S.p.A.	
	Integrated Private Rating Mortgages (RIP-MI) (PD)(****)	UCI S.p.A.	
	Small Business (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ, UCB BG, UCB SK	
	Private Individuals (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ, UCB BG, UCB SK	
Securitisation		Asset Backed Commercial Paper (PD, LGD, EAD)	UCB AG

#### 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 a turnover or total asset between €250 and €500 million.

(\*\*\*\*) New RIP-ONE model with a unique PD model for Private Individuals at counterparty level.

(\*\*\*\*\*) Applied to Natural Persons characterized by entrepreneurship risk ("Private-like") which are excluded from the scope of application of the RIP-One.

#### Keywords:

UCI S.p.A.: UniCredit S.p.A.

UCB AG: UniCredit Bank AG

UCBA AG: UniCredit Bank Austria AG

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 SA (Romania)

AO UCB: AO UniCredit Bank (Russia)



## Part E - Information on risks and hedging policies

### 2.2.4 Stress test

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*

#### 2.3.1 Staging Allocation and Expected Credit Losses Calculation

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.

#### *Stage allocation - General framework*

At UniCredit group, the Stage allocation is based on the application of qualitative and quantitative components.

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; indeed, the definition of the quantile 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 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.

In more detail among the others qualitative and quantitative elements to be assessed, the following are worth to be outlined:

- comparison, on a transaction basis, between the PD as of origination date, and the PD as of the reporting date, both calculated according to the internal models; the thresholds consider all the key variables that can affect the Bank's expectation about PD changes over time (e.g., ageing of the credit exposures, residual maturity, PD level at the time of first origination);
- further quantitative criteria, in order to support the timely detection of the Significant Increase in Credit Risk, namely:
  - threefold increase in lifetime PD - Stage 2 classification is triggered in case the Lifetime PD at the reporting date results higher than three times the one at the inception date of the financial instruments, in line with Supervisory expectations;
  - adoption of a threshold value of Basel PD equal or higher than 20% as a Stage 2 criterion - such threshold, adopted considering the benchmark value retrievable within the ECB Asset Quality Review Manual, has the aim to identify financial instruments that, with little room for interpretation, have registered a significant increase of credit risk since inception date and with high risk of migration to default;

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- absolute elements, such as the backstops required by law (e.g., 30 days past-due): in this case, the Group has chosen not to reject the significant deterioration presumption after 30 days past-due by allocating in Stage 2 transactions with more than 30 days past due;
- additional internal assessment, also including renegotiations of financial instruments due to financial difficulties met by the counterparty (e.g., Forborne classification) and certain kinds of credit monitoring watchlist classifications.

The 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. In this regard it is noted that in order to achieve lower volatility in the migrations of the Stage classifications the following measures are in place:

- adoption of a 3-months period (so called "Probation Period") for the reclassification to Stage 1 from Stage 2 in case of overcoming of the quantitative and/or qualitative conditions underlying the Significant Increase in Credit Risk, stabilizing Staging migrations;
- full alignment of the Stage 2 classification to the Forborne Performing status, thus ensuring a minimum period of permanence for concessions to clients in financial difficulty equal to the regulatory Probation Period. Such measure makes consistent the entrance/exit criteria to/from Stage 2 due to Forborne Performing classification, avoiding potentially premature reverts to Stage 1 for obligors having yet significantly higher credit risk than the ordinary performing portfolio.

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), qualifiable as investment grade debt securities as well as loans on clients having a 1-year IFRS9 PD lower than 0.3%<sup>34</sup>. Such a treatment of these types of exposure allows to stabilize staging 2 migrations, reducing volatility and avoiding classification for customers characterized by a clearly low level of credit risk;
- the Stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- the Stage 3 includes impaired credit exposures. With reference to Stage 3, it should be noted that it includes impaired exposures corresponding in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates, to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS/2013/03/rev1 24 July 2014). In particular, EBA<sup>35</sup> has defined as "Non-Performing" exposures that meet one or both of the following criteria:
  - material exposures more than 90 days past due;
  - exposures for which the bank assesses that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realisation of collaterals, regardless of past due exposures and the number of days the exposure is past due.

The result of the stage allocation affects the amount of expected credit losses recognised in financial statements (ref. to the next caption). 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.

### *Expected credit loss calculation - General framework*

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, however respecting the different requirements between accounting and regulatory treatment. The main adjustments are aimed at:

- removing the conservatism required for regulatory purposes;
- introducing "point in time" adjustments which replace the "through-the-cycle" view required by the regulation;
- including "forward looking" information;
- extending credit risks parameters to a multi years horizon.

<sup>34</sup> Such threshold, in addition to be a supervisory benchmark retrievable from ECB Asset Quality Review Manual, is also consistent with an Investment Grade equivalent level of risk.

<sup>35</sup> The regulatory framework for the new definition of default has been integrated with the entry into force, starting from 1 January 2021 of the "Guidelines on the application of the definition of default under article 178 of (EU) Regulation 575/2013" (EBA/GL/2016/07).



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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 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.

### *Expected credit loss calculation - overlays applied as at 30 June 2022*

As at 30 June 2022, it should be mentioned that, in addition to the management overlay related to the macro-economic scenario described in the section Scenarios and Sensitivity and the specific measures adopted following up the Russia - Ukraine crises outbreak (see related Section), further overlays with impact on loan loss provisions' recognition were taken in selected geographies.

Indeed, it is worth noting that the measurement of Loan Loss Provisions as at 30 June 2022 is affected by the activities for material changes in IRB Models for PD and LGD calculation, in coherence with the EBA "Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures"<sup>36</sup>. Specifically, such activities are related to LGD Models in German and Austrian perimeters, as well as PD Models in Czech Republic, Slovakia and Bulgaria geographies. Despite the material model changes will go live in the second half of 2022 or later according to the approval timeline of the European Central Bank, the Group, as at 30 June 2022, was already aware of the effects resulting from model enhancements in term of PD and LGD increase on the credit risk of customers; thus, according to IFRS9, the related effects were coherently recognised as at 30 June 2022.

As at 30 June 2022, the model changes led to recognise net write-downs for an overall value of -€135 million, almost entirely attributable to the Loan portfolio (of which: -€29 million in Germany, -€75 million in Austria, -€29 million in Czech Republic and Slovakia, -€2 million in Bulgaria).

### **2.3.2 Non-performing exposures**

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 are calculated on an individual basis for "individually significant exposures".

Expected cash flows on already defaulted exposures that are not individually significant are calculated either on an individual or a collective basis. Where a Legal Entity has several 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.

### **2.3.3 Selling scenarios**

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 restructuring or work-out process according to what has previously been described;

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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- sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is determined considering market or internal information based on the following hierarchy:
  - prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
  - prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
  - internal evaluation models.

In line with the new strategy to maximize the non-performing portfolio through all possible levers, during the first six months of the 2022 deleveraging actions on positions with low recovery expectations have been implemented, determining a value adjustment of €143 million.

In particular, the following transactions were carried out during the first half of 2022:

- final Sale of credit portfolio mainly classified as bad loans with a gross exposure of €447 million (reported in the agreements with Illimity);
- securitization transaction with maintenance of the senior tranche and 5% of the mezzanine and junior tranches of credit portfolio with gross exposure of €1,832 million mainly classified as "unlikely to pay" (reported in the agreements with Altea SPV S.r.l.);
- securitization transaction with maintenance of the senior tranche and 5% of the mezzanine and junior tranches (this transaction senior note will benefit the GACS guarantee) concerning credit portfolio classified as "bad loans" with gross exposure equal to €895 million (Itaca Project).

The residual perimeter under IFRS9 "selling scenario" evaluation approach as at 30 June 2022 is €678 million. There was no impact on this perimeter in terms of provisions as no material changes in prices, probabilities of migration and disposal or perimeter are expected.

### 2.3.4 Scenarios and Sensitivity

In line with the IFRS9 standard and group internal regulation, the IFRS9 parameters have been calibrated considering updated macro-economic scenarios as of second quarter 2022, provided by the independent function of UniCredit Research.

Specifically, the Group selected two macroeconomic scenarios to determine the forward-looking component of expected losses (ECL):

- Baseline scenario, provided by UniCredit Research on late May 2022, represents the reference central scenario with the most probability of realization (60%);
- Adverse scenario represents a possible alternative in terms of macro-economic evolution with a lower probability of realization vis-à-vis the baseline (40%).

For a description of main assumptions behind "baseline" and "adverse" scenarios and related probability realization, refer to the paragraph Section 2 - General preparation criteria, A.1 General, Part A - Accounting policies.

Compared to fourth quarter 2021, the new macroeconomic scenario shows slower GDP growth in all geographies, with clear downside risks in second half 2022 and 2023 mostly based on evolution of Russia - Ukraine conflict and its direct consequences<sup>37</sup>. Considering the persisting downside risks (linked to global crises on supply chain and the general still fragile context after Covid-19 pandemic period), the default rates and recovery rates, underlying IFRS9 PD and LGD calibration, have been updated accordingly, in line with ordinary process, on top to the update of macroeconomic scenario.

In this regard, it is worth reminding that - since the fourth quarter 2020, and as confirmed in the full year 2021 - the upward adjustments aimed at considering the potential delay in losses materialization of 2020 and 2021 (so-called "Cliff-Effect") have been maintained both for Corporate and Retail counterparts and on PD and LGD parameters. Indeed, considering that the 2022 Default Rate has not yet fully realized and the still high level of uncertainty in the macro-economic context, it has been deemed opportune to keep the aforementioned upward adjustments even in the second quarter of 2022 Financial Reporting.

Nevertheless, for few selected countries, it was considered, after an individual assessment of the local specificities, to proceed already in the second quarter 2022 with a switch-off/partial re-absorption of the cliff-effect overlay. Specifically:

- Germany: macro-scenario update has resulted in a quite material effect (in line with the expectations on EU major economies) due to the worsened situation following up Russia-Ukraine crises. Furthermore, additional overlay for local specific context uncertainties (i.e., Supply Chain Risk) has been already recognized in the fourth quarter 2021 and kept in the second quarter 2022. Therefore, the context has been evaluated suitable for proceeding with cliff-effect removal;
- Romania: the macro-scenario update has resulted in a particularly negative forward-looking expectations compared to the other closer geographies in the area. Main macro-economic factors are expected in severe worsening (2021-2024 cumulated GDP revised downwards by 6.8%, short and long-term interest rate projections revised upward to 6%, from ca. 2%, and ca. 8%, from ca. 4%, respectively at the end of 2022, inflation raised considerably to more than 13%, from ca. 3%, at the end of 2022). Consequently, the cliff-effect has been deemed in the specific case of Romania not strictly needed anymore considering the materialization of the economic context uncertainty as already fully represented by macroeconomic scenario update;

<sup>37</sup>In this regard, considering the unordinary level of consumer prices, the model variable "Wages" has been adjusted for inflation to capture reduction in disposable income. Moreover, in relation to the Adverse scenario, some variables, whose projections were better than Baseline, have been conservatively adjusted (short and long-term interest rates, House price index, Exchange Rates of CEE countries).

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- Croatia: a smoothening of the cliff-effect contribution has been recognized being the macroeconomic scenario worsening, already partially absorbing the cliff-effect risk.

Quantitatively, the update of the macroeconomic scenarios (baseline and adverse) resulted an overall amount of €239 million of write-down, with the following breakdown by geography:

- Germany: €151 million of write-downs;
- Central & Eastern Europe (excluding Russia): €165 million of write-downs;
- Russia: €56 million of write-downs. Such impact is additional to the anticipated update of macroeconomic scenario for Russia in the first quarter 2022, which resulted in approximately €112 million of additional LLP. Thus, in the first half of 2022, the update of macro-economic scenario for Russia resulted in an overall amount of €168 million additional LLPs;
- Italy: €133 million of total net write-backs to which UniCredit S.p.A. contributes for €141 million of net write-backs. This impact is net of ca. €490 million LLPs releases, related to performing and non-performing exposures, due to “unfreezing” of scenario for Retail perimeter. More precisely, the Italian labor market variables (Wages, Unemployment Rate, Disposable Income and House Price Index) have been updated with respect to the fourth quarter 2021 where forecast were frozen at the fourth quarter 2020. This intervention was needed in order to sterilize the rebound observed in 2021 due to the government relief aimed at providing economic recovery (such as layoff freezing). The Retail scenario “unfreezing” has more than compensated the pure worsening of scenario update (counting for approximately -€349 million of loan loss provisions).

### *Sensitivity of Expected Credit Losses (ECL)*

The sensitivity of IFRS9 ECL to scenarios change is estimated by comparing the ECL calculated alternatively weighting at 100% the adverse and baseline scenarios.

In details, with respect to the baseline, the ECL would increase by about 12.8% (13.1% for UniCredit S.p.A.) equivalent to around €667 million (of which €233 million for UniCredit S.p.A.) in the adverse scenario.

Moreover, a sensitivity to GDP variations embedded in the different scenarios was also estimated as the ratio of:

- the difference between ECL estimated under the alternative and the baseline scenario;
- the GDP points deviations (on 3 years cumulative basis) between alternative and baseline scenario 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.).

Considering the current IFRS9 scenarios (baseline and adverse), the ECL at Group level is estimated to increase by +2.2% (+2.3% for UniCredit S.p.A.) for 1 point of GDP drop (cumulated over 3 years).

### **2.3.5 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 were put in place in order to ensure a proper assessment of the significant increase of the Credit Risk in light of the supporting measures deployed by government to face the crises. In this regard, as at 30 June 2022, vast majority of the government supporting measures (e.g. payment moratoria) has basically expired across UniCredit group geographies, with just remaining moratoria program extension still in place in Hungary. Under this vein, UniCredit has been carefully presiding the manoeuvres adopted since years 2020 and 2021, assessing them within the broader perspective of the current context.

Particularly, beside maintaining the cliff-effect adjustment in the IFRS9 model calibration (as described in section 2.3.4 - scenario and sensitivity) and the PD Floor measure<sup>38</sup>, applied for the first time in June 2021, for the remaining moratoria still in place, it is worth mentioning that in Hungary are still applicable, as of 30 June 2022, the instructions on classification and minimum provisions coverage provided in end of November 2021 by the Central Bank, in consideration of moratoria extension occurred in the fourth quarter 2021. Such measures have generated, as of 30 June 2022, additional loan loss provisions for approx. -€13 million

Furthermore, specific Covid-19 measures, combining both loan loss provisions and SICR assessment, have been maintained in Italy as of 30 June 2022. Indeed, notwithstanding the occurred expiration of residual moratoria program extension in end-2021, the uncertainty around the actual effects on year 2022 (considering also the additional uncertainty stemming from spill-over effects of Russia-Ukraine crises) makes their maintenance still currently appropriate in order to ensure sound provisioning and asset quality. Particularly the measures are related to:

- proactive classification to Stage 2 of clients, belonging to Corporate, Small Business and Leasing, based on: (i) Financial distress indicators, by monitoring balance sheet and some rating indicators; (ii) Industry/Sector forward looking view. Such measure, adopted

38 PD Floor was adopted in light of the improvement trend of the PD estimates induced by payment moratoria likely due to the mere effect of payment suspension/rescheduling more than to the effective improvement of the clients' fundamentals. 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 was applied for the first time in June 2021 on Corporate and Retail portfolio in Italy and in Retail portfolio of Hungary (i.e. in the two geographies of the Group with still presence of portfolios under payment moratoria in mid-2021).

## Part E - Information on risks and hedging policies

since third quarter 2020, by crossing the financial distress indicators with the Industry/Sector view, groups the portfolio within a matrix based 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<sup>39</sup>.

- “opt-in” moratoria extension portfolio. In June 2021 an extension of previous legislative moratoria has been prolonged up to the end of year 2021.

In light of the “opt-in” nature of the moratorium extension in Italy, 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, for the opt-in moratoria extension, 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.

On the back of this initiative, in third quarter 2021 a UTP assessment has been performed on riskiest Opt-in Moratoria Exposures in order to assess the degree of risk of such credit exposures. Such assessment has led to identify, at the time of its adoption, 30 June 2021, credit exposures which are potentially UTP for €0.2 billion out of €2 billion in scope of assessment (majority in highest rating classes) with a resulting 10% default rate. In addition to UTP classification of the identified credit exposures, such assessment has indicated a higher degree of risk of the overall portfolio which must be reflected in its valuation of risk. As a result:

- all transactions of the clients under Opt-in moratoria have been proactively moved to Stage 2 and their coverage ratio has been aligned to pre-crisis level at client level (as mentioned, in second quarter 2021 only exposure under opt-in moratoria were classified into Stage 2);
- all Clients with worse rating classes assumed additional coverage consistent with the expectation that 10% of those positions will default.

The perimeter of clients having applied for “opt-in” moratoria extension has been punctually identified in order to continue applying in first half 2022 the abovementioned overlays even after the expiration of the moratoria occurred in end-2021.

As of 30 June 2022, the residual perimeter impacted by the maneuvers described above amounts approx. to €13,5 billion (o/w €11 billion in UniCredit S.p.A. and €2,5 billion in UniCredit Leasing S.p.A.) with a balance of overall write downs equal to approx. -€516 million (o/w -€404 million in UniCredit S.p.A. and -€112 million in UniCredit Leasing S.p.A.).

### 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 the correct application of credit risk mitigation techniques, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for regulatory capital purposes as necessary for the calculation of credit risk capital requirement.

At the moment specific Group guidelines are in force, issued by the Parent Company, defining group-wide rules and principles with the aim to guide, govern and standardise the credit risk mitigation management, best practice, 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.

<sup>39</sup> In addition to this, for Italian Private Individuals perimeter, the overlay measure (already existing within the current Retail model landscape and connected to the broader prudent strategy given the downside risks and potential delayed side-effects from pandemic) aimed at ensuring a Stage 2 portfolio share equal to the upper bound of the long run quantile of the portfolio, has been maintained in order to ensure stability in the portfolio share in Stage 2.

## Part E - Information on risks and hedging policies

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 are envisaged, including life insurance policies and pledged goods or pledged loans (the latter 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.

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.



## Part E - Information on risks and hedging policies

### 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 unlikelihood, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad loans: exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.

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<sup>40</sup> as long as the following criteria (exit criteria) are not met simultaneously:

- the situation of the debtor has improved to the extent that full repayment of the original due amount is likely to be made;
- the debtor does not have any amount past-due by more than 90 days.

Specific exit criteria must be applied in case the Forbearance measures are extended to non-performing exposures, listed below:

- the starting date of the observation period of one year is the latest between the adoption of Forbearance measures and the classification as non-performing;
- any past due amount is verified if no past due occurs at debtor level;
- from a judgmental evaluation by the empowered Body, there are no doubts regarding the "full repayment" of the amount owed by the debtor.

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;
- proactive portfolio management through judicial and extra-judicial procedures managed by internal Workout professionals or assigned to external agencies specialised in credit recovery;

<sup>40</sup>The 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.

## Part E - Information on risks and hedging policies

- the recourse of alternative recovery strategies (which UniCredit was one of the first banks to use) based on formalised partnerships aimed at managing positions in the industrial or Real Estate sector;
- proactive management of the Leasing portfolio aimed at speeding up the negotiation times of agreements with counterparties in order to obtain a more effective remarketing process;
- disposal of impaired loans as further strategy for internal recovery both for individual positions and for portfolios of impaired loans, already classified as bad loans and unlikely to pay.

The decrease amount of the stock of impaired loans to Group customers was therefore in line with the reduction targets set within the new strategic plan "UniCredit Unlocked", 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 CROs of the Legal Entities.

More specifically, within Group Risk Management, the Group NPE structure was set-up in order to ensure on the one hand an adequate control over the execution and monitoring of the NPE Strategy (which includes the sale of non-performing loans through "Group Distressed Asset Management" and the proactive management of the collateral for the properties acquired through "Npe Portfolio & Repossessed Assets Management") 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 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 (NPE Portfolio & Repossessed Assets Management), 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.

### 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;

## Part E - Information on risks and hedging policies

- 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 at amortised cost still subject to an enforcement procedure amount to €9,537 million as of 30 June 2022, of which partial write-offs amount to €1,126 million and total write-offs amount to €8,411 million. The amount of write-offs (both partial and total) related to the 2022 first half financial year is €174 million. The write-offs as of 30 June 2022 cannot be compared to write-offs amount reported in gross changes in non-performing exposures, because the latter includes "debt forgiveness" as well as portfolios other than financial assets at amortised cost.

### 3.3 Acquired or originated impaired financial assets

Purchased or Originated Credit Impaired ("POCI") are credit exposures that are already impaired on initial recognition. Consequently, every purchase of credit assets of Non Performing obligors or significant new origination done on obligors already in Non-Performing status, considering the full alignment between impaired status and Non-Performing one, shall be considered as POCI Assets (though, in general, POCI classification is the result of the restructuring of impaired exposures which has led to the provision of significant new finance, either in absolute or in relative terms, compared with the among of the original exposure).

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

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

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

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

### 4. Commercial renegotiation financial assets and forbore exposures

Changes in existing financial instruments which determine a modification of contractual conditions might be the result of either:

- commercial initiatives, which may be specific for each customer or applied to portfolio of customers also as a result of dedicated initiatives sponsored by public authorities or banking associations;
- 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 forbore exposures

In July 2014, the European Banking Authorities issued the "Implementing Technical Standards" ("ITS") on non-performing and Forborne exposures, with the aim to allow a closer supervisory monitoring of banking forbearance practices.



## Part E - Information on risks and hedging policies

In line with the mentioned ITS, a transaction has to be considered as forbore when both of the following conditions are simultaneously met:

- a concession in favour of the debtor exists, in the form of either (i) a contractual modification or (ii) refinancing aimed at ensuring the repayment of pre-existing obligation;
- the debtor is facing or about to face financial difficulties.

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 forbore exposures", issued by European Banking Authority in October 2018, which are overall aligned with the ECB Guidance;
- "Guidelines on disclosure of non-performing and forbore 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<sup>41</sup>" providing specific indications to the banks on the regulatory treatment of the legislative moratoria and banking initiatives in terms of Forbearance Classification; for details refer to the paragraph General aspects - Section 2.1. Credit Risk. In this regard, Group Guidelines have been timely provided to the legal entities in order to strengthen debtor's financial difficulty assessment in a harmonized way across the Group. This has been done by introducing further hard criteria and a judgmental component that, selectively, should help intercepting financial difficulty signs through managerial evidence in line with the abovementioned EBA Guidelines and UTP prioritization criteria. Furthermore, 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.

<sup>41</sup> 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

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

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

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3			PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	4,505	56	541	2,565	488	182	1,895	357	1,893	-	-	2
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-	19	-	27	-	-	-
<b>Total 06.30.2022</b>	<b>4,505</b>	<b>56</b>	<b>541</b>	<b>2,565</b>	<b>488</b>	<b>182</b>	<b>1,914</b>	<b>357</b>	<b>1,920</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Total 12.31.2021</b>	<b>4,797</b>	<b>153</b>	<b>67</b>	<b>2,285</b>	<b>477</b>	<b>235</b>	<b>2,643</b>	<b>233</b>	<b>2,232</b>	<b>1</b>	<b>-</b>	<b>2</b>

The amounts past due over 90 days and related to Stage 1 and Stage 2 exposures refer to loans that do not meet the definition of non-performing past due (below the materiality threshold).

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

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT 06.30.2022											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
	STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS			
<b>On-balance sheet credit exposures</b>												
<b>A.1 At Sight</b>	<b>113,124</b>	<b>112,071</b>	<b>990</b>	<b>30</b>	<b>33</b>	<b>26</b>	<b>1</b>	<b>-</b>	<b>16</b>	<b>9</b>	<b>113,098</b>	<b>-</b>
a) Non-performing	63	X	-	30	33	25	X	-	16	9	38	-
b) Performing	113,061	112,071	990	X	-	1	1	-	X	-	113,060	-
<b>A.2 Other</b>	<b>123,315</b>	<b>114,652</b>	<b>4,338</b>	<b>5</b>	<b>-</b>	<b>63</b>	<b>10</b>	<b>48</b>	<b>5</b>	<b>-</b>	<b>123,252</b>	<b>-</b>
a) Bad exposures	5	X	-	5	-	5	X	-	5	-	-	-
of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	2	X	-	-	-	-	X	-	-	-	2	-
of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due	27	16	11	X	-	-	-	-	X	-	27	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	123,281	114,636	4,327	X	-	58	10	48	X	-	123,223	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
<b>Total A</b>	<b>236,439</b>	<b>226,723</b>	<b>5,328</b>	<b>35</b>	<b>33</b>	<b>89</b>	<b>11</b>	<b>48</b>	<b>21</b>	<b>9</b>	<b>236,350</b>	<b>-</b>

Note:  
(\*) Value shown for information purposes.

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

## Part E - Information on risks and hedging policies

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

(€ million)

AMOUNTS AS AT 06.30.2022												
EXPOSURE TYPES/VALUES	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS					OVERALL PARTIAL WRITE-OFFS(*)	
	STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE		
On-balance sheet credit exposures												
a) Bad exposures	3,560	X	-	3,539	9	2,661	X	-	2,643	6	899	1,006
of which: forborne exposures	907	X	-	894	1	601	X	-	589	-	306	174
b) Unlikely to pay	9,905	X	-	9,774	21	4,291	X	-	4,208	5	5,614	252
of which: forborne exposures	5,783	X	-	5,737	18	2,674	X	-	2,652	4	3,109	231
c) Non-performing past due	822	X	-	821	-	255	X	-	255	-	567	-
of which: forborne exposures	35	X	-	35	-	12	X	-	12	-	23	-
d) Performing past due	9,055	5,487	3,562	X	-	347	31	316	X	-	8,708	-
of which: forborne exposures	463	1	456	X	-	68	-	68	X	-	395	-
e) Other performing exposures	601,284	471,430	101,622	X	11	5,546	952	4,593	X	-	595,738	-
of which: forborne exposures	8,925	285	8,614	X	4	801	11	791	X	-	8,124	-
Total A	624,626	476,917	105,184	14,134	41	13,100	983	4,909	7,106	11	611,526	1,258

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

	06.30.2022
a) Amount book value (€ million)	348,875
b) Amount weighted value (€ million)	24,556
c) Number	16

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<sup>42</sup>.

#### Information on Sovereign Exposure

With reference to the Group's Sovereign exposures<sup>43</sup>, the book value of Sovereign debt securities as at 30 June 2022 amounted to €113,046 million<sup>44</sup>, of which about the 82% concentrated in eight countries; Italy, with €41,213 million, represents over 36% of the total. For each of the eight countries, the following table shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 30 June 2022.

<sup>42</sup> It should be noted that deferred tax assets towards Central Government were considered as fully exempted and, as a consequence, the weighted amount reported is null

<sup>43</sup> Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. To the purpose of this risk exposure are not included: Sovereign exposures of Group's Legal entities classified as held for sale as at 30 June 2022

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<sup>44</sup> Information on Sovereign exposures refers to the scope of the UniCredit Consolidated First Half Financial Report as at 30 June 2022, determined under IAS/IFRS.

The information on Sovereign exposures with reference to the regulatory scope of consolidation are reported in the UniCredit Group Disclosure (Pillar III) document - Credit Risk.

## Part E - Information on risks and hedging policies

## Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 06.30.2022		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>- Italy</b>	<b>42,092</b>	<b>41,213</b>	<b>41,204</b>
financial assets/liabilities held for trading (net exposure*)	2,264	2,134	2,134
financial assets designated at fair value	0	0	0
financial assets mandatorily at fair value	50	53	53
financial assets at fair value through other comprehensive income	17,056	17,015	17,015
financial assets at amortised cost	22,722	22,011	22,002
<b>- Spain</b>	<b>16,400</b>	<b>16,073</b>	<b>15,951</b>
financial assets/liabilities held for trading (net exposure*)	897	755	755
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	4,076	4,047	4,047
financial assets at amortised cost	11,427	11,271	11,149
<b>- Japan</b>	<b>11,243</b>	<b>11,336</b>	<b>11,329</b>
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	7,936	7,925	7,925
financial assets at amortised cost	3,307	3,411	3,404
<b>- Germany</b>	<b>8,660</b>	<b>8,603</b>	<b>8,467</b>
financial assets/liabilities held for trading (net exposure*)	546	435	435
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	2,729	2,740	2,740
financial assets at fair value through other comprehensive income	1,819	1,810	1,810
financial assets at amortised cost	3,566	3,618	3,482
<b>- United States of America</b>	<b>6,545</b>	<b>6,050</b>	<b>6,044</b>
financial assets/liabilities held for trading (net exposure*)	1,178	972	972
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	3,720	3,682	3,682
financial assets at amortised cost	1,647	1,396	1,390
<b>- Austria</b>	<b>3,626</b>	<b>3,604</b>	<b>3,577</b>
financial assets/liabilities held for trading (net exposure*)	272	285	285
financial assets designated at fair value	18	14	14
financial assets mandatorily at fair value	90	97	97
financial assets at fair value through other comprehensive income	3,096	3,049	3,049
financial assets at amortised cost	150	159	132
<b>- France</b>	<b>3,067</b>	<b>2,921</b>	<b>2,850</b>
financial assets/liabilities held for trading (net exposure*)	765	750	750
financial assets designated at fair value	0	0	0
financial assets mandatorily at fair value	0	0	0
financial assets at fair value through other comprehensive income	1,678	1,542	1,542
financial assets at amortised cost	624	629	558
<b>- Romania</b>	<b>2,598</b>	<b>2,571</b>	<b>2,270</b>
financial assets/liabilities held for trading (net exposure*)	76	58	58
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	745	672	672
financial assets at amortised cost	1,777	1,841	1,540
<b>Total on-balance sheet exposures</b>	<b>94,231</b>	<b>92,371</b>	<b>91,692</b>

## Notes:

(\*) Including exposures in Credit Derivatives.

Negative amount indicates the prevalence of liabilities positions.

## Part E - Information on risks and hedging policies

The weighted duration of the Sovereign bonds shown in the table above, divided by the banking<sup>45</sup> and trading book, is the following:

### Weighted duration

	BANKING BOOK	TRADING BOOK (years)	
		ASSETS POSITIONS	LIABILITIES POSITIONS
- Italy	3.97	2.44	4.06
- Spain	3.66	14.58	5.68
- Japan	3.83	-	-
- Germany	3.67	13.90	5.51
- United States of America	6.70	20.74	-
- Austria	4.50	8.90	3.83
- France	5.69	19.68	14.51
- Romania	3.99	6.88	7.09

The remaining 18% of the total of sovereign debt securities, amounting to €20,675 million with reference to the book values as at 30 June 2022, is divided into 37 countries, including Portugal (€2,054 million), Bulgaria (€1,981 million), Croatia (€1,701 million), Czech Republic (€1,567 million), Hungary (€1,490 million), Russia (€1,296 million), Israel (€1,174 million), Ireland (€1,011 million), Poland (€1,010 million), Serbia (€875 million) and China (€785 million).

With respect to these exposures, as at 30 June 2022 there were no indications that default have occurred and the Group is closely monitoring the evolution of the situation.

With particular reference to the book value of the sovereign debt securities exposure to Russia it should be noted that €1,294 million are held by the Russian controlled bank and almost totally classified in the banking book. For more information on the criteria adopted for the evaluation of the Russian counterparties, see Part A - Accounting policies - A.1 - General, Section 5 - Other matters.

It should also be noted that among the aforementioned remaining part of sovereign debt securities as at 30 June 2022 there are also debt securities towards Supranational Organisations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €3,938 million.

The table below shows the classification of bonds belonging to the banking book and their percentage proportion of the total of the portfolio under which they are classified.

### Breakdown of sovereign debt securities by portfolio (banking book)

	AMOUNTS AS AT 06.30.2022				TOTAL
	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	
Book value	249	3,044	49,372	54,107	106,772
% Portfolio	85.84%	31.26%	77.80%	8.46%	14.98%

In addition to the exposures to Sovereign debt securities, loans<sup>46</sup> given to central and local governments and governmental bodies must be taken into account.

<sup>45</sup> The banking book includes financial assets designated at fair value, those mandatorily at fair value, those at fair value through other comprehensive income and those at amortised cost.

<sup>46</sup> Tax items are not included.

## Part E - Information on risks and hedging policies

The table below shows the total amount as at 30 June 2022 of loans booked in financial assets at amortised cost portfolio given to Countries towards which the overall exposure exceeds €130 million, representing about 94% of the total.

### Breakdown of sovereign loans by country

(€ million)

COUNTRY	AMOUNTS AS AT 06.30.2022
	BOOK VALUE
- Italy	6,273
- Austria <sup>(*)</sup>	5,942
- Germany <sup>(**)</sup>	4,677
- Croatia	2,485
- Qatar	721
- Czech Republic	653
- Slovakia	260
- Egypt	247
- Kenya	236
- Hungary <sup>(***)</sup>	211
- Slovenia	202
- Turkey	201
- Bulgaria	174
- Indonesia	158
- Bosnia and Herzegovina	155
- Romania	131
<b>Total on-balance sheet exposures</b>	<b>22,726</b>

#### Notes:

(\*) of which €25 million in financial assets mandatorily at fair value.

(\*\*) of which €594 million in financial assets mandatorily at fair value.

(\*\*\*) of which €6 million in financial assets mandatorily at fair value.

It should also be noted that, as at 30 June 2022, there are in addition also loans to Supranational Organisations amounting to €1,167 million booked in financial assets held for trading portfolio.

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", "Pandemic Scenario + Sovereign Stress" and "Severe inflation Scenario" 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 Group Client Solutions division - Group Client Risk Management, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the Group Credit Solutions 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 CE and EE 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.

## Part E - Information on risks and hedging policies

OTC derivatives offer considerable scope for personalisation: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and controls in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not (usually) entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to 'credit-risk mitigation' (CRM) techniques, by using netting and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:

- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong-Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit & loan-credit default swaps, in order to obtain a value in terms of 'expected loss' (EL) to be used for items designated and measured at fair value maximising the usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flows according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20. 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 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 €160,219 million on trading asset (balance-sheet asset item 20) and €161,323 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 €41,702 million (with a notional value of €3,209,446 million) including €26,582 million with customers. The notional value of derivatives with customers amounted to €1,507,241 million including €1,501,930 million in plain vanilla (with a fair value of €26,413 million) and €5,311 million in structured derivatives (with a fair value of €169 million).

The notional value of derivatives with banking counterparties totaled €1,702,205 million (fair value of €15,120 million) including €6,275 million relating to structured derivatives (fair value of €141 million).

The balance of item "20. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €42,791 million (with a notional value of €3,207,986 million) including €28,380 million with customers. The notional value of derivatives with customers amounted to €1,494,836 million including €1,483,247 million in plain vanilla (with a fair value of €27,792 million) and €11,589 million in structured derivatives (with a fair value of €588 million).

The notional value of derivatives with banking counterparties totaled €1,713,149 million (fair value of €14,411 million) including €8,075 million relating to structured derivatives (fair value of €107 million).

### *Credit risk measurement models*

As at 30 June 2022<sup>47</sup>, the expected loss on the credit risk perimeter was 0.37% 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 2022<sup>47</sup> the ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 2.23%.

<sup>47</sup>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 centres (Portfolio Risk Managers), completely focused and specialised on such risks, under a Group and interdivisional perspective.

According to this organisation, the structure at first level of reporting to "Group Risk Management", dedicated to market risk governance is the "Group Financial Risk" department.

#### **Risk management strategies and processes**

The Parent Company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to the risks assumed. The Parent Company has defined Global Rules 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 RAF KPIs;
- the business strategy and key initiatives to support the limit proposal.

After that all the Group relevant Bodies have approved the Group Market Risk Strategy and given the relevant NBOs for local market risk limits, the approval is communicated to the local functions.

In terms of monitoring, the LEs carry out periodical activities (e.g., daily monitoring of VaR, weekly monitoring of Regulatory VaR, IRC and SVaR, monthly monitoring of Stress Test Warning Level) under the coordination of the Parent Company Market Risk Management function and the breaches are timely escalated locally to Senior Management and to the Parent Company.

Ultimately, it has to be highlighted that detailed Global Rules on market risk strategy definition, limits setting, monitoring, escalation and reporting activities are in place and applied at Group level.



## Part E - Information on risks and hedging policies

### Trading Book

In accordance with the Capital Requirements Regulation, and as defined in the current policy "Group Market Risk Governance Guidelines", 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 FVtOCI and/or FVtPL exposures. Limitations on Broad Market Risk measures must be reviewed at least annually in the context of the drafting of the Group and Local Market Risk Strategies and must be consistent with assigned budget of revenues, the defined risk-taking capacity (ICAAP process) and Group Risk Appetite KPIs. The set of all limitations on Broad Market Risk measures assigned to a specific market risk taker must be consistent with each other.

The consistency must be checked whenever a level for a Broad Market Risk Measure is defined. The legal entity Market Risk Function needs to provide evidence of such consistency when required. Broad Market Risk measures are:

- Value at Risk ("VaR"), the potential 1-day loss in value of a portfolio for a 99% single-tail confidence interval; calculated through historical simulation in full revaluation using the last 250 equally weighted daily observations;
- Stressed VaR ("SVaR"), the VaR of a portfolio calculated using a 250-day period of significant financial stress;

## Part E - Information on risks and hedging policies

- Incremental Risk Charge ("IRC"), the amount of regulatory capital aimed at addressing the credit shortcomings (migration and default risks) that can affect a portfolio in one year at a 99.9% confidence level;
- 60 days PL, set as the 60 calendar days rolling period Accumulated Economic P&L without resetting at year end; the limitation on this metrics is called Loss Warning Level ("LWL");
- Worst Stress test result, defined as the worst conditional loss on a given portfolio resulting from the application of a predefined set of scenarios; the limitation on this metrics is called Stress Test Warning Level ("STWL"); for all STWL included in the Market Risk Taker Maps, 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 Market Risk Strategy defines 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 Treasury 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). To limit the impacts of the FX rates movements on the Capital ratios volatility, a RAF KPI on Structural FX risk is set at Group level to identify an appropriate level of risk the Group is willing to maintain and thresholds that in case of breaches require the activation of the proper escalation mechanisms. Group risk management strategy could envisage the steering of the FX risk exposure in the LEs or the booking in the Holding of positions deliberately taken to hedge the capital ratio from FX volatility. On a yearly basis, this strategy is presented to the relevant Group committees and approved by the BoD.

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.

## Part E - Information on risks and hedging policies

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 Group Financial and Credit Risk 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.

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 discretionary 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.

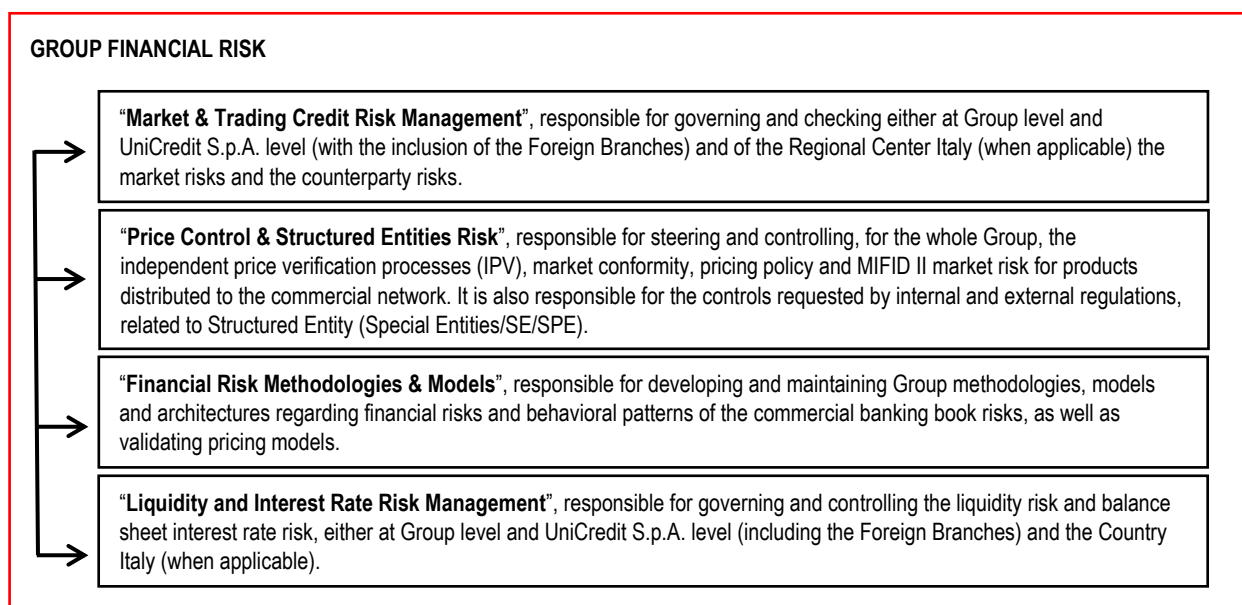
The prepayment risk is managed through the adaptation of the contractual profile on the basis of behavior of clients inferred from historical data. In UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG e UniCredit Bank Czech Republic and Slovakia A.S. the interest of prepayment is modelled 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 and UniCredit Bank Hungary ZRT.

The stability of sight deposits is assessed through 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 Group Financial and Credit Risk 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 of UniCredit International Bank (Luxembourg) S.A. The hedging strategy is enacted through medium-long term fixed rate positions as 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 counterparty risk), ensuring that the control of the risks in charge of the UniCredit S.p.A. Foreign Branches are monitored and reported to the Group Chief Risk Officer and to the Top 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 and it is responsible of the planning and monitoring processes of the periodical revision of the internal rules of proper competence in cooperation with the direct reporting line structures.

The structure breaks down as follows:



## Part E - Information on risks and hedging policies

The relevant Committees of reference are:

- Group Financial and Credit Risks Committee (GFRC) - Market Risk session;
- Group Executive Committee (GEC) - Risk Session.

The "Group Financial and Credit Risks Committee (GFRC) - Market Risk session" meets monthly and is responsible for approving strategies, policies and methodologies for Market Risks and for the monitoring of risks, with the aim to optimize the usage of financial resources (e.g., capital) in coherence with Risk Appetite and Business Strategies. It is also responsible for evaluating the impact of transactions significantly affecting the overall market risk portfolio profile.

The "Group Executive Committee (GEC) - Risk Session" which has approval as well as consulting and proposal functions, meets monthly and aims at supporting the CEO in its role of steering, coordinating and monitoring all categories of risks (included compliance risk), managing and overseeing the internal control system also at a Group level, as well as discussing and approving strategic risk topics such as Group Risk Appetite Framework, ICAAP, ILAAP, SREP, key highlights from Internal Control Systems, NPE, ESG.

The "Group Financial and Credit Risk 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 Financial and Credit Risk 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 2022, 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 on the bank.

#### **Banking Book**

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking book lies in the bank's competent bodies. For instance, the Parent Company is in charge of monitoring market risks for the Banking book at consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.

## Part E - Information on risks and hedging policies

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:** changes of interest rates that may affect the Net Interest Income. 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 Financial and Credit Risks 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 "Group Market Risk Governance Guidelines" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to be involve establishing the most appropriate course of action to restore exposure within the approved limits.

A set of risk indicators is also provided to the Group Executive Committee (and subsequently to the Internal Control & Risk Committee and to the BoD) on a quarterly basis through the Group Risk Appetite Framework (RAF) and Integrated Risk Report (IRR), which includes Regulatory VaR, Stressed VaR and IRC trend for Group and legal entities (UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG, Centrale Europe and Eastern Europe), Sovereign and non-Sovereign (ABS, Financials and Corporates) Exposure.

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 Financial and Credit Risk Committee 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 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.



## Part E - Information on risks and hedging policies

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 that is relevant for RWA calculation on a consolidated level. The SVaR window at Group level and for all the legal entities (UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit S.p.A. solo level) corresponds to the "Lehman Crisis" (2008-2009).

The 10-day capital requirement is however obtained by extending the 1-day risk measure to the 10-day horizon taking the maximum of the square root of time scaling and a convolution approach that turns the one-day distribution into a 10-day distribution for both the VaR and the Stressed VaR. The 1-day measures are instead actively used for market risk management.

In order to validate the consistency of VaR internal models used in calculating capital requirements on market risks, back-testing is performed by comparing the internal model risk estimates with the portfolio profit and loss, 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. Market, Operational & Pillar II Risks Validation performed the periodic validation of the VaR/SVaR framework to assess the compliance with regulatory requirements including an independent back-testing analysis complemented with different parameterisations (e.g., different time horizon, percentile) and detailing the results for a set of representative portfolios of the Bank.

The IRC capital charge captures default risk as well as migration risk for un-securitised credit products held in the Trading book. The internally developed model simulates via multivariate version of a Merton-type model the rating migration events of all the issuers relevant to the Group trading positions over a capital horizon of one year. The transition probabilities and the sector correlations are historically calibrated, while idiosyncratic correlations are derived from the IRB correlation formula. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In doing so a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1 year.

In each scenario all the relevant product inventory is revaluated under such spread and default events producing a simulated profit or loss (P&L) that fully reflects convexity, basis risk, portfolio effects and portfolio concentration risks. In this way a high number of paths Monte Carlo simulation generates a P&L distribution for the Group (and each leaf of its portfolio tree).

IRC is defined as the 99.9 percentile of such loss distribution.

Additional capital charge for securitisations and credit products not covered by IRC is evaluated through the standardised approach.

The following table summarises the main characteristics of the different measures that define the capital requirement for market risk in UniCredit.

MEASURE	RISK TYPE	HORIZON	QUANTILE	SIMULATION	CALIBRATION
VaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
SVaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
IRC	Rating Migration & Default	1Y	99.9%	Monte Carlo	Through-the-cycle (min 8Y)

The IRC Model is subject to a quarterly program of Stress tests aimed at evaluating the robustness of the model. The relevant parameters as Recovery Rates, Transition Probabilities, idiosyncratic correlation is shocked and the impact on the IRC measure is computed.

## Part E - Information on risks and hedging policies

"Market, Operational & Pillar II Risks 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.

"Market, Operational & Pillar II Risks 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). Market, Operational & Pillar II Risks 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, Market, Operational & Pillar II Risks 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, the Group legal entities within CEE countries are the ones that are mainly 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., which does 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.

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.

## Part E - Information on risks and hedging policies

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

The sharp increase of both managerial and regulatory market risk metrics caused by the outbreak of Covid-19 during the first half of 2020 had been under strict monitoring by both risk and business functions and the caution approach adopted in position management since the beginning of the crisis resulted in a progressive relief in limit utilization. Referring to the recent trend, regulatory and managerial risk metrics have not been affected by the punitive Covid scenario anymore.

### 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 increase, observed starting from March 2022, is mainly driven by the effects of increased volatility in the context of the Russia-Ukraine conflict. The SVaR decrease, observed starting from March 2022, is instead mainly driven by portfolio optimization in the Trading book of UniCredit Bank AG. Additionally, the IRC remained relatively stable in the first semester of 2022: the reduction due to portfolio optimization in the Trading book of UniCredit Bank AG has been compensated by a higher exposure towards Republic of Italy in the Trading book of UniCredit S.p.A.

### Risk on trading book

#### Daily VaR on Regulatory Trading book

(€ million)

I-MOD PERIMETER	30 JUNE 2022	AVERAGE LAST 60 DAYS	2022			2021
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	11.8	15.2	13.3	19.5	8.8	7.0

### Risk on trading book

#### SVaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	30 JUNE 2022	AVERAGE LAST 12 WEEKS	2022			2021
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	18.9	22.6	26.3	37.2	16.8	21.5

### Risk on trading book

#### IRC on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	30 JUNE 2022	AVERAGE LAST 12 WEEKS	2022			2021
			AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	114.4	123.1	118.3	149.0	83.3	149.6

### EU MR4 Comparison of VaR estimates with gain/losses

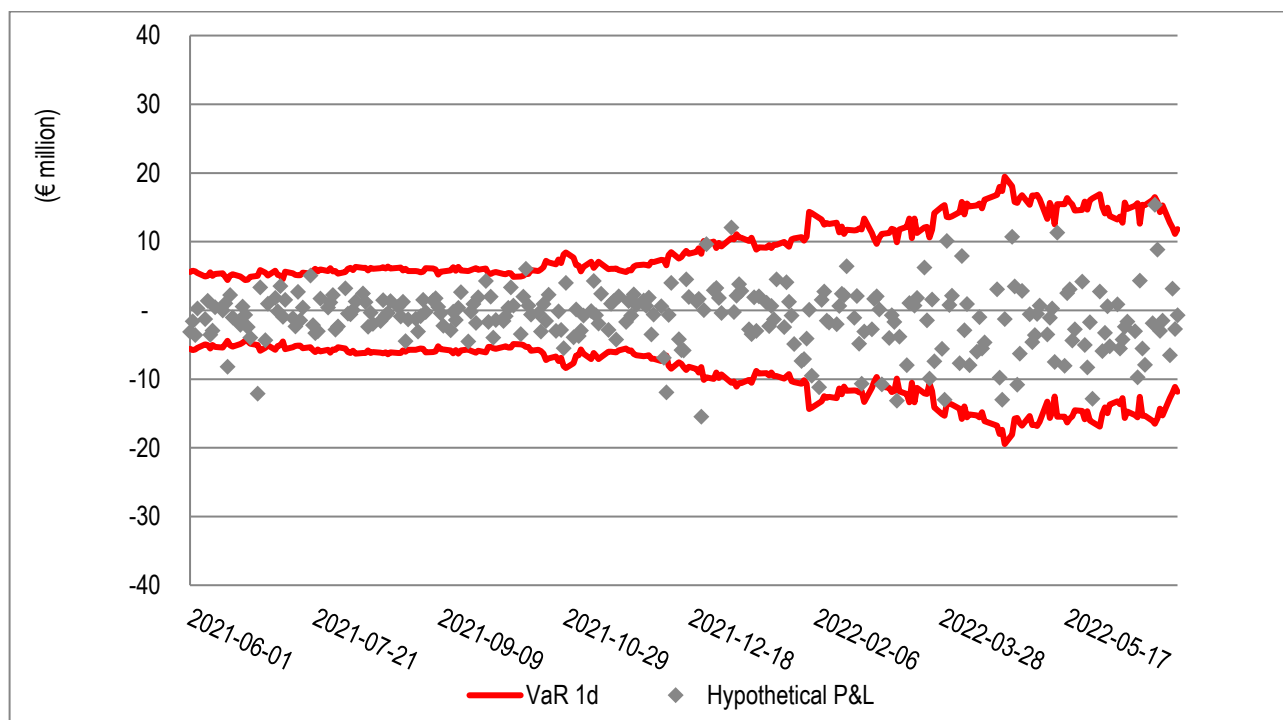
The following graph shows back-testing results referred to the market risk on the Trading book, in which VaR results for the last twelve months are compared to the hypothetical “profit and loss” results for Group (I-Mod Perimeter).

During the first half of 2022, one hypothetical PL's overdraft and two actual PL's overdrafts occurred at UniCredit group level:

- 02/25/2022 (actual): the VaR overshooting is mostly driven by the monthly update of Fair Value Adjustments (FVA) in UniCredit Bank AG. The overshooting is therefore not driven by market movements on 2022/02/28 and hence not referable to any deficiency of the model;
- 03/10/2022 (hypothetical): the VaR overshooting is mostly driven by a combined unfavourable movement of market risk factors in several asset classes;
- 03/15/2022 (actual): the VaR overshooting is mostly driven by the disposal of positions with a counterparty, mainly related to sanctions and closure of financial markets in Russia caused by the Ukraine-Russia conflict.



## Part E - Information on risks and hedging policies



### Managerial VaR

Below are reported the Managerial Diversified Trading book VaR as of end of June 2022 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	30 JUNE 2022
<b>Diversified UniCredit group as per internal model</b>	<b>16.4</b>
Germany	11.1
Italy	4.5
Central Europe	1.5
Austria	0.3
Czech Republic	1.4
Hungary	0.5
Slovenia	0.0
Eastern Europe	9.6
Bosnia	0.0
Bulgaria	1.1
Croatia	0.2
Romania	0.8
Russia	9.7
Serbia	0.1
<b>Undiversified UniCredit group</b>	<b>29.4</b>

### Marginal Regulatory VaR

The table below provides a breakdown of 10-days VaR figure (i.e. referred to a 10-days' time horizon) according to the different market risks (debt, equity, FX, commodities) and its evolution during the year, in the form of template C24 of COREP.

## Part E - Information on risks and hedging policies

### Risk on Trading book by instruments classes

#### 10-days VaR on Regulatory Trading book

(€ million)

	2022		2021
	Q1	Q2	Q4
Traded Debt Instruments	26.0	34.7	20.6
TDI - General Risk	24.6	36.6	20.5
TDI - Specific Risk	6.4	8.5	6.4
Equities	5.5	9.7	4.0
Equities - General Risk	-	-	-
Equities - Specific Risk	5.5	9.7	4.0
Foreign Exchange Risk	5.3	8.4	3.1
Commodities Risk	19.8	21.1	13.3
<b>Total Amount For General Risk</b>	<b>33.3</b>	<b>45.8</b>	<b>23.5</b>
<b>Total Amount For Specific Risk</b>	<b>6.9</b>	<b>11.2</b>	<b>6.6</b>

The VaR increase, observed starting from March 2022, is mainly driven by the effects of increased volatility in the context of the Russia-Ukraine conflict.

#### CVA

The CVA charge data values for the Trading book for the Group are reported below (as sum of the individual legal entities charges since the diversification benefit is not considered). The charge accounts for the credit-spread volatility affecting regulatory CVA. It consists of a VaR figure computed over the current window (CVA VaR) and a VaR figure computed over a stressed window (CVA SVaR).

For exposures not covered by the CCR Internal model (used to calculate CVA exposure profiles) the standardised approach (SA) is used. The mitigation of the XVA exposure across UniCredit group is managed by a dedicated CVA Desk, whose mandate is to provide a centralised Front Office service function with the responsibility for XVA pricing & exposure management for OTC derivatives. The CVA Desk actively hedges the exposure to risk factors within the prescribed limit framework in UCI S.p.A., UCB AG and UCBA AG.

In the second quarter of 2022, the Own Fund Requirements due to CVA under Standard Model decreased with respect to the first quarter of 2022, due to changes in the exposure profile of a major counterparty of UniCredit Bank AG.

#### CVA Regulatory Capital Charge

(€ million)

	2022		2021
	Q1	Q2	Q4
<b>CVA</b>	<b>128.9</b>	<b>90.9</b>	<b>108.0</b>
<b>CVA VaR</b>	<b>12.1</b>	<b>11.7</b>	<b>8.4</b>
<b>CVA SVaR</b>	<b>43.9</b>	<b>37.8</b>	<b>49.5</b>
<b>CVA SA</b>	<b>72.9</b>	<b>41.4</b>	<b>50.1</b>

### 2.2.1 Interest rate risk and price risk - Regulatory trading book

#### Qualitative information

##### Interest rate risk

##### A. General aspects

Interest rate risk arises from financial positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion. Regardless of use of the internal models in calculating capital requirements on market risks, risk positions in the Group are monitored and subject to limits assigned to the portfolios on the basis of managerial responsibilities and not purely on regulatory criteria.

##### B. Risk management processes and measurement methods

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

As regards Stress Test refer to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to Stress Test paragraph.

In addition to the monitoring of Granular Market Limits, Group Market Risk functions conduct sensitivity analysis at least on monthly basis, in order to determine the effect on the Income statement of changes in the value of individual risk factors or several risk factors of the same type.

Additionally, to the sensitivity of financial instruments to changes in the underlying risk factor, the sensitivity to the volatility of interest rates is also calculated assuming positive and negative shifts of 30% in volatility curves or matrices.

## Part E - Information on risks and hedging policies

### 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  $\pm 1\text{bp}/\pm 10\text{bps}$  and  $\pm 100\text{bps}$ .

For each 1bp shift, sensitivity is calculated for a series of time-buckets. Sensitivity for changes in the steepness of the rate curve is analysed by clockwise turning (Turn CW), i.e. an increase in short-term rates and a simultaneous fall in long-term rates, and by counter-clockwise turning (Turn CCW), whereby short-term rates fall and long-term rates rise.

In particular, clockwise and counter-clockwise turning use the following changes in absolute terms:

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

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

## 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 BP	+100 BP	CW	CCW
<b>Total</b>	-0.2	0.5	0.3	-0.0	-0.2	-0.1	-0.2	0.2	1.5	-8.2	71.1	-72.4	13.6	5.2
of which:														
EUR	-0.2	0.5	0.4	-0.0	-0.2	-0.3	-0.2	-0.0	-0.4	1.4	1.1	3.4	21.6	-3.3
USD	-0.0	0.0	-0.1	0.0	-0.0	0.1	0.0	0.1	3.7	-3.1	88.6	-21.7	-6.5	7.0
GBP	-0.0	0.0	-0.0	-0.0	0.1	0.1	-0.0	0.1	-1.4	1.4	-15.0	13.4	-2.0	2.0
CHF	0.0	0.0	0.0	0.0	-0.0	-0.0	0.0	-0.0	0.1	-0.1	1.3	-1.2	0.5	-0.5
JPY	-0.0	-0.0	0.0	0.1	-0.0	-0.0	0.0	0.1	-0.7	0.7	-6.6	6.6	-0.4	0.4

(€ million)

	-30%	+30%
<b>Interest Rates</b>	-13.5	-27.1
EUR	-7.9	-35.4
USD	-5.7	8.4

### 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	27.8	-	-	-	0.3	-	-
USA	-3.3	-	-	-	0.0	-	-
Japan	3.6	-	-	-	0.0	-	-
Asia ex-Japan	-0.9	-	-	-	0.0	-	-
Latin America	0.1	-	-	-	0.0	-	-
Other	-20.4	-	-	-	-0.2	-	-
<b>Total</b>	<b>7.0</b>	<b>-47.0</b>	<b>-6.2</b>	<b>0.3</b>	<b>0.1</b>	<b>2.3</b>	<b>-2.0</b>
<b>Commodity</b>	<b>-79.5</b>	<b>11.4</b>	<b>7.2</b>	<b>0.8</b>	<b>-0.8</b>	<b>-7.3</b>	<b>-15.0</b>

(€ million)

	-30%	+30%
<b>Equities</b>	<b>-39.8</b>	<b>14.7</b>

## Part E - Information on risks and hedging policies

### 2.2.2 Interest rate risk and price risk – Banking book

#### Qualitative information

#### Interest rate risk

##### A. General aspects, operational processes and methods for measuring interest rate risk

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 trading book;
- Defined Benefit Obligations (DBO) portfolio.

b) The Group Financial and Credit Risk 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 interest 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 severe stress scenarios from those expected and present by the market. The calibration and monitoring of stress test scenarios takes place at least annually.

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 Audit 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 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.

## Part E - Information on risks and hedging policies

- 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 and 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 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, HUF -50bps; RON -75bps).

i) The average repricing maturity assigned to non-maturity deposits is 2.0 years.

j) The longest repricing maturity assigned to non-maturity deposits is 20 years.

### 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

As at 30 June 2022, the sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps and -200bps was respectively equal to -€4,628 million and €1,390 million. The sensitivity to interest rates changes for the worst-of-six "Supervisory Outlier Test", as envisioned by EBA guideline (EBA/GL/2018/02) was equal to -€4,756 million.

The interest income sensitivity to an immediate and parallel shift of +100bps was +€1,131 million, whilst the immediate change to a parallel downward shift of interest rate of -100bps (or less, according to the interest rates level of each currency) was equal to -€203 million.

## Part E - Information on risks and hedging policies

The EU IRRBB1 template in the table below, contains the Interest rate risk exposure metrics on 30 June 2022 and 31 December 2021. For the descriptions of the scenarios refer to *Qualitative information - Interest rate risk*.

### Template EU IRRBB1 - Interest rate risks of the positions not held in the trading book

(€ million)

SUPERVISORY SHOCK SCENARIOS		a		b		c		d	
		CHANGES OF THE ECONOMIC VALUE OF EQUITY				CHANGES OF THE NET INTEREST INCOME			
		06.30.2022		12.31.2021		06.30.2022		12.31.2021	
1	Parallel up	(4,756)		(4,082)		1,131		771	
2	Parallel down	1,374		77		(203)		(239)	
3	Steeper	214		26					
4	Flattener	(1,022)		(948)					
5	Short rates up	(2,257)		(1,898)					
6	Short rates down	699		342					

**Note:**

The template above is prepared according to Regulation (EU) 631/2022 of 13 April 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 637/2021 as regards the disclosure of exposures to interest rate risk on positions not held in the trading book.

The changes in the sensitivity of the Economic Value in the first half of 2022, observable in the table EU IRRBB1 above, are due to the reduced contribution from embedded commercial floors and increase in stress on behavioral models, driven by the EUR rates steepening.

### Sensitivity of the net interest income to the +/-10bps scenarios

			(€ million)	
INTEREST RATE RISK SCENARIOS			a	b
			CHANGES OF THE NET INTEREST INCOME	
			06.30.2022	12.31.2021
1	NII +10bps		90	79
2	NII -10bps		(89)	(78)

The increase in the sensitivity of the net interest income ("NII Sensitivity") between 31 December 2021 and 30 June 2022, is driven by changes in the modelling assumptions on TLTRO, partly offset by the introduction of the modeling of the Excess Liquidity Fee ("ELF") into the scenario, hedging activity and other minor items. The ELF is accounted in the Net Interest Income and reflects the negative charging on the sight deposit linked to ECB rate, following bilateral agreements with customers.

In first quarter 2022 the modeling assumptions of the TLTRO were updated to reflect the achievement of the Cumulative Net Lending ("CNL") benchmark, as a result of which its modelling was changed from an overnight liability into a mixed fixed-floating liability. Considering the contractual features of the TLTRO, the fixed rate was applied up to June 2022 and the floating one, i.e. the average ECB Deposit Facility Rate during the entire life of the operation, up to maturity.

### Sensitivity of the net interest income to the Parallel Up scenario

(€ million)

SCENARIO PER CURRENCY		a	b
		CHANGES OF THE NET INTEREST INCOME	
		06.30.2022	12.31.2021
1	Total	1,131	771
2	EUR	1,078	686
3	CZK	4	21
4	HRK	33	40
5	HUF	12	25
6	Other currencies	4	(0)



## Part E - Information on risks and hedging policies

### Sensitivity of the net interest income to the Parallel Down scenario

(€ million)

SCENARIO PER CURRENCY		a	b
		CHANGES OF THE NET INTEREST INCOME	
		06.30.2022	12.31.2021
1	Total	(203)	(239)
2	EUR	(208)	(166)
3	CZK	(4)	(21)
4	HRK	(18)	(20)
5	HUF	(6)	(19)
6	Other currencies	33	(14)

### 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.

##### 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, Part E - Information on risks and hedging policies, 2.2 Market risk.

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, 2.2 Market risk.

#### 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.

## Part E - Information on risks and hedging policies

The table below shows Trading book sensitivities.

(€ million)

	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	+10BP	+100BP
<b>Total</b>	-0.0	-0.0	0.0	0.5	-0.5	0.0	-0.0	-0.0	-0.1	10.4
<b>Rating</b>										
AAA	0.0	-0.0	0.0	0.2	-0.4	0.1	0.1	-0.1	-0.8	3.5
AA	-0.0	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	-0.2	-1.7	-16.2
A	-0.0	-0.0	-0.0	0.1	-0.0	-0.0	0.0	0.1	0.6	5.9
BBB	-0.0	-0.0	0.0	0.3	-0.0	-0.0	-0.0	0.2	2.1	20.1
BB	0.0	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.2	-1.5
B	0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	-1.1
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.3
<b>Sector</b>										
<b>Sovereigns &amp; Related</b>	-0.0	-0.0	-0.0	0.0	-0.4	0.1	-0.0	-0.4	-3.9	-26.5
<b>ABS and MBS</b>	0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	-0.0	-0.0	-0.1
<b>Financial Services</b>	-0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.0	-0.1	-0.3
<b>All Corporates</b>	0.0	0.0	-0.0	0.4	-0.0	0.0	0.0	0.4	3.9	37.3
Basic Materials	0.0	-0.0	-0.0	0.1	-0.0	0.0	0.0	0.0	0.5	4.7
Communications	0.0	0.0	-0.0	0.1	-0.0	0.0	0.0	0.1	0.8	8.2
Consumer Cyclical	0.0	-0.0	-0.0	0.1	-0.0	-0.0	0.0	0.0	0.4	4.3
Consumer Non cyclical	0.0	-0.0	-0.0	0.1	-0.0	0.0	0.0	0.1	0.9	8.8
Energy	0.0	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0	0.2	2.3
Technology	0.0	0.0	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.2
Industrial	0.0	0.0	-0.0	0.1	-0.0	-0.0	0.0	0.0	0.4	3.8
Utilities	0.0	0.0	-0.0	0.1	-0.0	0.0	-0.0	0.1	0.5	5.0
All other Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### 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 and the US to face a new severe wave of the pandemic. This will force governments to reintroduce restrictions to mobility and business activity. Despite a lower vaccination rate, we assume that the US will adopt less stringent measures than the eurozone countries, similarly to the previous waves. We also assume that some sort of herd immunity is only reached towards the end of the forecasting horizon.

Eurozone GDP would increase by 2.6% in 2022 (-1.7pp compared to baseline), followed by an expansion of only 0.4% in 2023 (-1.7pp) and 0.7% in 2024 (-1.0pp).

By the end of 2024, eurozone GDP would remain well below its pre-crisis trend line.

Disinflationary forces materialise, as demand weakness and a widening of the output gap prevail over supply-side disruption. Together with lower oil prices, this puts downward pressure on inflation.

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 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

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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 10% 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.

### *Pandemic Scenario + Sovereign Stress*

In this scenario, we assume that virus mutation will cause further pandemic waves. Immunity achieved through vaccines proves to be short-lived, and we assume a relatively high number of adverse reactions to booster doses. These two factors lead to “vaccination fatigue” and progressively reduce popular support for current vaccination strategies of governments. 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 resume asset purchases and TLTRO with generous conditions throughout the three-year horizon. Despite ongoing large-scale ECB intervention, the further build-up of public sector debt put pressure on spreads.

In this context, after contracting by 6.5% in 2020, eurozone GDP would expand by 1.2% in 2022 (-3.1pp compared to baseline), followed by a 1% contraction in 2023 (3.1pp) and stagnation in 2024 (-1.7pp). By the end of 2024, 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.

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 and on TLTRO.

An asset purchase program, along the lines of the PEPP, would be 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 would allow 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 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 25/40%. 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 20% 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 10%.

In both cases, FX moves would reflect the deterioration in risk appetite.

### *Severe inflation Scenario*

In this scenario, we assume that commodity-price shocks and disruption to supply chains lead to a longer-than-expected period of high inflation.

Inflation expectations react to the shock and become de-anchored while wage-growth picks up materially, contributing to keeping inflation well above target levels and triggering a forceful response by central banks. Tighter financial conditions create big downward pressure on economic activity and lead to wider credit spreads.

In the eurozone, GDP growth would slow to 1.7% in 2022 (-2.6pp compared to baseline), followed by a contraction of 0.8% in 2023 (-2.9pp) and meager expansion of only 0.4% in 2024 (-1.3pp).

By the end of 2024, GDP would be broadly in line with its pre-pandemic level.

Monetary policy responds forcefully to persistently high inflation and the de-anchoring of inflation expectations. The ECB stops net asset purchases in early-2022 and hikes the deposit rate to zero by end-2022, and the refi rate to 0.75% by end-2023.

TLTRO conditions are tightened measurably after June 2022 and banks repay the bulk of the liquidity obtained through this facility. The Fed hikes rates by a cumulative 200bp more than in the baseline. Tighter financial conditions create big downward pressure on economic activity.

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The estimated impact on the real estate market is positive for the residential sector, negative for commercial real estate. House prices would benefit as households seek real assets to avoid erosion of the purchasing power of the substantial savings they hold in bank accounts, at a time of severe turmoil in the equity market. Moreover, households are generally less indebted than firms, therefore they are less vulnerable to higher mortgage costs. Instead, prices of commercial real estate would suffer, reflecting a hit to corporate profitability caused by the recessionary environment and a higher cost of debt refinancing.

This scenario is particularly negative for BTPs, which suffer from higher ECB policy rates, no further Quantitative Easing and a recessionary environment. We expect a significant widening (210bp) as soon as the shock occurs, with a retracement afterwards. Credit will be adversely affected by higher inflation but the fact that the GDP will grow moderately, is a supportive factor for credit. As such the impact on spreads should be more moderate than in a scenario with negative growth. Equity markets are hit by the deterioration in growth with potential drawdowns of up to 40% once the shock occurs.

In FX, the EUR-USD would decline by 16% as soon as the shock materialises, reflecting deteriorating risk appetite as well as a wider rate policy rate differential between the US and the EA. Similarly, in this scenario we expect a strengthening by the JPY and the CHF to reflect the risk off mood.

### Stress Test on Trading book

(€ million)

	30 JUNE 2022		
	PANDEMIC SCENARIO	PANDEMIC SCENARIO + SOVEREIGN STRESS	PANDEMIC SCENARIO + SOVEREIGN STRESS
UniCredit group Total	-23	-63	-202
Germany	-40	-128	-153
Italy	27	78	-33
Central Europe	-6	-9	-9
Eastern Europe	-4	-4	-7

Conditional losses of Managerial Trading Book, as defined above, have been reported. Conditional losses are mainly coming from UCB AG and are driven by negative shocks on Equities, impacting Equity & Brokerage Trading and X-Asset Products business lines in Client Solutions perimeter, and positive shock on Interest Rate Volatility impacting Structured FI business line. In UniCredit S.p.A. conditional losses in Severe Inflation scenario are mainly driven by widening of Italian Government Credit Spread.

## 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 perform the main operations in safe conditions, 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.

## Part E - Information on risks and hedging policies

A particularly important role is played by the Parent Company, as a “supervisory and overarching liquidity reference bank” with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Parent Company has the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or Legal Entities.

In particular, the Parent Company functions are responsible for the following:

- outlining Group overall liquidity risk management strategies;
- developing liquidity risk metrics and methodologies;
- setting specific limits for liquidity risk exposures, in line with the Group risk appetite;
- optimising liquidity allocation amongst Legal Entities, in compliance to the local regulations and transferability limitation;
- coordinating access to financial markets for liquidity management;
- outlining the yearly Group funding and contingency funding plan, coordinating and monitoring their execution;
- assessing the adequacy of the liquidity reserves buffers at Legal Entity and Group level;
- coordinating the refinancing transactions with the ECB;
- defining, periodically reviewing the Group ILAAP and approving the Group ILAAP Report on yearly basis.

The Parent Company moreover, acts as the liquidity reference bank for the Italian perimeter.

### *The principle of “self-sufficiency”*

This organisational model allows self-sufficiency of the Group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Parent Company, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so-called “Large Exposure Regime”, applied throughout Europe, along with specific national laws like the “German Stock Corporation Act”, are examples of legal constraints to the free circulation of funds within a cross-border banking Group<sup>48</sup>.

As a general rule, the large exposure regime, which came into force on 31 December 2010, limits interbank exposures to a maximum of 25% of Eligible Capital: 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 Eligible Capital 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 Finance competence line, and the Group Treasury function (within the “Markets” Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d’Italia).

<sup>48</sup> Also, Banca d’Italia Rules, Circular 285, foresees that the Group should ensure the maintenance through the time of adequate reserves in each Legal Entity, in order to take into account possible regulatory constraints (First Part, Title IV, Chapter 6, Section III, paragraph 7).

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Specifically, the Risk Management function is responsible for the independent control of liquidity risk and of Balance sheet interest rate and FX risk at Group level and for the internal and regulatory stress testing. In detail:

- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independent internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the risk tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the risk appetite framework;
- assessing and monitoring liquidity risk exposure trends at Group and Country level and confronting them with the respective limits and triggers;
- verifying the correct implementation of the agreed mapping rules;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- developing and performing the liquidity stress test at Group level, analysing the outcome, delineating new scenarios to be taken into account and centralising the action plan relating to the stress test results; it is also responsible of periodically reviewing the liquidity stress test framework;
- monitoring the liquidity risk and producing regular risk reporting at Group level in alignment with Basel Committee's "Principles for effective risk data aggregation and risk reporting", setting common standards in terms of presentations and communications.
- performing internal validation activities at Group level on systems for measuring liquidity risks on related processes and data quality and IT components, as well as on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;
- developing and back-testing the behavioural models for the measurement of the liquidity risk;
- validating, controlling the implementation and releases independent assessments on the models to map the liquidity profile of Balance sheet items (i.e. deposit stickiness, prepayment, behavioural models, etc.).

Group Treasury acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group's Legal Entities, and applies the appropriate transfer prices to such fund's movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.

Group Finance 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 GFRC (Group Financial & Credit risks committee - ALCO session).

The Committee is responsible for approving strategies, policies and methodologies for Financial Risks and for the monitoring of risks related to Fund Transfer Pricing, across Liquidity Reference Banks, Business Functions and Legal Entities, with the aim to optimize the usage of financial resources (e.g., liquidity and capital) in coherence with Risk Appetite and Business Strategies. It is also responsible for the approval of the Financial Plan, Funding Plan, Ordinary Counterbalancing Capacity Plan and Contingency Funding Plan to be submitted to the Board by the CEO as well as for evaluating the impact of transactions significantly affecting the overall financial risk portfolio profile.

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



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factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions;

- intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions";
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution;
- contingency risk, or stress liquidity relates to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business;
- intragroup liquidity risk, that might generate from an excessive exposure or dependency towards/from specific Group counterparts;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems;
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

The exposure of the Group and its Legal Entities to any of these risks is measured by associating to any of them a metric or a set of metrics. Every Legal Entity of the Group is exposed to the above-mentioned risks at a different extent: a materiality analysis is performed in order to define the perimeter of the liquidity risk management and control.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators, among which: loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1 year maturity onwards.

### *Strategies and processes to manage the liquidity risk*

The Group's liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterised by the following fundamental principles:

- short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;
- structural liquidity risk management (structural risk), which considers the events that will impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimising the cost of funding;
- stress tests: Liquidity risk is a low probability, high impact event. Therefore, stress testing is an excellent tool to reveal potential vulnerabilities in the Balance sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination 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.



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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:

- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The counterbalancing capacity is considered at its “liquidity value” (i.e. the market value minus the applicable haircut).
- cumulative gap, which is the sum of the previous components;
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets).

The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the Group risk appetite framework, with a limit of 0 on the 3 months bucket.

The Group also adopts the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

### *Structural liquidity management*

The Group’s structural liquidity management aims at limiting refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, national markets, currencies of issuance and instruments used (realisation of the yearly funding plan).

The main metric used to measure the medium/long-term position has been the net stable funding ratio, as described by CRR2.

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 102.30% for 2022 means that stable liabilities have to fully cover the requirements of funding generated by the assets. In addition to the regulatory perspective offered by the net stable funding ratio, an internal metric, named structural liquidity ratio, has been introduced to strengthen the steering of structural liquidity risk from an economic point of view, i.e. taking into account the liquidity risk stemming from different Balance sheet items under the perspective of internal models.

Another key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding 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:

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- 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 2022 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%.

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 €7,189 million as at 30 June 2022.

### **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 monthly 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

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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 Finance 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 develops quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully.

A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.

The ability to act in time is essential to minimise the potentially disruptive consequences of a liquidity crisis.

The analysis of the stress tests will form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with the early warning Indicators the organisation may be able to reduce the negative liquidity effects in the initial stages of a crisis.

Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined. In order to be able to proceed timely, a set of mitigating actions have been pre-defined. Depending on the situation some of these actions can then be approved for execution.

The *Group contingency liquidity management* rules have 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 2022, 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).

## Part E - Information on risks and hedging policies

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 2022, the operative maturity ladder of the Group, measured considering the impediments in the transfer of liquidity among Legal Entities, was constantly above the Risk Appetite Trigger, defined at a level that ensures that the Group would have enough liquidity to survive to a period of stress.

Similarly, the Group liquidity coverage ratio (LCR) was always well above the trigger (set above the minimum regulatory requirement of 100%), confirming that its liquidity reserve was large enough to cover one month of stress designed according to the regulatory hypothesis.

While the operative maturity ladder and the LCR restrictions ensure that the liquidity reserves are adequate, the respect of the funding gap and other structural liquidity metrics restrictions ensure that the bank maintains an appropriate balance between assets and liabilities in the medium-long term (beyond one year), preventing additional pressure on the short-term liquidity position.

In the first half of 2022, the funding gap, the net stable funding ratio and the structural liquidity 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 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, the most relevant liquidity risks that the Group may face depending on the expected economic recovery 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 taken 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 the identification, the assessment and measurement, the addressing and mitigation, the monitoring and reporting of the operational risk of the Group and of the controlled entities.

The operational risk policies, applying to all Group 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.

## Part E - Information on risks and hedging policies

The Parent Company coordinates the Group Legal Entities according to the internal regulation and the Group operational risk control rulebook. A specific Risks Committee Group Non-Financial Risks and Controls Committee (GNFRC) is set up to monitor risk exposure, mitigating actions, measurement and control methods within the Group. With particular reference to UniCredit S.p.A. the Italy Non-Financial Risks and Controls Committee (INFRCC) supports the Head of Italy in the role of steering and monitoring of the Non-Financial Risks (NFRs) at Italy level, also overseeing the related internal control system (ICS). The methodologies for data classification and completeness verification, scenario analysis, risk indicators, monitoring and reporting, capital at risk measurement, Risk and Control Self Assessments and Operational Risks Mitigation Strategies are set by the Group Non-Financial Risks (GNFR) structure and applied by all Legal Entities. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, which is under the responsibility of the Group Internal Validation department of the Parent Company and is independent from the Group Non-Financial Risks structure.

Since March 2008 the UniCredit group applies the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main Legal Entities of the Group.

### Effects arising from Covid-19 pandemic

Referring to operational risks, analyses were carried out in order to identify risks arising from process changes adopted time by time to protect the health of employees and customers.

With reference to the operational risks identified, the effectiveness of the risk mitigation measures was then assessed also through a comparative analysis between different Group Legal Entities.

In addition, specific second-level controls were activated to oversee those areas that were subject to the most significant changes, the outcome of these checks did not highlight any significant criticality. 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 Non-Financial Risks and Controls Committee (GNFRC) supports the CEO in the role of steering and monitoring the Non-Financial Risks (NFRs) at Group level, also overseeing the related internal control system (ICS).

The GNFRC enables the coordination among the “three lines of defence” with the aim to identify and share Group priorities concerning Non-Financial Risks (e.g. events, regulations or emerging risks), assessing and monitoring the effectiveness of initiatives put in place in order to address them.

Without prejudice to the role reserved to the Board of Directors by the provisions in being at the time, the GNFRC, in order to support the CEO in implementing the strategic guidelines and the Group general Risk Management policies is responsible for:

- defining and approving policies, operational limits and methodologies for the measurement, management and control of Non-Financial Risks, as well as for the definition of the methodologies for the measurement, management, and control of Non-Financial Risks (Operational and reputational Risk) internal capital;
- promoting the annual managerial self-assessment processes and evaluating its results, in order to ensure a systematic approach to operational risk assessment and to the supervision of the Internal Control System;
- overseeing Group Non-Financial Risks profile, emerging threats as well as the internal control system robustness at Group level, through the monitoring of most relevant events and incidents, weaknesses and shortcomings, also addressing and prioritising, when needed, potential corrective actions;
- evaluating and providing guidelines for the management of risk relevant (e.g. reputational, security, data protection) single customer transactions or third party contracts, and for definition and implementation of business continuity plans.

With particular reference to the operational risk, GNFRC committee meets with approval, consulting and information functions for:

#### 1) Approve:

- general governance policies for the different types of NFRs;
- Group policies and methodologies for the measurement, management and control of the NFRs as well as for the measurement and control of the related internal capital;
- Group insurance strategies proposed by the competent functions.



## Part E - Information on risks and hedging policies

2) Consulting and information concerning:

- the main NFRs, for the industry and for the Group, and overall strategies for their optimisation;
- the relevant Group and local Legal Entities issues (also emerging by the activities carried out by local GNFR Committees) concerning NFR and ICS, evaluating weaknesses and shortcomings and, if needed, recommending and prioritising corrective actions, as well as monitoring main implementation plans milestones;
- external events having potential impact on Group NFRs profile, and best practices and/or lessons learned deriving from events, assessments and action plans defined by the Group Legal Entities;
- the periodical reporting provided by Risk Management on operational losses (with particular focus on events having relevant financial impacts), near misses, Risk Weighted Assets, Indicators and Scenario Analysis;
- the Compliance and Risk Management evidences on second level controls carried out, as well as on current and expected impacts of regulations monitored;
- the Group relevant risks/criticalities highlighted by Internal Audit function, for specific cases and in relation to specific areas or geographies;
- the strategic guidelines on Group Risk Appetite proposals including capitalisation targets and capital allocation criteria for Group Non-Financial Risks;
- the monitoring the information flows on the exercise of the powers sub-delegated by the CEO according to the current Delegation of Powers by the Board of Directors and on the new sub delegation granted;
- the Internal Validation annual Regulatory Report on operational risk.

In order to evaluate the strength or the potential criticalities related to the ICS, the GNFR evaluates the significant or critical elements emerging from reports produced by External Regulators (i.e. ECB, SSM, Bank of Italy, Consob, etc.), from other Group Functions with control duties or operating within the ICS (e.g. ICT, Security, Operations, Procurement and Cost Management) and External Auditors.

Group Non-Financial Risks structure (GNFR) is responsible for the governance and control of operational and reputational risks (including operational risks bordering on credit risk, alias Cross Credit risks) of the Group and for evaluating its exposure to operational and reputational risks, providing frameworks, methodologies and coordination of risk assessment activities and guaranteeing their continual and independent monitoring. The structure is furthermore responsible for defining strategies to mitigate such risks and containing the related losses and risk weighted assets. The structure is responsible for ensuring integrated analysis and reporting, involving and in alignment with the other control functions (i.e. Compliance, Audit) on the main operational and reputational risks of the Group. The structure is also responsible for the governance and control of ICT/Cyber Risks, through the definition of the framework for the management of ICT/Cyber risks, the coordination and monitoring of the Group Entities in its implementation, the measurement, assessment and control of ICT/Cyber risks for UniCredit S.p.A.

The structure is organised as follow:

- Operational Risks Analytics and Oversight is responsible to define principles and rules at Group level for identification, assessment, control and reporting of operational risk, monitoring their correct application by Legal Entities. The structure is also responsible for defining operational and reputational risk capital measurement methodologies, conducting analysis of the Group's exposure to operational risk also based on operational risks analytics models. The structure is furthermore responsible for the definition of Risk Appetite Framework/RAF metrics of competence as well as for the related periodical monitoring.
- Reputational & Operational Risks Strategies & Mitigation is responsible to define the priority operational risk strategic areas, coordinating and monitoring the definition and planning of related relevant risks mitigation actions by the Legal Entities of the Group. The structure defines and provides methodologies for the evaluation of operational risks and controls (i.e. Risk and Control Self-Assessments -RCSA) on processes, products and projects performed by the Legal Entities of the Group. The structure is also responsible to define the methodologies for assessing the reputational risk related to activities performed by the Group, providing reputational risk assessments for UC S.p.A. and Non-Binding opinions for the other Legal Entities of the Group.
- Operational Risk Processes Assessment is responsible to oversee the operational risks for the Holding and Global functions perimeter, supporting the identification, management and monitoring of operational risks, also through the coordination of specific risk assessment activities on processes, products and projects. The structure is also responsible for the governance, identification and monitoring of the operational related credit risk for the Group ("cross credit risk"), coordinating and supporting dedicated risk assessments on business and governance processes and the related communication within Group and Local committees.
- ICT & Cyber Risk is responsible to define and monitor the most relevant ICT and Cyber Risks areas within the Operational Risk Framework, in coherence with the Risk Appetite Framework and Group strategic objectives; the structure is also responsible to identify, evaluate and control ICT & Cyber risks, and to coordinate and monitor their correct management by the Group Legal Entities.

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 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 Non-Financial 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 evidence is the basis for the release of

## Part E - Information on risks and hedging policies

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 Parent Company 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 Parent Company 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. Operational loss reports, submitted to Group Non-Financial Risks and Controls Committee are periodically provided to Regulators.

### Risk addressing and mitigation

The goal of reducing and controlling the operational and reputational risks is pursued by GNFR and the local Non-Financial Risk (NFR) management functions, as well as by the other relevant and involved functions (e.g. business/support functions, competence lines), through the definition of the risk priorities and the identification of related actions to mitigate them.

The identification of the Group and Legal Entity Operational & Reputational Risk Mitigation Strategies (Group and Legal Entity ORRMS) is performed by GNFR and the local NFR management functions through a set of recurring yearly activities at Group and Legal Entities level to define the most appropriate mitigation actions in their scope in order to address and reduce the identified operational and reputational risk priorities. Group ORRMS are submitted for approval to the Group competent Committee and for acknowledgement to the Holding Company Board of Directors: once approved, the Group ORRMS become effective and shall be sent to the LEs to be submitted for acknowledgement to the Legal Entity competent Bodies.

The Group and local ORRMS are defined through:

- the definition of Group Operational and Reputational Risk Priorities, which are based upon an integrated analysis performed by GNFR and constitute the list of priority risk areas to be managed for the upcoming year;
- the Local Operational and Reputational Risk Priorities definition and the related Local ORRMS, set through the analysis of the relevance of each Priority supplied by GNFR, according to the provided methodology. Additionally, the local NFR management functions should identify and evaluate additional Priorities affecting their own Legal Entity, considered relevant on the basis of the local market trends, the business evidences of the previous year and the specificities of the Legal Entity, and address them through specific mitigation actions which represent the local ORRMS;
- the identification of Group ORRMS, which aim at assuring the mitigation of the operational and reputational risk priorities through the adoption of second level structured actions. The list of actions includes the measures, designed to reduce, prevent, avoid or transfer the risk exposure, thus avoiding a potential loss or decreasing its impact.

During the year, the status of the mitigation actions plan related to Group and Local ORRMS, is monitored on a regular basis, following a risk-based approach. In particular, the monitoring is performed through:

- the second Level Controls, aimed at verifying that the actions defined within ORRMS are effectively and timely carried out and in case of significant changes concerning the implementation timeline, mitigation action effectiveness or risk exposure, the local NFR management function must engage the main risk owner to implement an adequate recovery plan and timely informs GNFR;
- the oversight, during which GNFR checks the planned actions and discusses the potential criticalities detected during the monitoring phase of Local and Group ORRMS, with the goal of defining (if any) recovery actions and/or (if any) escalations to local or Group competent Risk Committees.

### Operational Risk Permanent WorkGroup (PWG)

The "Global Operational Regulation Group Operational & Reputational 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 NFR management function 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 status.

### Insurance as risk mitigation

GNFR/local NFR management function, respectively at Group/Local level, 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. Such functions regularly inform management on insurance related matters connected to operational risks. The role of GNFR and the local NFR management function in insurance management is defined in the "Global Operational Regulation Group Operational & Reputational Risk Mitigation Strategies".



## Part E - Information on risks and hedging policies

Any proposal of relevant change in the risk transfer strategy through insurance is submitted to the competent functions/Bodies for approval. The operational risks commonly insured in the Group are damages to physical assets, frauds and liability toward third parties.

On the basis of a risk classification, the Group has insurance policies according to the following forms:

- internal fraud: "Bankers Blanket Bond" (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's liability against claims for damages suffered by employees (compared to third-parties);
- third Party Liability policy (TPL): protection for the Bank's general liability against claims for damages suffered by third parties;
- external occurrences: Property ALL RISKS policy as well as EDP ALL RISKS policy are provided in respect of buildings and other assets, extended to natural events, catastrophic losses, vandalism and terrorism, Fine Art policy to cover entrusted or owned works of art.

AMA includes the effect of the BBB 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 term);
- 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.

### Non-Financial Risks Appetite (NFRs Appetite)

Non-Financial Risks Appetite metrics (Key Performance Indicators - KPIs) are reviewed annually and quarterly monitored; KPIs are cascaded to Legal Entities (in line with the perimeter defined by Group Risk Appetite Framework - RAF).

ELOR (Expected Losses on Revenues) is an overarching NFRs metrics within Risk Appetite framework; in addition, Cyber Risk, ICT Risk, Financial Crime, Outsourcing & Third Parties Risks and Reputational Risk are monitored through dedicated KPIs and/or qualitative statements covering the main identified risk factors.

ELOR is a ratio estimated 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 using the actual losses on actual revenues booked until end of quarters. 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

Since 2017, the Group has carried out regular stress analyses for operational risks. These include the stress test exercise for the Group, aimed at verifying, through the use of a statistical-econometric model, the impact in terms of operating losses, as well as the consequent repercussions on capital at risk, of the changes in the underlying macro-economic factors, using articulated economic scenarios discussed and defined by the Group Stress Test Council on the proposal of the Research Department. This exercise is carried out twice a year, or on request, whenever an analysis of this type is required, to assess the risks deriving from possible worsening of the macro-economic context.

### Risk capital measurement and allocation mechanism

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 Riskdata eXchange Association), scenario loss data and risk indicators. Capital requirement is

## Part E - Information on risks and hedging policies

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 distributions (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 through 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.

The allocation mechanism is based on two steps:

- the Group capital requirement is allocated to model Hubs (sets of similar Legal Entities, in terms of geographical area or business type) 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 2022, the parent company UniCredit S.p.A. and other UniCredit group companies were named as defendants in 60,779 legal proceedings, of which 8,189 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.

## Part E - Information on risks and hedging policies

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 2022, UniCredit group set aside a provision for risks and charges of €575.8 million, of which €294.7 million for the parent company UniCredit S.p.A.

As at 30 June 2022, the total amount of claimed damages relating to judicial proceedings other than labour, tax and debt collections proceedings amounted to approximately €8.1 billion, of which approximately €5.1 billion for the proceedings involving the parent company UniCredit S.p.A. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which UniCredit group companies are named as defendants.

The estimate for reasonably possible liabilities and the provisions are based upon the available information, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. Therefore, any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.

Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving UniCredit group which are not considered groundless or in the ordinary course of the Group companies' business.

This section also describes pending proceedings against the parent company UniCredit S.p.A. and/or other UniCredit group companies and/or employees (even former employees) that the parent company UniCredit S.p.A. considers relevant and which, at present, are not characterized 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 2022, there were several pending civil proceedings against UniCredit Bank Austria AG ("UCB Austria") for the total claimed damages amount of €4.8 million. While a large majority of the judgments have been favourable to UCB Austria, the impact of the remaining cases cannot be predicted with certainty, as the related future rulings may be adverse to UCB Austria, that has made adequate provisions related to the Madoff's matter.

### 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. On 22 June 2022, the competent court in Munich rejected all applications for a higher compensation than that which the parent company UniCredit S.p.A. paid to the former minority shareholders of UCB AG hence dismissing all claims. Certain claimants have filed appeals.

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### ***Squeeze-out of UniCredit Bank Austria AG's minority shareholders (Appraisal Proceeding)***

In 2008, approximately 70 former minority shareholders of UCB Austria commenced proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them, equal to €129.4 per share, was inadequate, and asking the court to review the adequacy of the amount paid (Appraisal Proceeding). At present the proceeding is pending in the first instance. In parallel, five contentious proceedings in which plaintiffs claim damages have been initiated, involving however only insignificant amounts in dispute.

### **Arbitration submitted by Fino 1 Securitization S.r.l.**

On 21 July 2022, the parent company UniCredit S.p.A. and the vehicle Arena NPL One S.r.l. (the "Sellers") received a request for arbitration submitted by the securitization vehicle Fino 1 Securitization S.r.l. ("Fino 1") to the International Chamber of Commerce ("ICC") (the "Request"), by which Fino 1 requests damages to the Sellers in relation to the alleged violation of certain representation and warranties included in a 2017 transfer agreement. The proceedings are ongoing.

### **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 parent company UniCredit S.p.A. and UCB AG contest the European Commission's findings and brought an action for the annulment of its decision before the General Court of the European Union on 30 July 2021.

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. On 14 March 2022, the court granted UC Capital Markets LLC motion to dismiss while denying UCB AG's motion to dismiss. The court has since denied UCB AG's motion for reconsideration, and UCB AG has answered the operative complaint.

### **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 2022 (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 €1.03 billion, 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 €366 million, mediations included) and the German market (for which the claimed amount against UCB AG was €31 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CE&EE countries (for which the claimed amount was around €174 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

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developments resulted in litigation against subsidiaries of the parent company UniCredit S.p.A. in a number of CE&EE 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 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 this respect, in May 2022, the ECJ rendered a preliminary ruling regarding the pending request and stated that i) the ECJ has jurisdiction only in respect to the conversion agreement concluded after Croatia's accession to the EU, ii) the above mentioned Directive on unfair terms is not applicable in cases in which the conversion was based on national law; and iii) any request for payment of amounts addressed to Zaba referring to the unfair contractual terms of the original loan agreement cannot be based on the provisions of the above-mentioned Directive. The ECJ also referred to the local courts to finally decide on the conversion agreements and their effects. 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 was denied in April 2022. All remaining appellate deadlines have subsequently expired and the litigation is now concluded. The parties are now taking the final steps to implement the settlement during July and August 2022. Once that happens, 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 sought 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 subsequently 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



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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. The two proceedings still pending were consolidated and in September 2021 the Court of Appeal of Bari reversed the judgment in the case commenced by Divania in 2007 – ordering the latter to return the sum awarded by the first-instance Court plus costs (for a total of €9.3 million) to the parent company UniCredit S.p.A. – and confirmed the judgment in the case commenced in 2009 by Divania (which had ordered the parent company UniCredit S.p.A. to pay an amount of €13.3 million). The judgment of the Court of Appeal became final.

### 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 (settled in May 2021). 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 (settled in July 2018) and €170 million (reduced to €0.7 million and then settled in June 2022), 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. A decision is awaited.

### 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. The Court ruled in favour of the parent company UniCredit S.p.A. The appeal filed by the other party is pending.

### Mazza

In 2005 the parent company UniCredit S.p.A. filed a criminal complaint against a Notary, Mr. Mazza, representatives of certain companies and disloyal employees of the parent company UniCredit S.p.A. in relation to unlawful lending transactions in favour of certain clients for approximately €84 million. The criminal court of first instance acquitted the defendants.

The Court of Appeal of Rome reversed this decision and found all the defendants guilty. Following a further appeal, while stating that some accusations were time-barred, the Supreme Court confirmed the decisions of the Court of Appeal in respect of the damages sought by the Bank. In May 2022, the insurance company indemnified the parent company UniCredit S.p.A. under the applicable policy, paying an amount of €33.5 million in relation to the losses suffered 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 the judgment is now final; (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. The plaintiffs have appealed and reduced the claimed amount to €100 million.

### So.De.Co. - Nuova Compagnia di Partecipazioni S.p.A.

As part of a restructuring, in 2014, Ludoil Energy S.r.l. (“Ludoil”) acquired the “oil” business from Nuova Compagnia di Partecipazione S.p.A. (“NCP”). In March 2016, So.De.Co., a wholly owned subsidiary of Ludoil, filed a lawsuit in the Court of Rome against its former directors, NCP, the parent company UniCredit S.p.A. (in its capacity as holding company of NCP) and the external auditors (PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A.) claiming damages of approximately €94 million for allegedly failing to provision properly for supposed environmental risks and thereby causing the inflation of the sale price paid by Ludoil. In November 2019, the Court rejected So.De.Co.'s claims in their entirety and ordered it to pay costs in favour of the defendants. So.De.Co. appealed the judgment and reduced its claim to approximately €17 million. In June 2022, the Court of Appeal confirmed the first-instance decision. In November 2017, So.De.Co. filed a separate lawsuit against NCP and its former directors. The defendants won the case in first and second instance and the plaintiff may now appeal to the Supreme Court. 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

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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.

### 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.

In this context, criminal investigations have been conducted against current or former employees of UCB AG and UCB AG itself as an ancillary party by the Prosecutors in Frankfurt am Main, Cologne and Munich. With respect to UCB AG, all proceedings originally initiated by the aforesaid prosecution offices were finally closed with payment of a fine or the payment of a forfeiture.

In December 2018, in connection with an ongoing investigation against other financial institutions and former bank employees, the Cologne prosecutor informed UCB AG of the initiation of a new investigation in connection with an administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). In April 2019, these investigations were extended to so called Ex/Ex-transactions, in which an involvement of the bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are being examined internally. UCB AG is cooperating with the Authorities.

On 28 July 2021 the Federal Criminal Court (BGH) rendered a decision through which the principle criminal liability of cum/ex structures had been determined the first time. With its decision of 6 April 2022, the BGH confirmed a criminal judgment in another cum-ex case of the Municipal Court of Bonn, thus solidifying its case law. UCB AG is monitoring the development.

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 transactions in equities around the dividend record date (so called cum/cum transactions). 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 cum/cum transactions. 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. In this context, UCB AG is considering the latest view of the German Tax Authorities. UCB AG is also monitoring the current development following an important decision of the Federal Tax Court (BFH) dated 29 September 2021, through which the BFH acknowledged the transfer of economic ownership in case of a stock loan transaction contrary to a previous decision. UCB AG has made provisions.

#### Claims in relation to a syndicated loan

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 before the District of New York court 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.

#### VIP 4 Medienfonds

Various investors in Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG to whom UCB AG issued loans to finance their participation, brought legal proceedings against UCB AG. In the context of the conclusion of the loan agreements, the plaintiffs claim that the Bank provided inadequate disclosure about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of UCB AG's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz) which is pending at Munich Higher Regional Court, will affect only a few pending cases.

#### Alpine Holding GmbH

Legal proceedings against UCB Austria arose from bondholders' claims commenced in June/July 2013. The claims stemmed from the insolvency of Alpine Holding GmbH, as UCB Austria acted as joint lead manager, together with another bank, for the undertaking of Alpine Holding GmbH bond issues in 2010 and 2011. Bondholders' claims are mainly referred to prospectus liability of the joint lead manager, whereas a minority of the cases is based on mis-selling due to allegedly unlawful investment advice. The damage claims amount to €20.21 million. These proceedings are mainly pending in the first instance and may be adverse to UCB Austria.

Most recently, the expert appointed by the Court in the majority of the civil proceedings has issued a report largely in favour of UCB Austria and the other issuing banks. Investors have a different reading of the report and have requested that the expert answers supplementary questions, 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.



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In addition to the ongoing proceedings against UCB Austria stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UCB Austria. Despite the favourable expert opinion mentioned above, 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. UCB Austria (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 based on the fact that it was banker to one of the defendants. The total claimed amount is equal to €129.86 million (plus costs €4.39 million). Furthermore, in 2006, before the action was extended to UCB Austria, the civil proceedings were suspended following the opening of criminal proceedings by the French State that are underway. In December 2008, the civil proceedings were also suspended against UCB Austria. UCB Austria has been informed by the Paris Commercial Court that the case was removed from the Court's register on 17 June 2021, at Valauret's request. Valauret's claim is likely time-barred.

### **Bitminer Litigation in the Republic of Srpska, Bosnia and Herzegovina**

In 2019, a local customer, Bitminer Factory d.o.o. Gradiška ("Bitminer"), filed a lawsuit before the District Commercial Court in Banja Luka claiming damages for unjustified termination of its current bank accounts by UniCredit Bank a.d. Banja Luka ("UCBL"), a subsidiary of the parent company UniCredit S.p.A. in Bosnia and Herzegovina, Republic of Srpska. Bitminer alleged that termination of the accounts obstructed its initial coin offering (ICO) relating to a start-up renewable-energy-powered cryptocurrency mining project in Bosnia and Herzegovina.

On 30 December 2021, the first instance court adopted most of Bitminer's claims and ordered UCBL to pay damages in the amount of BAM 256,326,152 (approx. €131.2million). The appeal was filed in January 2022. The first instance court decision is not final, binding and enforceable. The ultimate liability of UCBL, if any, will be determined only after all ordinary legal remedies have been exhausted, and in any case not before the final and binding decision of the appellate court.

### *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 2022 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*

It should be noted that the increase of new cases coincides to passive events that are not relevant, both in terms of value and in principle, compared with the cases ordinarily described in the Report.

#### *Updates on pending disputes and tax audits*

The dispute started by UniCredit S.p.A. as Palmaria S.c.r.l. assignee against the silent-reject Tax Authority Agrigento for tax credit from 770 model year 1992 of Cassa Rurale di Palma di Montechiaro - total value €0.68 million for capital: the Supreme Court with definitive decision dated 31 January 2022 accepted the appeal by Avvocatura dello Stato providing the referral of the dispute at the second-degree Tax Court; UniCredit will continue the proceeding in terms of law.

The dispute started by the bank following the denial of refund for TARSU fiscal year 2008 of former Banco di Sicilia, total value €0.67 million: on 27 January 2022 the second-degree Tax Court Sicilia filed the decision recognizing the right to the refund. The terms of law for appealing the sentence by Tax Authority at the Supreme Court are ongoing; UniCredit will continue the proceeding in terms of law.

The appeal for compliance with the order of the Supreme Court filed on 15 June 2021 which recognized the bank's right to refund of the registration fee unduly paid, value €1.7 million: the bank enrolled the dispute before the second-degree Tax Court Sicilia on 10 March 2022.

The dispute started by the bank against tax notice for "ricchezza mobile" tax fiscal years 1970-1973, total value €1.8 million: it was discussed in the Supreme Court on 9 March 2022; UniCredit is waiting for the issue of judgement.

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The dispute relating to payment tax orders, notified on 26 January 2021 for COSAP (Canone per Occupazione di Suolo Pubblico - fee for the occupation of public ground), value €0.12 million: in relation to one of the three positions, the hearing for the examination was held on 17 May 2022 of the preliminary requests (the hearing for the closing argument requests was set for 18 April 2023).

The dispute started by the bank following a tax notice for incorrect application of registration fee, value €0.07 million: it was discussed on 10 June 2022; UniCredit is waiting for the issue of judgement.

The dispute started by the bank following the partial denial of the IRES refund related to fiscal years 2007, 2008 and 2009, value €1.9 million: the bank on 16 May 2022 filed an appeal against the unfavorable decision of the first-degree Tax Court Milano.

The dispute started by former Cassa di Risparmio di Torino (now UniCredit S.p.A.) against the silent -reject of a refund request for ILOR credit fiscal year 1984, total value €1.6 million: the bank has decided to reassume the judgment before the second-degree Tax Court Piemonte; the dispute will be filed by the end of July.

Related to defined litigations the following is reported:

- passive dispute: relating to registration fee on judicial documents, total value €1.2 million: the Supreme Court, with a statement filed on 31 March 2022, definitively rejected the appeal of Avvocatura dello Stato. The bank will also proceed to recover the legal fees settled in its favor;
- active dispute: introduced by the former Cassa di Risparmio di Torino (now UniCredit S.p.A.) against the silent denial formed on refund request for IRPEG credit fiscal year 1984, value €1.85 million (capital share). The Supreme Court, with a definitive judgement filed on 23 May 2022, stated the refund's right for the bank;
- passive dispute: introduced against the tax notice for register fee of judicial documents, value €0.28 million. The second -degree Tax Court Lazio with a definitive judgment on 2 June 2022, annulled the tax notice, confirming the first-grade Tax Court decision. The bank will send a request refund for the fee already paid.

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:

- Cassa di Risparmio Reggio Emilia's credit: the pending dispute only concerns the refund of a share of interest totaling €0.31 million: the bank is about to submitting a new refund request claim to the Tax Authorities; if this new request will be denied, the denial will be challenged before the Tax Court;
- Cassa di Risparmio Reggio Emilia's credit: refund totaling €1.89 million for IRPEG 1989 and related interest, totaling €1.81 million: on 26 April 2022 the bank notified to Avvocatura dello Stato his defending appeal with conditional request;
- Bonifiche Siele Finanziaria S.p.A.'s credit: refund of €0.47 million for IRPEG 1992 and related interest of €0.38 million: the case is pending in second-degree Tax Court Lazio; the appeal was set by BFF;
- Romaleasing S.p.A.'s credit: refund of €0.17 million (and interest €0.16 million) for ILOR fiscal year 1991 and €0.23 million (and interest of €0.18 million) for the IRPEG fiscal year 1993: the case is pending before the second-degree Tax Court Lazio; the appeal was set by BFF;
- Banca Mediterranea S.p.A.'s credit: IRPEG refund for fiscal years 1994-1997 and ILOR for fiscal year 1996, value €31 million for tax and interest: the hearing has been further postponed to 24 June 2022. UniCredit is waiting for the issue of judgement;
- Banca di Roma S.p.A.'s credit: refund IRPEG fiscal year 1997: total value €43.45 million (€28.69 million for tax capita and €14.76 million for interest): the case is pending in front of the second-degree Tax Court; the appeal was set by UniCredit S.p.A. in September 2020. The court hearing has not yet been set.

Concerning the Tax Audit involving UniCredit Leasing S.p.A. for VAT fiscal years 2014-2017 reported in the Financial Statements of the previous year, with reference to the 2017 tax period, Guardia di Finanza has concluded the verification activity for both IRES and VAT purposes and in 7 April 2022, it notified the report of findings:

- for IRES purposes, the outcome of the verification is regular;
- for VAT purpose some limited irregularities have been found, for which the good faith of the company has been acknowledged, that led to an assessment on recognition of provisions for risks and charges.

### *Tax proceedings in Germany*

No updates on disputes relating to UniCredit Bank Ag.

It is briefly recalled that following the tax audit for the fiscal years 2009-2012, some findings were made to the bank for which, at the moment, the pre-litigation administrative phase is ongoing.

In summary, recalling the findings and the higher taxes paid: (i) cum/ex transactions €14.8 million (ii) devaluation of mutual investment fund shares €7.4 million (iii) pro-rata VAT €15 million.

No update on the pre-litigation of UniCredit Services ScpA relating to the fiscal years 2009-2012, concerning the mark-up applied to the IT services provided to UniCredit Bank Ag. (tax paid equal to €2.4 million).

### *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

## Part E - Information on risks and hedging policies

evaluation stages of adequacy of potential "customer care" actions or other initiatives designed to compose particular situations in which UniCredit S.p.A. might be involved in order to define them.

Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at banking system level.

Concerning the financing of consumer credit, the EU Directive 2008/48 establishes that "the consumer shall be entitled at any time to discharge fully or partially his obligations under a credit agreement. In such cases, he shall be entitled to a reduction in the total cost of credit, such reduction consisting of the interest and the costs for the remaining duration of the contract".

Following the decision of the European Court of Justice in September 2019 (judgment C-383/18 referring to the "Lexitor" case) and the communication of the Banca d'Italia issued in December 2020, UniCredit S.p.A. proceeded to adapt to the most recent interpretation of this legislation. On 22 July 2021, Law 23/07/2021, No.106 of conversion into law, with amendments, of the decree-law of 25 May 2021, No.73 (so-called Decreto Sostegni - bis), which provided that, in the event of early repayment of a loan stipulated before 25 July 2021, only the recurring costs were to be reimbursed, but not the up front costs.

With the Order of the Court of Turin of 2 November 2021, the question of the constitutionality of the provision in question was raised as there was the doubt that a Member State had the power to modulate the effectiveness of a directive or a judgment of the Court of EU justice which interprets a directive.

Finally, by letter dated 1 December 2021, the Bank of Italy informed that, in carrying out its supervisory activity, it would consider the new law provision applicable, which does not provide for the retrocession of up-front costs.

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.

### *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.

During 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 Bank of Italy 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 2022, UniCredit S.p.A. received reimbursement requests for a total amount of about €412 million (cost originally incurred by the clients) from No.12,335 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 (€412 million), reimbursed No.11,713 customers for about €400 million (equivalent value of original purchases), equal to about 97% of the reimbursement requests said above.

## Part E - Information on risks and hedging policies

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 €54 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 article 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 article 415-bis of the Italian Code of criminal procedure. The notice confirmed the involvement of certain current and former employees for the offence of aggravated fraud and self-laundering. With regard to the latter, self-laundering serves as a predicate crime for the administrative liability of the Bank under Legislative Decree No.231/2001.

In September 2020, a new notice pursuant to article 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. The case was transferred to the Prosecution Office of Trieste following jurisdiction challenges made by the suspected individuals. The case, which had reached the preliminary hearing phase, is back at the investigations stage. The interim seizure of €33 million ordered in February 2019 has been lifted.

### 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 87.01%, TSA 9.64%, BIA 3.35%.

The AMA perimeter embeds Group main legal entities in Italy, Germany, Austria, as well as UniCredit Services. AMA is also applied to main legal entities of CEE countries including Slovenia, Czech Republic, Slovakia, Romania, Croatia, Bulgaria and Hungary.

Main TSA and BIA legal entities are AO UniCredit Bank (Russia) and UniCredit Factoring S.p.A.

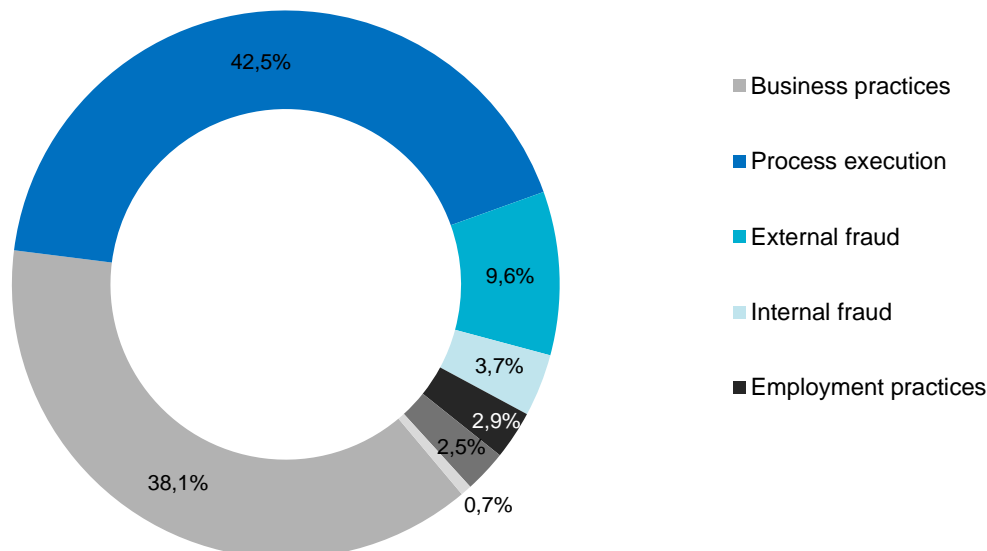
Detailed below is the percentage composition at Group Level, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2013 (Circular No.285/2013 and following 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.

## Part E - Information on risks and hedging policies

Operational losses First Half 2022 divided by risk category



In the first half of 2022, the main source of operational risk (for this purpose, the positive effects due to (i) the release of provisions set aside in previous year in relation to UCB AG minority shareholders squeeze-out proceeding, (ii) the insurance recovery related to an internal fraud case occurred in 2005, have not been considered) was “errors in process management execution and delivery” due to operational or process management shortfalls.

The second largest contribution is the category is “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.

There were also, in decreasing order, losses stemming from “external fraud”, “internal fraud”, “employment practices”, “damage to physical assets” and “business disruption and technology system failures”.

Information on Operational risk are reported in “Consolidated First Half Financial Report as at 30 June 22”, 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”.

### 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.

## Part E - Information on risks and hedging policies

### 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 treated relying on the Market Risk Internal Model infrastructure. The unlisted component is evaluated into the Group Credit Portfolio Model (GCPM). The calculation of the risk is based on a Value at Risk (VaR) model calculated at 99.90% confidence level 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. Economic 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 Economic 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 Economic 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 Economic 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 Integrated Risks of UniCredit S.p.A. is responsible for the Group Economic methodology development and its 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 local approval and implementation.

#### 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.



## Part E - Information on risks and hedging policies

The Group Senior Management is involved in the Group-wide stress test in the following phases:

- macro-economic stressed scenarios approval used to estimate the impacts on regulatory and economic capital;
- after the exercise is finalised, with the approval of the results and impacts and a potential discussion of actions to return into the predetermined limits of capital.

The adequacy of the risk measurement methodologies supporting the ICAAP, including stress testing and risk aggregation, is checked by internal validation functions.

### **Reputational risk**

Reputational risk is defined as the current or prospective risk to earnings or capital decrease 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, such as civil society, NGOs, media, etc.), 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. On top of the Global Policy and Process Regulation, a set of sensible sectors policies has been issued during the years, in order to mitigate specific reputational risks that arise from having relationships with counterparties operating in these sectors. The current policies are "Defense/Weapons Industry", "Nuclear Energy", "Mining", "Water Infrastructure (dam)", "Thermal Coal" and "Oil & Gas". In 2021, it has been completed the update of the "Thermal Coal" policy, which provides the exit from the coal industry in all markets by 2028. Also, it has been reviewed the approach of the "Oil & Gas" policy, by defining the Customers classification based on the revenues from oil & gas activities and by enlarging the forbidden financial supports for specific oil & gas activities. Also, in first half 2022 a new Tobacco Commitment with the guidelines to exit the tobacco industry by the end of 2025 has been issued.

The reputational risk management is in charge to the Group Non-Financial Risks Department of UniCredit S.p.A. and to dedicated functions within the Group legal entities.

In 2021, within the review of the Group Committees, the Group Non-Financial Risks and Controls Committee (GNFRC) - Reputational Risk dedicated session has been established.

The Committee meets with approval functions, according to the regulations in place, for the following topics:

- Governance policies and guidelines for the management of the reputational risk on sensitive sectors and customer relationships;
- Binding Opinions, whenever a relevant reputational risk is present on specific single transactions/relationships - as foreseen by the Internal Regulations - to be provided to UniCredit S.p.A. functions;
- Non-Binding Opinions, whenever a relevant reputational risk is present on specific single transactions/relationships - as foreseen by the Internal Regulations - on cases submitted by Local NFRC, to be provided to other Group Legal Entities.

The Committee meets with consulting and information functions for the following topics, evaluating and providing guidelines with reference to:

- Reputational risk relevant emerging trends or material events, for their implications on Group and Local strategies, initiatives, transactions, projects, customers or other business activities, leveraging on evidences and assessments provided by Risk Management, Compliance, Legal, Group ESG Strategy & Impact Banking, Group Institutional Affairs and Group Identity and Communication;
- Group relevant risks/criticalities highlighted by Internal Audit function, for specific cases and in relation to specific areas or geographies;
- Periodical reporting provided by Group competent structures on the business activities and decisions taken in relation to the defined sensitive sectors.

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.



## Part E - Information on risks and hedging policies

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 prevented negative impacts on the Group reputation. The monitoring of the operational events connected to Covid-19 pandemic, aimed at promptly detect process criticalities or improper behaviors, allowed also to mitigate related potential reputational risks.

### **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 2022:

1. Covid-19 pandemic evolution impacts;
2. Russia-Ukraine conflict;
3. Macroeconomic and (geo-)political challenges;
4. Climate and environmental risks;
5. Cyber security risks;
6. Risks stemming from the current Regulatory developments.

### **1. The Covid-19 pandemic evolution impacts**

The economic recovery, after starting to gain momentum in light of the progress of vaccination campaigns started to come throughout 2021, is showing a slowdown during 2022. Gradual lifting/lightening of the restriction measures favored business activities as well as international mobility. Uneven access to vaccines across different parts of the world still represents an important point of attention. Another one is represented by the risk of new variants of the virus that could be more contagious and more vaccine-resistant, as observed in the end of 2021 and in the first half of 2022 with new spikes of Covid-19 cases around the world due to the Omicron variant.

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, however inflation may have impact on disposable income.

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, the monetary policy will be less accommodative in the medium-term perspective, maintaining flexibility also in view of the current uncertainty regarding inflation pressure. At the same time, the institutions are preparing for the phase out of central bank facilities.

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. stress testing).

## Part E - Information on risks and hedging policies

### 2. Russia-Ukraine conflict

One of the most relevant risks emerged during 2022 regards the materialization of the Russia-Ukraine conflict, which was reflected in the imposition of severe sanctions to Russia by the United States and Western countries.

The latter had negative consequences on inflation, market volatility, energy cost, particularly relevant for European countries.

In addition the following effects have to be considered: 1) threats to food security of the Middle East, North Africa, and Western and Central Asia; 2) energy policy rotation towards secure access and source diversification; 3) intensification of race for critical materials, equipment, and commodities; 4) financial system effects; 5) Cyber risk increase; 6) massive humanitarian crisis linked to the significant migratory flow from Ukraine.

Therefore high level of the uncertainty about the evolution and outcome of the conflict persists with potentially larger scale of humanitarian, political and economic impacts hindering global post-pandemic recovery.

The war in Ukraine has severely affected the global food production system. Russia and Ukraine produce roughly a third of the world's ammonia and potassium exports, essential ingredients in fertilizer and supply grain and sunflower seed oil to much of the world. After the beginning of the conflict prices for fertilizers and several food commodities have increased significantly.

According to UN's latest estimates a large part of the autumn 2022 harvest (about 40%) in Ukraine is at risk.

Over the years, Europe has come to depend heavily on Russian energy sources: coal, crude oil, fuel oil, and, especially, natural gas.

European countries are taking urgent action to lower their demand in the short term (end of 2022/early 2023), increasing gas supplies from countries other than Russia, importing more liquefied natural gas (LNG) and generating more biofuel.

The beginning of the war hastened further price rises of various commodities exported by Russia and Ukraine (for example coal, steel, nickel).

The war is aggravating financial system risks that first showed up in 2021. For additional information about the update of macro-economic scenarios and its effects on valuation of Group's asset please refer to Part A – Section 2 - General preparation criteria.

Cyber attacks remain an important risk factor. Since the beginning of the war, Ukrainian power systems and telecom networks have been taken offline for several hours and other Ukrainian government organization have been hacked. Moreover, public websites of several Russian government ministries have been attacked. Depending on the evolution of the conflict, cyber threat is expected to continue.

The war has displaced the most refugees in Europe since the World War II. To date about 6 million refugees have fled Ukraine and about 8 million have left home.

### 3. Macroeconomic and (geo-)political challenges

After the substantial immediate impact of the Covid-19 crisis holding back the global economy throughout the whole 2020, during 2021 signs of faster economic growth emerged with unemployment rates going down as businesses getting back on track, the growing stock markets in 2021 were characterized by high volatility in the first half of 2022. However, these signs have to be considered together with some key potential drawbacks linked to: 1) the above mentioned issue with uneven vaccination progress around the globe is crucial for determining how stable and fast will be the economic recovery; 2) imbalances between supply and demand starting from 2021 (e.g. also sharply rise in cross-continental shipping costs), higher inflation, increasing in the first half of the year 3) impact of withdrawal of state and monetary policy stimulus in particular in case of swift tightening measures; 4) the developments in the Russia - Ukraine conflict as reported above.

In addition to those factors, the following global trends and challenges on the geopolitical arena continue to be considered relevant.

The United States government was focused on supporting its economy throughout 2021 amid the pandemic and markets volatility, particularly marked in the first half of the year. As far as US foreign policy concerns, it highlighted re-engaging with global institutions and working on reinforcing relations with its key allies, positioning itself as one of the central players in addressing global crises. One of the key events of 2022 will be the mid-term elections and their effects on American politics in the following years.

Moreover, the US-China tensions remain under watch, in addition to the ones between China and his neighbours, including Taiwan, South Korea, Japan and Vietnam. The US negotiations to rejoin the Iran nuclear deal have been broken with attention needed on the tensions between Iran, Israel, and Saudi Arabia around the subject.

## Part E - Information on risks and hedging policies

### 4. The climate-related and environmental risks

#### Group ESG Strategy

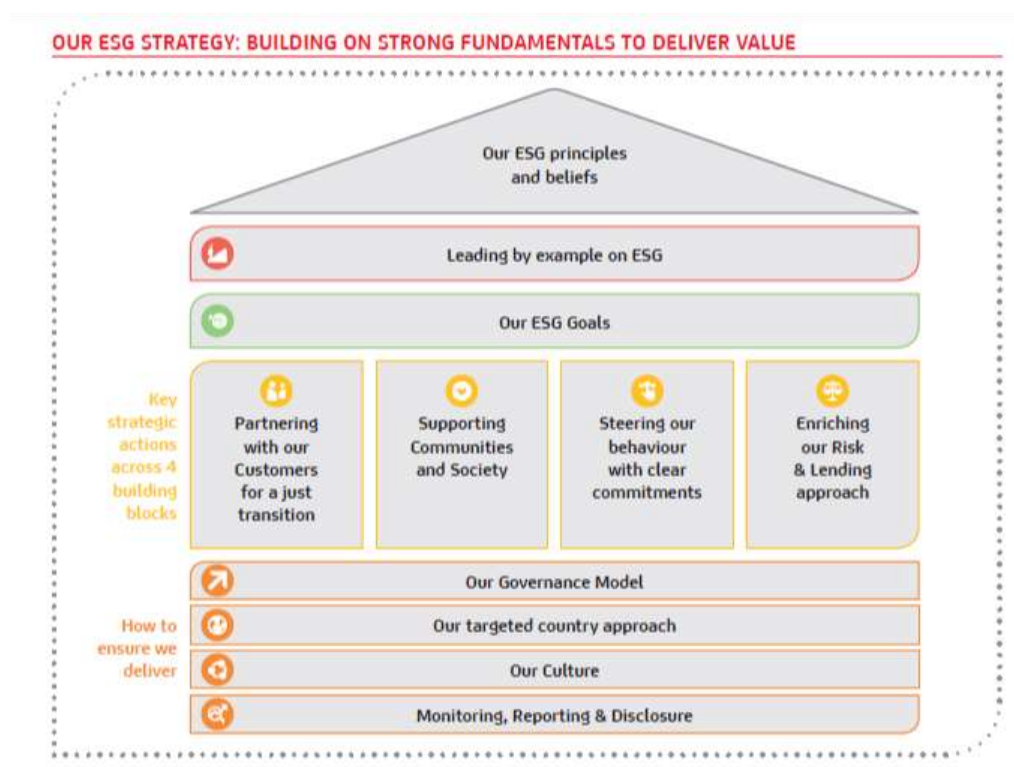
In 2020 we embarked on a journey to further integrate all ESG factors in the Group strategy, core business and processes, looking at both risks and market opportunities and with a clear multi-stakeholder approach.

The last step of this journey consisted in the definition of a new Group ESG strategy: embedding sustainability in all that we do is one of the five strategic imperatives of 2022-2024 Strategic Plan approved on 9 December 2021, UniCredit Unlocked.

Group ESG strategy is built around four fundamentals:

- leading by example, striving for the same high standards that the Group seeks from those it does business with;
- setting ambitious ESG goals to support its customers' need for change;
- equipping the Group with tools to assist customers and communities in navigating the environmental and social transition, through strategic actions across the relevant building blocks of the Group;
- embracing and investing the resources needed to deliver and reach medium and long-term commitments (Net Zero, same salary for same role, Financial Health and Inclusion) to enable a more equal and sustainable society.

The ESG Strategy was built around Group's principles and beliefs across the Environmental, Social and Governance dimensions, based on clear business goals and key strategic actions across four building blocks, ensuring deliverables through transparent enablers.



In line with its strategy in October 2021 UniCredit joined the NZBA<sup>49</sup>, aiming at aligning its lending and investment portfolios with net-zero emissions by 2050 or sooner, in line with the most ambitious targets set by the Paris Climate Agreement. Alliance members commit to:

- set scenario-based interim targets for 2030 or sooner for priority sectors;
- prioritise areas of most significant impact, i.e. the most greenhouse gas-intensive and emitting sectors;
- annually publish emissions and emissions intensity;
- take into account the best available scientific knowledge;
- set first target(s) within 18 months of signing and report annually thereafter;
- disclose progress against a board-level reviewed transition strategy.

<sup>49</sup> The Net-Zero Banking Alliance (NZBA) is convened by the United Nations Environment Programme Finance Initiative and is the banking element of the Glasgow Financial Alliance for Net Zero, chaired by Mark Carney, UN Special Envoy on Climate Action and Finance ahead of COP 26. Representing more than a third of global banking assets, with over 84 members from 36 countries and \$64 trillion in total assets (as of October 2021), the Alliance is a critical step in the mobilisation of the financial sector for climate. It recognises the vital role of banks in supporting the global transition of the real economy to net-zero emissions, encompassing both operational and attributable emissions, including Scope 3 emissions.

## Part E - Information on risks and hedging policies

UniCredit has coherently started to investigate the key pre-requisites necessary to navigate through all phases along the process to Net Zero, firstly focusing on mapping the areas/sectors to be considered in the perimeter and highlighting the emissions baseline, in order to define which type of target best serves the scientific robustness of its commitment.

The Group has set up a dedicated task force, led by Group Strategy & ESG and Risk functions, with the aim to coordinate the task at Group Level bringing together all the relevant skills and competencies. The Group looks forward to engaging with its clients to support them in their transition plans and accelerate action on climate.

Consistently with its fundamentals the Group has set a series of ESG objective relating to both its operations and its business practices.

With reference to its operation the Group:

- has cut its greenhouse gas emissions by more than half since 2008 and its on track to achieve Net Zero by 2030.
- The Group is raising awareness on this fundamental goal among its employees, for example by organizing a dedicated workshop on Net Zero on own emissions, involving Group Real Estate and Group Strategy & ESG. This represented a special appointment for employees to get relevant information and insights on how to contribute, all together, to achieve the Net Zero goal, for the Group and for the planet.
- procures most of the electricity in the bank's buildings from renewable sources (100% in Italy and Germany, Austria close to reach the same level);
- will be plastic free by 2022 through incentivizing the use of metal drinking bottles across the Group and disincentivizing the use of plastic bottles;
- continues reducing the use of paper. Almost all of the copy paper used groupwide holds an environmental label with prevalence of copy paper used groupwide is Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified.

With reference to its business practice UniCredit has committed to reach ESG volumes of €150 billion over its Multi Year Plan horizon (2022-2024) through expanding:

- environmental lending: €25 billion new origination;
- ESG investment products: €65 billion Asset under Management conversion to ESG investments;
- Sustainable bonds: €50 billion in Debt Capital Market;
- Social Lending: €10 billion new origination.

In order to achieve its objectives, the Group:

- is partnering with customers in the shift to a low carbon economy;
- is assessing its portfolio exposure to climate risk through projects like the Paris Agreement on Capital Transition Assessment (PACTA) in partnership with 2 degrees investments initiative<sup>50</sup>;
- has developed a dedicated framework of policies for those sectors relevant to UniCredit that present significant environmental and social risks. These policies are regularly reviewed in order to keep the framework up-to-date: Coal Sector and Oil & Gas Sector policies were updated in 2021, while the Free-Tobacco Finance Pledge was signed at the beginning of 2022<sup>51</sup>. Further, specific policies which contribute to human rights topics have been put in place, such as the Code of Conduct, the Anti-Bribery and Anti-Corruption Global Policy, the Anti-Bribery and Anti-Corruption Global Operational Regulation, the Whistleblowing Policy and the Anti-Money Laundering (AML) and Countering of Terrorist Financing (CTF) Policy, guided by the Commitment to Human Rights.

UniCredit discloses a separate document dedicated to climate change and aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. The new TCFD report related to 2021 will be issued in the second half of 2022.

### Group ESG Governance

In order to reach the objective of further embedding ESG criteria in the Group strategy, UniCredit's sustainability governance has undergone a profound evolution over the past years. The changes concern both the Board and the managerial levels of its governance.

#### *UniCredit Board of Directors*

UniCredit **Board of Directors** defines the overall strategy of the Bank, which incorporates the Group's ESG Strategy, and oversees its implementation over time.

"Sustainability" is one of the core competencies recommended to identify the qualitative and quantitative Board of Directors' profile: 77% of the current Board Members have Sustainability expertise.

The Board approves the bank's Risk Appetite Framework (RAF) which establishes the desired risk profile vis-à-vis its short and long-term strategic objectives and business plan. For monitoring purposes, dedicated Climate Risk KPIs already included in the 2022 RAF.

<sup>50</sup> The 2° Investing Initiative (2DI) is an international, non-profit think tank working to align financial markets with the Paris Agreement goals. Refer to 2020 TCFD Report published on UniCredit official website for more information.

<sup>51</sup> In more details the Group has issued policies and commitments on the following matters: Oil and Gas, Defense/Weapons, Coal Sector, Mining, Nuclear Energy, Water infrastructure, Human rights, Modern Slavery and Rainforest. For additional information refer to Sustainability governance on UniCredit official website.

## Part E - Information on risks and hedging policies

The **Internal Controls & Risks Committee (IC&RC)** supports the Board of Directors in risk management and control-related issues: in defining and approving strategic guidelines and risk management policies with specific reference to risk appetite and risk tolerance as well as in verifying that risk strategies, management policies and the Risk Appetite Framework (RAF) are correctly implemented.

The **ESG Committee**, established in April 2021, supports the Board of Directors in fulfilling its responsibilities with respect to the ESG components integral to the Group's business strategy and sustainability over time. It also provides support and opinions to the other Board Committees so as to ensure Group policies are aligned with UniCredit's ESG principles and objectives.

The Committee oversees the ESG and sustainability-related developments, including international guidelines and principles and market developments, monitoring the positioning of the Group with respect to national and international best practices in the ESG field, and the preparation of the annual Integrated Report, as well as that of the TCFD (Task force on Climate-related Financial Disclosures) Report, in addition to any further specific disclosure obligations.

### *Management role*

At management level, dedicated committees and specialised functions ensure the execution of the Group strategy, correctly managing climate-related risks in the line with the agreed RAF while taking advantage of the business opportunities arising from the transition to a low-carbon economy. These functions are:

- the **Group Executive Committee (GEC)** is the Group's most senior executive committee, chaired by the CEO, and ensures the effective steering, coordination and control of the Group business as well as the alignment of the parent Company with the different businesses and geographies regarding strategic topics, such as ESG issues. In dedicated Risk sessions, it supports the CEO in coordinating and monitoring all categories of risks and approves strategic risk topics, including ESG-related matters;
- a subgroup of the GEC members and other top managers forms a dedicated **ESG Strategy Council**, which provides oversight and strategic guidance across the Group on the definition and implementation of the Group's ESG strategy;
- the **Group Non-Financial Risks and Controls Committee (GNFRCC)** supports the CEO in the role of steering and monitoring Non Financial Risks.
- The **Group Strategy & ESG and Group Stakeholder Engagement** functions together serve as a **CEO Office**, dealing with all initiatives which are critical for the CEO, such as strategy, M&A, the further integration of ESG criteria in our business, stakeholder management, and regulatory affairs.
- The **Group ESG** structure, part of Group Strategy & ESG, makes proposals towards the definition of the Group's ESG strategy to the ESG Strategy Council and the ESG Committee, and reports its status of accomplishment. It is also tasked with disclosing the Group's ESG impacts and results, and with overseeing the adoption of relevant policies and standards.
- The **Group Risk Management** function supports the CEO in defining the Group Risk Appetite proposal, to be shared with the Group Executive Committee (GEC) and Internal Controls & Risks Committee and submitted for approval to the Board of Directors. It includes the Group Climate & Environmental Risk Management function which oversees climate-related and environmental risks defining assessment methodologies aimed at measuring the impacts related to climate change and environmental risks.
- The **Sustainable Finance Advisory Team** (part of Group Clients Solutions) facilitates clients' access to Europe's sustainable financing market, combining sustainability expertise with capital markets capabilities.

Finally in order to support customers in seizing opportunities deriving from the ecological transition, in all the major countries in which the Group operate dedicated teams in charge of developing and offering new ESG related products and services for corporates and individuals in line with Group's targets and ambitions have been set up.

### **UniCredit Climate & Environmental Risk Management**

UniCredit has set up a long-term sustainability strategy and embedding Climate & Environmental (C&E) factors in its risk framework. It remains committed to assess and manage climate and environmental risk in order to achieve three main objectives:

- meeting regulatory expectations on banks business strategy and risk management processes;
- mitigating climate-related and environmental risks;
- identifying potential opportunities for financing the climate and environmental transition.

From 2020, the Group risk management approach was further strengthened along the lines described below with a specific focus on climate related Risks. A Group-wide climate risk management framework was set up to manage and supervise processes related to climate and environmental risks, as well as UniCredit's approach to sensitive sectors.

### *Transition risk model*

One of the initiatives put in place in order to promote the shift of its customers to a low-carbon business model was the submission of a Climate & Environmental (C&E) Risk Assessment Questionnaire to Group's corporate customers to assess their strategy and targets towards the transition pathway.

## Part E - Information on risks and hedging policies

Moreover, the Group is following the European Central Bank Guide on climate-related and environmental risks in order to integrate these risks in Group's business model and strategy, governance and into the overall risk management framework, for example on risk appetite and credit risk strategies and assessing climate and environmental risk along at all stages of the credit-grant process and monitoring this risk in credit portfolio. The Group is simultaneously always keen to seize those opportunities to finance the transition of its counterparties by assessing those industries that require higher investments to meet climate change goals set out in the EU Green Deal roadmap.

In order to embed climate-related and environmental risks and potential opportunities of the transition in its credit assessment process, a dedicated methodology have been developed and a related process designed.

This methodological approach comprises several steps:

- filling in of the above-mentioned questionnaire for corporates operating in both carbon and non-carbon intensive industries in line with regulatory expectations and assessing counterparties along a set of qualitative and quantitative indicators both current and forward-looking;
- generation of a Climate & Environmental (C&E) Risk Scorecard summarising the main KPIs and identifying the counterparty's positioning in one of the four risk areas (low, medium-low, medium-high, high) of the Transition Assessment matrix;
- the inclusion of the environmental scoring in the credit valuation process.

Customers highly exposed to Transition Risk are attentively assessed during credit approval discussion in Group Credit Committees, although no automatic decision based of questionnaire results is currently in place. For additional details refer to the Integrated Report 2021 published on UniCredit website (<https://www.unicreditgroup.eu>). In 2022 the perimeter of the C&E Questionnaire assessment methodology was further broadened including those counterparties subject to Local Credit Committees.

In addition to C&E Questionnaire, the Group applies PACTA methodology which allows financial institutions to measure the alignment of their lending portfolio against a set of climate scenarios which imply several levels of ambition measured to limit the increase in global temperature. The methodology covers six industries, representing approximately 80% of global emissions (data refers to June 2021 portfolio and considers Credit Limit as a key metric). An analysis of the alignment results and of the production and technology mixture details available assists UniCredit in further enhancing engagement with customers thus improving support in their transition. For additional details refer to the Integrated Report 2021 published on UniCredit website (<https://www.unicreditgroup.eu>).

### *Credit risk*

As far as Transition risk is concerned Group Risk management leverages on the already mentioned C&E Questionnaire and PACTA assessment to evaluate the effect of climate risk within credit risk framework at both single counterparty level (C&E Questionnaire) and portfolio level (PACTA). Regarding physical risk, both chronic and acute ones might affect credit risk through a modification of collaterals and counterparties' physical assets, e.g. production sites, thus eroding the value of related assets or the capacity of the borrower to meet its obligation to the Group.

From a methodological stand-point the assessment of Physical risk has been internally developed firstly focusing on assessing collaterals potential damage caused by climate related physical risk events across all the Bank's geographies.

Such methodologies and relevant strategies are properly embedded within existing processes and procedures of the Group i.e. Risk Appetite Framework (dedicated climate risk KPIs introduced for monitoring purposes), Credit Risk Strategies and Lending policies (e.g., Oil&Gas and Coal policies).

An important step ahead on setting up a climate resilient risk management framework is the completion, early in 2022, of ECB Climate Stress Test exercise and the definition of the related methodology framework to be completed by the end of the year.

Moreover, during 2022, it is foreseen the introduction into credit risk models, for Multinational Corporate customers (ECB approval already received), of the override reason related to climate related to high climate transition risk that could lead to a clear change of the corporate's risk profile.

### *Financial Risk*

Climate and Environmental risk drivers are being progressively integrated within existing Financial Risk management framework.

As far as Transition Risk is concerned, the exposures towards Climate sensitive sectors, as well as the results of dedicated Stress test scenarios for Market Risk, are regularly monitored and reported to senior management.

Additional steps ahead in the methodological approach are planned across 2022 and 2023, including, among the others, further integration within the Market Risk Strategies and the extension of the monitoring framework to capture Physical Risk drivers

### *Non Financial Risk*

Climate impact on operational risks is also taken into account, mainly in relation to data center operations and business continuity plans. In recent years a great effort has been made to reduce the energy consumption of data centers and to strengthen the resilience to different sources of potential adverse events, chiefly cybercrime, by preventing data leakage and ensuring business continuity.



## Part E - Information on risks and hedging policies

Data centers are built with reinforced redundancy and in areas not subject to extreme events, therefore representing a very low risk even if high security standard controls are required. Group's business continuity programme groups potential acute, climate-related, physical events under natural disasters, implying an integrated approach from infrastructure design to emergency management.

As facility construction is not a frequent activity, the related risk analysis does not follow the yearly assessment process.

The Group is currently beginning to assess implications for its portfolio resulting from customers' physical risks.

As a financial institution, the Group is not directly affected by physical change in weather patterns or other chronic, climate-related, environmental changes.

### 5. Cyber security risk

Along with the continuous digitalization 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, threat even more worthy of attention with recent conflict between Russia and Ukraine. 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.

### 6. Developments in the regulatory framework

Over the last few years, the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity has further increased following the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system.

All these changes might significantly affect 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 3 standards. In particular the implementation date of the Basel 3 standards finalised in December 2017 and January 2019 (credit risk, operational risk, output floor and market risk) has been deferred by one year to 1 January 2023;
- the EU Commission, published on 27 October 2021 the Banking Package 2021, which includes the proposals for the final implementation of Basel 3 in the European Union through a legislative package (i.e. the Banking Package) introducing amendments to Capital Requirements Regulation 2013/575/EU (CRR), to the Directive 2013/36/EU (Capital Requirements Directive), and also a proposal to amend the Capital Requirements Regulation in the area of resolution (the so-called "daisy chain" proposal). Differently from the Basel Committee, the Commission's proposal provides for a date of entry in force of the reforms starting from 1 January 2025. The proposal shows that the Commission has taken into account some important European specificities that might mitigate the impact on the sector. In addition to the implementation of the Basel standards, part of the legislative package also aims to strengthen the resilience of the banking sector to environmental, social and governance (ESG) risks. The proposal is now being examined by the European Parliament and the Council (27 Member States), which, respectively, will work on possible changes before agreeing on a common text (so-called Trilogue phase with the mediation of the Commission). The approval of the final text and the publication in the Official Journal will conclude the legislative process;
- 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;



## Part E - Information on risks and hedging policies

- 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. The Guidelines 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;
- 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 3 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 in June 2019 and applied since 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-SIBs; "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 2022;

## Part E - Information on risks and hedging policies

- the ECB has announced that it will conduct the Stress Test exercise planned for 2022 exclusively regarding Climate Risks, with the aim of evaluating the exposure of the Euro Area financial sector to natural disasters (floods or episodes of intense drought and heat) and to a faster-than-expected ecological transition (e.g. rapid increase in the price of CO<sub>2</sub> from 2022). The results of the Stress Test will be integrated into the 2022 Supervisory Review and Evaluation Process (SREP) letter as a qualitative evaluation and will not have quantitative impact on the P2R;
- the European Commission in the proposal for amendments to the Regulation on Capital Requirements 2013/575/EU (CRR) published in the Banking Package 2021 has brought forward to 2023 the deadline by which the EBA must deliver its report on the prudential treatment of ESG exposures;
- On 24 January 2022, the European Banking Authority (EBA) published its final draft standards on Pillar 3 requiring large credit institutions with securities traded on any regulated market of an EU Member State to disclose information on Environmental, Social and Governance (ESG) risks. The rules aim to ensure comparable quantitative disclosures on climate change risks, including transition and physical risks, as well as qualitative disclosure regarding the inclusion of ESG factors into banks' governance and business strategies and foreseen a phase-in period for disclosing information as follows: i) from January 2024 for the exposures towards EU counterparties and households on Taxonomy-aligned activities that are contributing to environmental objectives (Green Asset Ratio), while from June 2024 for exposures towards non-EU counterparties and SMEs (Banking Book Taxonomy Alignment Ratio); ii) and on disclosure on Scope 3 emissions (financed greenhouse gas emissions associated with banks' investment and lending activities to counterparties). Additionally, EBA confirmed that the information is to be provided on "a best effort basis" and the use of estimates is allowed in the absence of specific information from counterparties. The EBA asks banks quantitative disclosures of: i) exposures towards sectors that highly contribute to climate change; ii) climate change physical risks, including of exposures towards sectors and geographies subject to extreme climate change events; and iii) the Green Asset Ratio (GAR), defined as the proportion of the credit institutions' exposures invested in taxonomy-aligned economic activities versus total balance sheet exposure. On the qualitative side, the EBA asks banks to show how they are embedding sustainability considerations in the risk management, business models, strategy and their pathway towards the Paris agreement goals.

## 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 following the so called "Pillar 2" approach that requires banks to implement internal processes and systems to determine the level of capital adequate to face any type of risk, not limited to those provided by the capital requirements ("Pillar 1") rules, then it is defined as internal capital; if it is measured through "Pillar 1" regulatory provisions covering Credit, Market and Operative risks' capital requirements, then it is defined as regulatory capital.

Internal capital and regulatory capital differences are not limited to the categories of risk covered. In fact, the former directly quantifies the amount of capital to cover adverse events with a high level of probability, while regulatory capital is quantified applying to RWEA the CET1 ratio target defined within the Risk Appetite setting process. Set consistently with Group risk appetite, CET1 ratio target considers supervisory expectations, the foreseen evolution of the regulatory frameworks, how the Group compares to other main European Banking Groups and factorizes chosen business strategies. Capital allocated to Business Segment is quantified by regulatory capital.

UniCredit group has identified a Common Equity Tier 1 Ratio target between 12.5%-13%, as announced during the "UniCredit Unlocked" Strategy Day held in Milan, 9 December 2021 (<https://www.unicreditgroup.eu/en/strategy.html>).

In addition to target setting, capital management activities encompass the definition of the capital plan and the monitoring of Pillar 1 capital ratios (Common Equity Tier 1, Tier 1, Total Capital, TLAC, MREL, RWA) and available internal capital (Pillar 2 definition).

Capital management activities aim at identifying dynamically 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 considering all relevant aspects as, among others, regulatory rules, accounting principles, financial and market situation, tax-related considerations, risk management assessments and with respect to the changing regulations affecting these aspects. In this way, all the necessary assessments are performed, and instructions provided to Group areas or companies asked to perform the required 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<sup>52</sup>;
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "Key management personnel";
- close family members of "key management personnel" and companies controlled (or jointly controlled) by key management personnel or their close family members;
- UniCredit group employee post-employment benefit plans.

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](http://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 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 2022 transactions carried out with related parties reported in the data streams provided by the reference standards, were executed and carried out based on assessments of the economic convenience and interests of the Group.

<sup>52</sup> 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

	AMOUNTS AS AT 06.30.2022							(€ million)	
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	% ON SHAREHOLDERS <sup>(*)</sup>	% ON ACCOUNTS ITEM
Cash and cash balances	-	-	18	-	-	18	0.01%	5	0.00%
Financial assets at fair value through profit or loss	-	-	95	-	-	95	0.11%	469	0.55%
a) Financial assets held for trading	-	-	20	-	-	20	0.03%	225	0.30%
c) Other financial assets mandatorily at fair value	-	-	75	-	-	75	0.77%	244	2.51%
Financial assets at fair value through other comprehensive income	-	-	113	-	-	113	0.18%	-	-
Financial assets at amortised cost	37	16	989	-	-	1,042	0.16%	1	-
a) Loans and advances to banks	4	-	131	-	-	135	0.12%	-	-
b) Loans and advances to customers	33	16	858	-	-	907	0.17%	1	-
Non-current assets and disposal groups classified as held for sale	-	-	13	-	-	13	1.62%	-	-
Other assets	8	-	79	-	-	87	1.09%	-	-
<b>Total assets<sup>(**)</sup></b>	<b>45</b>	<b>16</b>	<b>1,307</b>	<b>-</b>	<b>-</b>	<b>1,368</b>	<b>0.15%</b>	<b>475</b>	<b>0.05%</b>
Financial liabilities at amortised cost	69	1	7,363	7	20	7,460	0.93%	1,232	0.15%
a) Deposits from banks	-	-	5,817	-	-	5,817	3.20%	40	0.02%
b) Deposits from customers	69	1	1,546	7	20	1,643	0.31%	227	0.04%
c) Debt securities in issue	-	-	-	-	-	-	-	965	1.12%
Financial liabilities held for trading and designated at fair value	-	-	40	-	-	40	0.06%	-	-
Hedging derivatives (liabilities)	-	-	-	-	-	-	-	2	0.06%
Other liabilities	17	-	33	-	-	50	0.24%	2	0.01%
<b>Total liabilities<sup>(**)</sup></b>	<b>86</b>	<b>1</b>	<b>7,436</b>	<b>7</b>	<b>20</b>	<b>7,550</b>	<b>0.85%</b>	<b>1,236</b>	<b>0.14%</b>
Guarantees given and commitments <sup>(***)</sup>	15	-	1,579	-	-	1,594	-	7	-

#### Notes:

(\*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.

(\*\*) The "Total assets" and "Total liabilities" values refer only to the items shown in this table.

(\*\*\*) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

## Part H - Related-party transactions

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

### Related-party transactions: profit and loss items

AMOUNTS AS AT 06.30.2022								(€ million)	
	CONTROLLED NOT CONSOLIDATED ENTITIES	JOINT VENTURES	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS <sup>(*)</sup>	% ON ACCOUNTS ITEM
10. Interest income and similar revenues	1	-	10	-	-	11	0.16%	-	-
20. Interest expenses and similar charges	-	-	(13)	-	-	(13)	0.60%	(21)	0.97%
<b>30. Net interest margin</b>	<b>1</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>0.04%</b>	<b>(21)</b>	<b>0.44%</b>
40. Fees and commissions income	1	-	447	-	-	448	10.78%	23	0.55%
50. Fees and commissions expenses	-	-	(2)	-	-	(2)	0.30%	-	-
<b>60. Net fees and commissions</b>	<b>1</b>	<b>-</b>	<b>445</b>	<b>-</b>	<b>-</b>	<b>446</b>	<b>12.82%</b>	<b>23</b>	<b>0.66%</b>
70. Dividend income and similar revenues	1	-	-	-	-	1	0.32%	27	8.60%
190. Administrative expenses	(5)	-	(206)	-	(6)	(217)	4.20%	-	-
a) Staff costs	(1)	-	2	-	(5)	(4)	0.14%	-	-
b) Other administrative expenses	(4)	-	(208)	-	(1)	(213)	9.43%	-	-
230. Other operating expenses/income	1	-	(17)	-	-	(16)	5.30%	(3)	0.99%

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.

It should be noted that as at 30 June 2022 IAS24 Related Parties based in Russia, or controlled by Russian entities, are not subject to international sanctions.

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 extension 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:
  - CNP Vita Assicura S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - UniCredit Allianz Assicurazioni S.p.A.;
  - UniCredit Allianz Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit S.p.A. employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

## Part L - Segment reporting

### Organisational structure

The organizational structure of the Group is divided into geographical areas as follows:

- Italy;
- Germany;
- Central Europe (including Austria, Czech Republic and Slovakia, Hungary, Slovenia);
- Eastern Europe (including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia).
- Russia.

Starting from the first quarter of 2022, the Group's organizational structure has been updated by isolating activities in Russia and cross-border exposure booked in UniCredit Spa towards this country in a specific segment of Segment Reporting.

In addition to Russia, also Central Europe and Eastern Europe includes cross-border exposure booked in UniCredit Spa.

This organization ensures Country and local Banks autonomy on specific activities granting proximity to the customers (for all client segment, Retail and Corporate) and efficient decisional processes.

All standalone geographies of the Group have dedicated support functions such as: People and Culture, Finance, Digital & Information Office, and Operations. In addition, Compliance, Legal and Risk have established specific regional departments.

Alongside the new five geographical areas there are:

- Group Corporate Centre with the objective 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; it also includes the Group's Legal Entities that are going to be dismissed;
- Non Core, including non-strategic Italian assets and those with a poor fit to the Group's risk-adjusted return framework; it is reported till full year 2021, date of its complete runoff.

The Segment Reporting has been re-shaped according to the Group organization.



## Part L - Segment reporting

## A - Primary segment

## Segment reporting 2022

## A.1 - Breakdown by business segment: income statement

(€ million)

	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2022
Net interest	1,821	1,274	951	585	292	(138)	-	4,784
Dividends	73	2	68	5	7	18	-	173
Fees	2,201	643	479	241	38	(33)	-	3,568
Trading income	341	564	116	91	287	(49)	-	1,349
Other expenses/income	(30)	68	13	12	(76)	(66)	-	(78)
<b>Revenue</b>	<b>4,406</b>	<b>2,551</b>	<b>1,627</b>	<b>933</b>	<b>548</b>	<b>(269)</b>	-	<b>9,796</b>
HR costs	(1,153)	(685)	(406)	(205)	(66)	(383)	-	(2,896)
Non HR costs	(875)	(551)	(357)	(144)	(39)	474	-	(1,491)
Recovery of expenses	196	7	23	-	-	26	-	251
Amortisations and depreciations	(153)	(52)	(60)	(48)	(20)	(233)	-	(565)
<b>Operating Costs</b>	<b>(1,985)</b>	<b>(1,281)</b>	<b>(799)</b>	<b>(396)</b>	<b>(124)</b>	<b>(116)</b>	-	<b>(4,702)</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>2,422</b>	<b>1,270</b>	<b>828</b>	<b>536</b>	<b>423</b>	<b>(385)</b>	-	<b>5,094</b>
Loan loss provisions (LLPs)	(29)	(29)	14	(82)	(1,121)	(34)	-	(1,281)
<b>OPERATING NET PROFIT</b>	<b>2,392</b>	<b>1,241</b>	<b>842</b>	<b>454</b>	<b>(697)</b>	<b>(419)</b>	-	<b>3,813</b>
Other charges and provisions	(244)	(258)	(178)	(57)	(14)	82	-	(669)
Integration costs	2	(9)	6	-	(4)	7	-	1
Net income from investments	8	8	(3)	14	(57)	(3)	-	(33)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,158</b>	<b>982</b>	<b>667</b>	<b>411</b>	<b>(772)</b>	<b>(334)</b>	-	<b>3,112</b>

## A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2022
CUSTOMERS LOANS (NET REPOS AND IC)	172,170	130,690	93,088	30,931	10,764	295	-	437,939
CUSTOMERS DEPOS (NET REPOS AND IC)	195,615	148,463	91,334	39,964	13,063	(13)	-	488,426
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>128,228</b>	<b>78,219</b>	<b>59,057</b>	<b>28,263</b>	<b>18,295</b>	<b>4,669</b>	-	<b>316,731</b>

## A.3 - Staff

	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2022
<b>STAFF</b>								
Employees (FTE)	28,108	10,769	10,233	13,737	3,896	9,928	-	76,671

## Part L - Segment reporting

## Segment reporting 2021

## A.1 - Breakdown by business segment: income statement

(€ million)

	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2021
Net interest	1,863	1,163	772	554	212	(183)	(19)	4,362
Dividends	72	10	71	2	8	73	-	237
Fees	2,120	601	451	215	32	(14)	2	3,407
Trading income	250	435	161	120	22	43	(12)	1,019
Other expenses/income	26	41	21	12	-	(61)	1	39
<b>Revenue</b>	<b>4,332</b>	<b>2,251</b>	<b>1,475</b>	<b>902</b>	<b>273</b>	<b>(143)</b>	<b>(27)</b>	<b>9,063</b>
HR costs	(1,178)	(721)	(408)	(200)	(60)	(377)	(10)	(2,954)
Non HR costs	(884)	(600)	(359)	(133)	(33)	442	(35)	(1,603)
Recovery of expenses	207	7	21	-	-	25	4	264
Amortisations and depreciations	(159)	(54)	(62)	(47)	(21)	(219)	(0)	(561)
<b>Operating Costs</b>	<b>(2,014)</b>	<b>(1,368)</b>	<b>(807)</b>	<b>(380)</b>	<b>(114)</b>	<b>(129)</b>	<b>(41)</b>	<b>(4,854)</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>2,317</b>	<b>883</b>	<b>668</b>	<b>522</b>	<b>159</b>	<b>(272)</b>	<b>(68)</b>	<b>4,209</b>
Loan loss provisions (LLPs)	(472)	29	(69)	(94)	4	6	69	(527)
<b>OPERATING NET PROFIT</b>	<b>1,845</b>	<b>912</b>	<b>599</b>	<b>428</b>	<b>163</b>	<b>(266)</b>	<b>1</b>	<b>3,682</b>
Other charges and provisions	(346)	(312)	(148)	(60)	(10)	(7)	(33)	(916)
Integration costs	(3)	(1)	-	-	-	(3)	-	(7)
Net income from investments	28	11	21	8	-	(258)	10	(181)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,524</b>	<b>610</b>	<b>472</b>	<b>376</b>	<b>152</b>	<b>(534)</b>	<b>(22)</b>	<b>2,578</b>

## A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2021
<b>BALANCE SHEET AMOUNTS</b>								
CUSTOMERS LOANS (NET REPOS AND IC)	169,704	127,316	92,534	28,840	11,845	318	194	430,750
CUSTOMERS DEPOS (NET REPOS AND IC)	202,558	131,756	92,962	38,741	10,483	(14)	460	476,945
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	135,729	82,516	61,027	25,394	11,516	5,451	361	321,992

## A.3 - Staff

	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2021
<b>STAFF</b>								
Employees (FTE)	28,580	11,282	10,739	13,889	3,913	10,085	85	78,571



## 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 2022.

2. The adequacy of administrative and accounting procedures employed to draw up the 2022 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 2022 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, 26 July 2022

Andrea ORCEL



Stefano PORRO







KPMG S.p.A.  
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**(This report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

## **Report on review of condensed interim consolidated financial statements**

*To the shareholders of  
UniCredit S.p.A.*

### **Introduction**

We have reviewed the accompanying condensed interim consolidated financial statements of the UniCredit Group, comprising the statement of financial position as at 30 June 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

### **Scope of the review**

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, 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 on the condensed interim consolidated financial statements.



**UniCredit Group**

*Report on review of condensed interim consolidated financial statements  
30 June 2022*

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the UniCredit Group as at and for the six months ended 30 June 2022 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

## **Comparative figures**

Without modifying our conclusion, we draw attention to that disclosed by the directors in the “Reclassification of UniCredit Leasing S.p.A. and UniCredit Leasing GmbH from non-current assets held for sale” note of Part A, Section 5 of the condensed interim consolidated financial statements. Such note explains the criteria for the restatement of certain 2021 comparative figures compared to the figures presented in the consolidated financial statements at 31 December 2021, following the discontinuance of the process for the disposal of the two subsidiaries. We checked the methods used to restate the prior year comparative figures and related disclosures included in the notes for the purposes of preparing this report.

The 2021 annual and condensed interim consolidated financial statements were respectively audited and reviewed by other auditors, who expressed an unmodified opinion and an unmodified conclusion thereon on 11 March 2022 and 5 August 2021, respectively.

Milan, 4 August 2022

KPMG S.p.A.

(signed on the original)

Mario Corti  
Director







# 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)		
ASSETS	AMOUNTS AS AT	
	06.30.2022	12.31.2021
Cash and cash balances	122,114	107,407
Item 10. Cash and cash balances	122,114	107,407
Financial assets held for trading	74,668	80,109
Item 20. Financial assets at fair value through profit or loss: a) Financial assets held for trading	74,668	80,109
Loans to banks	97,973	82,939
Item 40. Financial assets at amortised cost: a) Loans and advances to banks	109,935	91,404
less: Reclassification of debt securities in Other financial assets	(12,011)	(8,520)
less: Reclassification of leasing assets IFRS16 in Other financial assets	(2)	(2)
+ Reclassification of loans from Other financial assets - Item 20 c)	51	57
Loans to customers	461,909	448,989
Item 40. Financial assets at amortised cost: b) Loans and advances to customers	529,461	513,659
less: Reclassification of debt securities in Other financial assets	(69,412)	(66,464)
less: Reclassification of leasing assets IFRS16 in Other financial assets	(48)	(68)
+ Reclassification of loans from Other financial assets - Item 20 c)	1,909	1,862
Other financial assets	157,014	157,933
Item 20. Financial assets at fair value through profit or loss: b) Financial assets designated at fair value	290	279
Item 20. Financial assets at fair value through profit or loss: c) Other financial assets mandatorily at fair value	9,737	11,859
less: Reclassification of loans in Loans to banks	(51)	(57)
less: Reclassification of loans in Loans to customers	(1,909)	(1,862)
Item 30. Financial assets at fair value through other comprehensive income	63,460	68,586
Item 70. Equity investments	4,014	4,073
+ Reclassification of debt securities from Loans to banks - Item 40 a)	12,011	8,520
+ Reclassification of debt securities from Loans to customers - Item 40 b)	69,412	66,464
+ Reclassification of leasing assets IFRS16 from Loans to banks - Item 40 a)	2	2
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	48	68
Hedging instruments	(1,097)	4,665
Item 50. Hedging derivatives	2,650	3,065
Item 60. Changes in fair value of portfolio hedged items (+/-)	(3,747)	1,600
Property, plant and equipment	9,400	9,510
Item 90. Property, plant and equipment	9,400	9,510
Goodwill	-	-
Item 100. Intangible assets of which: goodwill	-	-
Other intangible assets	2,263	2,234
Item 100. Intangible assets net of goodwill	2,263	2,234
Tax assets	12,743	13,702
Item 110. Tax assets	12,743	13,702
Non-current assets and disposal groups classified as held for sale	802	2,400
Item 120. Non-current assets and disposal groups classified as held for sale	802	2,400
Other assets	7,967	7,339
Item 130. Other assets	7,967	7,339
<b>Total assets</b>	<b>945,756</b>	<b>917,227</b>

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

	AMOUNTS AS AT	
	06.30.2022	12.31.2021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from banks	181,872	163,506
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	181,883	163,515
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(11)	(10)
Deposits from customers	529,499	500,689
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	531,439	502,739
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(1,940)	(2,050)
Debt securities issued	85,982	95,898
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	85,982	95,898
Financial liabilities held for trading	53,882	51,608
Item 20. Financial liabilities held for trading	53,882	51,608
Other financial liabilities	11,368	11,618
Item 30. Financial liabilities designated at fair value	9,417	9,558
+ Reclassification of leasing liabilities IFRS16 from Deposits from banks	11	10
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	1,940	2,050
Hedging instruments	(10,496)	5,265
Item 40. Hedging derivatives	3,208	4,303
Item 50. Value adjustment of hedged financial liabilities (+/-)	(13,705)	963
Tax liabilities	1,533	1,224
Item 60. Tax liabilities	1,533	1,224
Liabilities included in disposal groups classified as held for sale	553	619
Item 70. Liabilities associated with assets classified as held for sale	553	619
Other liabilities	28,939	24,150
Item 80. Other liabilities	20,948	13,604
item 90. Provision for employee severance pay	406	520
Item 100. Provisions for risks and charges	7,586	10,028
Minorities	424	465
Item 190. Minority shareholders' equity (+/-)	424	465
Group shareholders' equity:	62,200	62,185
- Capital and reserves	59,915	60,089
Item 120. Valuation reserves	(3,245)	(4,337)
Item 140. Equity instruments	6,100	6,595
Item 150. Reserves	33,367	31,451
Item 160. Share premium	3,516	5,446
Item 170. Share capital	21,220	21,133
Item 180. Treasury shares (-)	(1,043)	(200)
- Group stated net profit (loss)	2,285	2,096
Item 200. Profit (Loss) for the period (+/-)	2,285	2,096
<b>Total liabilities and shareholders' equity</b>	<b>945,756</b>	<b>917,227</b>

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated income statement

(€ million)		
	H1	
	2022	2021
Net interest	4,784	4,362
Item 30. Net interest margin	4,822	4,421
less: Reclassification net Interest contribution deriving from Trading Book instruments	(16)	(12)
+ Interest on DBO/TFR/Jubilee (from Item 190)	(26)	(21)
+ Derivatives instruments - Economic Hedges - Others - Interest component	5	(27)
less: Purchase Price Allocation effect	-	1
Dividends	173	237
Item 70. Dividend income and similar revenues	314	200
less: Dividends from held for trading equity instruments included in Item 70	(227)	(147)
less: Dividends on equity investments, shares and equity instruments mandatorily at fair value	(60)	(35)
less: Recovery of expenses	(1)	-
Item 250. Gains (Losses) of equity investments - of which: Profit (Loss) of equity investments valued at equity	146	219
Fees	3,568	3,407
Item 60. Net fees and commissions	3,479	3,367
+ Non-recoverable expenses incurred for customers financial transactions taxes (from Item 190 b)	(6)	(6)
+ Structuring and mandate fees on issued or placed certificates by the Group (from Item 110)	44	40
+ Structuring and mandate fees on issued or placed certificates by the Group and connected derivatives (from Item 80)	52	5
Trading income	1,349	1,019
Item 80. Net gains (losses) on trading	53	948
less: Derivatives instruments - Economic Hedges - Others - Interest component	(5)	27
less: Structuring and mandate fees on issued or placed certificates by the Group and connected derivatives	(52)	(5)
less: Losses from close-out process on derivative instruments with Russian banks after 24 February 2022	94	-
Item 90. Net gains (losses) on hedge accounting	207	42
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	30	(3)
Item 100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income	62	125
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	496	(292)
less: Structuring and mandate fees on issued or placed certificates by the Group	(44)	(40)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities (from Item 100 a)	159	61
+ Dividends from held for trading equity instruments (from Item 70)	227	147
+ Dividends on equity investments, shares and equity instruments mandatorily at fair value (from Item 70)	60	35
+ Net results from trading of gold and precious metals (from Item 230)	44	(38)
+ Reclassification net Interest contribution deriving from Trading Book instruments	16	12
Other expenses/income	(78)	39
Item 230. Other operating expenses/income	300	291
less: Integration costs	2	1
less: Recovery of expenses	(251)	(264)
less: Net value adjustments/write-backs on leasehold improvements (on non-separable assets)	26	29
less: Net results from trading of gold, precious stones and metals	(44)	38
+ Result of industrial companies	4	(6)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	(76)	(4)
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	(49)	(49)
+ Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	8	3
<b>Revenue</b>	<b>9,796</b>	<b>9,063</b>

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)		
	H1	
	2022	2021
<b>Revenue</b>	<b>9,796</b>	<b>9,063</b>
HR costs	(2,896)	(2,954)
Item 190. Administrative expenses: a) staff costs	(2,913)	(2,977)
less: Integration costs	(9)	2
less: Interest on DBO/TFR/Jubilee	26	21
Non HR costs	(1,491)	(1,603)
Item 190. Administrative expenses: b) other administrative expenses	(2,259)	(2,326)
less: Administrative expenses: b) other administrative expenses of industrial companies	-	1
less: Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	782	744
less: Integration costs	4	1
less: Non-recoverable expenses incurred for customers financial transactions taxes	6	6
+ Net value adjustments/write-backs on leasehold improvements on non-separable assets (from Item 230)	(26)	(29)
Recovery of expenses	251	264
+ Recovery of expenses (from Item 230)	251	264
Amortisations and depreciations	(565)	(561)
Item 210. Net value adjustments/write-backs on property, plant and equipment	(369)	(383)
less: Reversal of impairment losses/write backs on property owned for investment	1	-
less: Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	1	4
less: Net value adjustments/write-backs of tangible in operating lease assets	49	49
less: Impairment/write backs of right of use of land and buildings used in the business	4	4
less: Integration costs	1	3
Item 220. Net value adjustments/write-backs on intangible assets	(256)	(237)
less: Integration costs	4	-
<b>Operating costs</b>	<b>(4,702)</b>	<b>(4,854)</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>5,094</b>	<b>4,209</b>
Loan Loss Provisions (LLPs)	(1,281)	(527)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	119	59
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	76	4
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	(159)	(61)
Item 130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost	(1,248)	(535)
less: Net losses/recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	38	(14)
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	(4)	-
Item 130. Net losses/recoveries on credit impairment relating to: b) Financial assets at fair value through other comprehensive income	(28)	2
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	28	(2)
Item 140. Gains/Losses from contractual changes with no cancellations	(5)	(1)
Item 200. Net provisions for risks and charges: a) commitments and financial guarantees given	(5)	20
less: Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS)	-	1
+ Losses from close-out process on derivative instruments with Russian banks after 24 February 2022 (from Item 80)	(94)	-
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,813</b>	<b>3,682</b>

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

	H1	
	2022	2021
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,813</b>	<b>3,682</b>
Other charges and provisions	(669)	(916)
Item 200. Net provisions for risks and charges: b) other net provisions	117	(161)
less: Integration costs	(4)	-
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	(0)	(11)
+ Contributions to Resolution Funds (SRF), Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA (from Item 190 b)	(782)	(744)
+ Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS) - (from Item 200)	-	(1)
Integration costs	1	(7)
+ Payroll costs - Administrative expenses - of which a) staff costs - integration costs (from Item 190)	9	(2)
+ Other administrative expenses - Administrative expenses - of which b) other administrative expenses - integration costs (from Item 190)	(4)	(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)	(1)	(3)
+ Amortisation, depreciation and impairment losses on intangible and tangible assets - Net value adjustments/write-backs on intangible assets - integration costs (from Item 220)	(4)	0
+ Other charges and provisions - Net provisions for risks and charges - integration costs (from Item 200)	4	-
+ Net other expenses/income - Other operating expenses/income - integration costs (from Item 230)	(2)	(1)
Net income from investments	(33)	(181)
Item 250. Gains (Losses) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity excluded IFRS5	10	(221)
Item 260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	16	19
Item 280. Gains (Losses) on disposals on investments	22	1
less: Gains (Losses) on disposals on investments in operating lease assets	(8)	(3)
less: Industrial companies	(5)	5
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	(38)	14
+ Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	(28)	2
+ Impairment losses/write backs on property owned for investment (from Item 210)	(1)	(0)
+ Impairment/writebacks of inventories assets (IAS2) obtained from recovery procedures of NPE	(1)	(4)
+ Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	4	11
+ Impairment/write backs of right of use of land and buildings used in the business	(4)	(4)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,112</b>	<b>2,578</b>
Income taxes	(807)	(646)
Item 300. Tax expenses (income) for the period from continuing operations	(807)	(645)
Profit (Loss) of discontinued operations	3	1
Item 320. Profit (Loss) after tax from discontinued operations	3	1
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,307</b>	<b>1,934</b>
Minorities	(23)	(12)
Item 340. Minority profit (loss) for the period	(23)	(12)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,285</b>	<b>1,922</b>
Purchase Price Allocation (PPA)	-	(1)
Goodwill impairment	-	-
Item 270. Goodwill Impairment	-	-
<b>GROUP STATED NET PROFIT (LOSS)</b>	<b>2,285</b>	<b>1,921</b>





# Glossary

ITEM	DESCRIPTION
<b>ABB Accelerated Bookbuild</b>	An accelerated bookbuild is a form of offering in the equity capital markets of material stake of a company's share to institutional investors.
<b>ABCP Conduits - Asset Backed Commercial Paper Conduits</b>	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. 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: <ul style="list-style-type: none"> <li>• issues of short-term paper creating a maturity mismatch between the assets held and the paper issued;</li> <li>• liquidity lines covering the maturity mismatch; and</li> <li>• security covering default risk in respect of both specific assets and the entire programme.</li> </ul>
<b>ABS - Asset Backed Securities</b>	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.
<b>AC</b>	Financial asset amortised at cost.
<b>Acquisition finance</b>	Finance for business acquisition operations. The most common form of Acquisition finance is the leveraged buy-out (see item "Leveraged finance").
<b>Allocated capital</b>	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).
<b>ALM - Asset &amp; Liability Management</b>	Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimise the risk/return ratio.
<b>AMA - Advanced Measurement Approach</b>	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.
<b>Asset management</b>	Activities of management of the financial investments of third parties.
<b>Audit</b>	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).
<b>Back-testing</b>	Statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.
<b>Bad Loans</b>	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).
<b>Bank Levy</b>	Charges applied at national level specifically to financial institutions, mainly based on balance sheet figures, or parts of it.
<b>Banking Book</b>	Portfolio that identifies the technical forms of lending and funding typical of the core business of the bank, including consumer and residential loans, investments in securities, deposits, etc.
<b>Basel 2</b>	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. <b>Pillar 1</b> 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; <b>Pillar 2</b> 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; <b>Pillar 3</b> 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.
<b>Basel 3</b>	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".
<b>Best practice</b>	Behavior commensurated with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

# Glossary

ITEM	DESCRIPTION
<b>BRRD -Bank Recovery and Resolution Directive</b>	European Directive that introduced harmonised rules on the recovery and resolution of credit institutions and investment firms.
<b>CBO - Collateralised Bond Obligations</b>	CDO - Collateralised Debt Obligations (see item) with bonds as underlyings.
<b>CDO - Collateralised Debt Obligations</b>	<p>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.</p> <p>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.</p> <p>These bonds may be further subdivided as follows:</p> <ul style="list-style-type: none"> <li>• CDOs of ABSs, which in turn have tranches of ABSs as underlyings;</li> <li>• Commercial Real Estate CDOs (CRE CDOs), with commercial property loans as underlyings;</li> <li>• 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;</li> <li>• 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;</li> <li>• Preferred Stock CDOs with hybrid debt/equity instruments or Preference shares (see item) issued by financial institutions;</li> <li>• 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.</li> </ul>
<b>CDS - Credit Default Swap</b>	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.
<b>CGU - Cash Generating Unit</b>	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.
<b>CIU - Collective Investment Undertakings</b>	Collective Investment Undertaking means an "UCITS - Undertakings for Collective Investment in Transferable Securities" (see item) 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.
<b>Commodity risk</b>	The risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.
<b>Common Equity Tier 1 Capital</b>	Refer to the content reported in the UniCredit Group Disclosure (Pillar III) in the Own Funds chapter.
<b>Common Equity Tier 1 Capital Ratio</b>	Refer to the content reported in the UniCredit Group Disclosure (Pillar III) in the Own Funds chapter.
<b>Corporate</b>	Customer segment consisting of medium to large businesses.
<b>Cost of risk</b>	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.
<b>Cost/Income Ratio</b>	The ratio between operating costs and revenue. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.
<b>Counterparty Credit Risk</b>	The risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.
<b>Covered bond</b>	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).
<b>CRD - Capital Requirement Directive</b>	<p>Directives (EU) 2006/48 and 2006/49, incorporated into Banca d'Italia Circular No.263/2006 of 27 December 2006 as amended.</p> <p>The CRDIV "Package" has replaced the two aforementioned Directives and consists of the Directive (EU) 2013/36 on the taking up of the business of credit institutions and prudential supervision and the Regulation (EU) 575/2013 on prudential requirements, incorporated into Banca d'Italia Circular No.285 of 17 December 2013 as amended.</p>
<b>CRD V</b>	Amendment to the CRD IV "Package".
<b>Credit Quality Step (or creditworthiness)</b>	Step, based on external ratings, used to assign risk weights under credit risk Standardised Approach.
<b>Credit risk</b>	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.
<b>Creditworthiness (or Credit quality step)</b>	See item "Credit quality step".
<b>CRM</b>	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.
<b>CRR - Capital Requirements Regulation</b>	Regulation (EU) 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) 648/2012.

# Glossary

ITEM	DESCRIPTION
<b>CRR2</b>	Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2") amending Regulation (EU) 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) 648/2012 (see also "CRR" definition).
<b>Currency risk</b>	The risk that the value of the instrument decreases due to foreign exchange rates changes.
<b>CVA - Credit Valuation Adjustment</b>	Adjustment to the valuation of a portfolio of transactions reflecting the market value of the counterparties' credit risk.
<b>Cyber security risk</b>	Cyber security risk is the probability of exposure or loss resulting from a cyber-attack or data breach on the organization.
<b>Daily VaR</b>	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.
<b>Default</b>	A party's declared inability to honor its debts and/or the payment of the associated interest.
<b>Duration</b>	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.
<b>EAD - Exposure At Default</b>	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.
<b>Earnings at risk</b>	The change in interest rates affects earnings by changing the net interest income and, depending on the accounting treatment of the individual balance sheet items, it can be reflected directly in equity, following the change in their market value.
<b>EBA - European Banking Authority</b>	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.
<b>ECB - European Central Bank</b>	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.
<b>Economic capital</b>	Level of capital required to a bank to cover losses in excess of those expected that could occur with a one-year horizon and a certain probability or confidence level.
<b>Economic value</b>	The change in interest rates impacts the theoretical economic value of assets, liabilities and off-balance sheet instruments, following the change in their current value.
<b>EL - Expected Losses</b>	Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).
<b>ELOR - Expected Losses on Revenues</b>	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.
<b>EPS - Earnings Per Share</b>	An indicator of a company's profitability calculated as: Net Profit divided by Average total outstanding shares (excluding treasury shares).
<b>Equity risk</b>	The risk that the value of the instrument decreases due to stock or index prices changes.
<b>ESG - Environmental, Social and Governance</b>	Refers to criteria used to measure the environmental, social and governance impact of the company and highlight the sustainability of its initiatives.
<b>ESMA - European Securities and Markets Authority</b>	Authority that works in the field of securities legislation and regulation to improve the functioning of financial markets in Europe.
<b>EVA - Economic Value Added</b>	EVA expresses the ability to create value in monetary terms and it is equal to the difference between the Net Profit (as defined below) and the cost of the allocated capital.
<b>Expected Shortfall</b>	Risk measure representing the expected loss of a portfolio or a counterparty calculated in the scenarios of loss exceeding the VaR.
<b>Factoring</b>	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.
<b>Fair value</b>	The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.

# Glossary

ITEM	DESCRIPTION
<b>FINREP</b>	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).
<b>FL - Forward looking</b>	IFRS9 adjustment that allows to reflect in the credit parameters the expectations about the future evolution of the economic cycle.
<b>Forbearance/Forborne exposures</b>	According to EBA Implementing Technical Standards, forbore 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").
<b>Forwards</b>	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.
<b>FRTB - Fundamental Review of Trading Book</b>	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 reform is often named as "Basel IV".
<b>FTE - Full Time Equivalent</b>	The number of a company's full-time employees. Part-time employees are considered on a pro-rata temporis basis.
<b>Full Revaluation Approach</b>	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.
<b>Funding</b>	Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.
<b>Futures</b>	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.
<b>FVtOCI</b>	Financial asset at Fair Value through Other Comprehensive Income.
<b>FVtPL</b>	Financial Assets at Fair Value through Profit and Loss.
<b>GAR - Green Asset Ratio</b>	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.
<b>GDP - Gross Domestic Product</b>	Total market value of the products and services produced by Country residents in a given time frame.
<b>GERMAS - Group Ermas</b>	Group platform used to compute Interest Rate Risk ("IRR") positions.
<b>GHOS - Governors and Heads of Supervision</b>	This is the oversight body of the Basel Committee on Banking Supervision.
<b>Goodwill</b>	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.
<b>GW BANKS</b>	IRB calculation model - Group Wide model Financial Institution & Banks.
<b>GW MNC</b>	IRB calculation model - Group Wide Multinational Corporate.
<b>Hedge Fund</b>	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.
<b>IAS/IFRS</b>	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 (Accounting principles issued by the Financial Accounting Statement Board - "FASB", generally accepted in the USA).
<b>ICAAP - Internal Capital Adequacy Assessment Process</b>	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.
<b>ILAAP - Internal Liquidity Adequacy Assessment Process</b>	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.
<b>ILC - Italian Large Corporate</b>	IRB calculation model - Italian Large Corporate.

# Glossary

ITEM	DESCRIPTION
<b>Impaired loans</b>	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).
<b>Impairment</b>	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.
<b>Interest rate risk - (IRR)</b>	Interest rate risk expresses the exposure to unfavorable changes in interest rates on the economic value of the equity and on the net interest income.
<b>Investor</b>	Any entity other than the Sponsor (see item) or Originator (see item) with exposure to a securitisation.
<b>IRB - Internal Rating Based</b>	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 Factor" 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.
<b>IRC - Incremental Risk Charge</b>	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.
<b>IRS - Interest Rate Swap</b>	See "Swap".
<b>Joint venture</b>	Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.
<b>Junior, Mezzanine and Senior exposures</b>	In a securitisation transaction, the exposures may be classified as follows: <ul style="list-style-type: none"> <li>• junior exposures are the last to be repaid, and consequently absorb the first loss produced by the securitisation transaction;</li> <li>• mezzanine exposures are those with medium repayment priority, between senior and junior;</li> <li>• senior exposures are the first to be repaid.</li> </ul>
<b>Ke</b>	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.
<b>KPI - Key Performance Indicators</b>	Set of indicators used to evaluate the performance of a business activity or process.
<b>LCR - Liquidity Coverage Ratio</b>	Ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period.
<b>Leasing</b>	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.
<b>Leverage ratio</b>	Is a measure which allows for the assessment of institutions' exposure to the risk of excessive leverage.
<b>Leveraged finance/Leveraged buy-out</b>	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.
<b>LGD - Loss Given Default</b>	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).
<b>Liquidity risk</b>	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).
<b>M - Maturity</b>	The average, for a given exposure, of the residual contractual maturities, each weighted for the relevant amount.
<b>Market risk</b>	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.
<b>MDA - Maximum Distributable Amount</b>	Maximum Distributable Amount, i.e. a limit to the distributable profits in order to preserve the Combined Buffer Requirement.
<b>MREL - Minimum requirement for eligible liabilities</b>	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.
<b>Net Profit</b>	Stated Net Profit adjusted for Additional Tier 1 (AT1), Cashes charges and impacts from Deferred Tax Assets from tax loss carry forward sustainability test



# Glossary

ITEM	DESCRIPTION
<b>NPE - Non-performing exposures</b>	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.
<b>Operational risk</b>	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.
<b>Option</b>	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).
<b>Originator</b>	The entity that originated the assets to be securitised or acquired them from others.
<b>OTC - Over The Counter</b>	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.
<b>PACTA - Paris Agreement Capital Transition Assessment</b>	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.
<b>Past Due</b>	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.
<b>Payout ratio</b>	It indicates the percentage of net income distributed or to be distributed to shareholders. The percentage distributed is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders. Based on the strategy for remunerating shareholders underlying UniCredit Unlocked strategic plan, it refers to stated (i.e. accounting) net income reduced by AT1 and CASHES coupons paid when it involves cash dividends or it refers to Organic Capital Generation (i.e. stated net profit plus capital equivalent of RWA changes in the period) when it involves all the remunerations to shareholders such as buyback of own shares (so called Shares Buy-back).
<b>PD - Probability of Default</b>	Probability of a counterparty entering into a situation of "default" (see item) within a time horizon of one year.
<b>PEPP - Pandemic Emergency Purchase Programme</b>	Massive new stimulus package from the ECB to support the eurozone economy as a response to the Covid-19 (coronavirus) crisis.
<b>PIT - Point in time</b>	Calibration type of the credit parameters on a horizon that considers the current economic situation.
<b>POCI - Purchased Originated Credit Impaired</b>	Credit exposures that are already impaired on initial recognition.
<b>Preference shares</b>	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.
<b>Private equity</b>	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.
<b>Purchase companies</b>	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.
<b>RAF - Risk Appetite Framework</b>	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.
<b>Rating</b>	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.
<b>Reputational risk</b>	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.
<b>Retail</b>	Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.
<b>RIC</b>	IRB calculation model - Integrated Corporate Rating.
<b>RIP</b>	IRB calculation model - Integrated Private Rating.
<b>RISB</b>	IRB calculation model - Rating Integrated Small Business (Small Business Integrate Rating).
<b>RNIME - Risk Not in the Model Engines</b>	Framework that provides an estimate on the completeness of the risk factors included in VaR, SVaR and IRC.



# Glossary

ITEM	DESCRIPTION
<b>ROA - Return On Assets</b>	Annualised ratio between Stated Net Profit/(Loss) of the year and Total Assets as per IFRS balance sheet.
<b>ROAC - Return On Allocated Capital</b>	Annualised ratio between the Net Profit (as defined above) 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 higher than Group's target.
<b>ROTE - Return on Tangible Equity</b>	Annualised ratio between the Net Profit and the average tangible equity excluding AT1, Cashes and Deferred Tax Assets from tax loss carry forward contribution
<b>RWEA - Risk Weighted Exposure Amount</b>	Risk Weighted Exposure Amount of on-balance sheet assets and off-balance sheet items (credit derivatives and guarantees) is calculated applying to all exposures, unless deducted from own funds, the risk weights in accordance with the CRR and based on the exposure class to which the exposure is assigned and its credit quality in order to define the capital requirements.
<b>SBBS - Sovereign bond-backed securities</b>	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.
<b>Securitisation</b>	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.
<b>Sensitivity</b>	The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.
<b>Sponsor</b>	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.
<b>SPV - Special Purpose Vehicle</b>	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 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.
<b>Stress Test</b>	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.
<b>Subprime (Residential Mortgages)</b>	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.
<b>SVaR - Stressed VaR</b>	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.
<b>Swap</b>	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.
<b>Tangible Equity</b>	Shareholders' equity (including consolidated profit of the period) less intangible assets (goodwill and other intangibles, including the ones in Discontinued operations), less AT1 component. Dividend pay-out is accounted for on a cash basis; dividend pay-out is accounted for on a cash basis.
<b>Tier 1 Capital</b>	Refer to the content reported in the UniCredit Group Disclosure (Pillar III) in the Own Funds chapter.
<b>Tier 1 Capital Ratio</b>	Refer to the content reported in the UniCredit Group Disclosure (Pillar III) in the Own Funds chapter.
<b>TLAC -Total Loss Absorbing Capacity</b>	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.
<b>TLTRO - Target Long Term Refinancing operations</b>	Target Long Term Refinancing operations. Non-regular open market operations conducted by the ECB. Operations that provide financing to credit institutions for periods of up to four years. They offer long-term funding at attractive conditions to credit institutions in order to further ease private sector credit conditions and stimulate bank lending to the real economy.
<b>Total Capital Ratio</b>	Refer to the content reported in the UniCredit Group Disclosure (Pillar III) in the Own Funds chapter.
<b>Total own funds</b>	Refer to the content reported in the UniCredit Group Disclosure (Pillar III) in the Own Funds chapter.

# Glossary

ITEM	DESCRIPTION
<b>TSR - Total Shareholder Return</b>	It is the full reward, in terms of capital gain and dividends, that a shareholder gets from holding one share.
<b>TTC - Through the cycle</b>	Calibration type of the credit parameters on a horizon that considers the entire economic cycle.
<b>UCITS - Undertakings for Collective Investment in Transferable Securities</b>	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.
<b>UGRM - UniCredit global Risk Monitor</b>	The pool of software applications, IT structure and database used by the Group for the financial risk analysis.
<b>Unlikely to Pay</b>	The classification in this category is the result of the judgment of the bank about the unlikelihood, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.
<b>VaR - Value at Risk</b>	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.
<b>Warehousing</b>	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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